

Solutions



Digital Finance: The Detecon Approach to the Realization of Digitization Strategies

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1 Growing Pressure on Companies from the Digitization of Business Models

Implementing an innovation always means as well stepping into uncharted territory and requires a certain willingness to take risks. Yet innovative actions also offer the chance to set yourself apart from your competitors on a free market and to extend your lead over them. Digitization plays a decisive role here and permanently changes the related business processes within companies. Failure to respond to the increasingly digitized environment puts entrepreneurs and their companies at risk of being left behind. In the worst case, the very existence of the company may be in peril.

2 Digitization in Finance: What Do New Business Models Mean for CFOs?

Today's CFOs access large quantities of data, in part unstructured, that are drawn from customer and supplier systems. An essential element for making decisions is the ability to filter relevant information out of the masses of data from within and outside of the company so that options for action can be determined. The findings from the data lead in turn to the fine-tuning knobs for steering that make the company's own business model future-proof and position it on the market.

Current developments are evidence that the finance departments in companies are also going through a phase of adaptation. There is still enormous uncertainty about the direction developments will take – from both the technical and business perspectives. Furthermore, there is a need to clarify which approaches and solutions are suitable for fulfilling the demands specific to each company, whereby the high costs for IT solutions must also be taken into consideration. But what can be done to allay this uncertainty?

The Detecon Trend Radar and the Detecon Capability Map are two instruments that drive forward digital transformation and process automation in the finance and financial controlling sectors (F&C).

The Trend Radar plots current trends while providing support during the selection of the appropriate finance software solution. The Capability Map is an aid for the translation of business models and technology trends into company-specific capabilities and lays the foundation for the drafting of recommendations for action.



3 Recognizing, Assessing, and Exploiting Trends: Detecon Trend Radar and Future Work Force

In the current system landscape, especially in basic systems, data oriented to the past are collected and act as passive recording systems while the existing “pigeon-hole processing” and silo structures cause delays in making decisions. Moreover, the data fall under the responsibility of the relevant department and there are limits on how well they can be accessed despite their being part of a networked world. In future, greater use will be made of the benefits generated by a networked world in conjunction with future-oriented analyses for management when cross-system analyzing software solutions have been implemented.

The job profiles will also change permanently. Qualifications such as CFA (chartered financial analyst) or MBA (master of business administration) will continue to play an important role, but the skills of statisticians, data analysts, behavior researchers, and economists will gain significantly in importance.

The focus of the finance departments will be placed more and more sharply on a decision made on the basis of logically structured, automated data. While this is happening, the instances of corrective changes, manual updates of reports, and the necessity to review the correctness of data will steadily decline.

Company-specific requirements for digital solutions are dependent on the business model. From the company's viewpoint, this presumes an ongoing observation of marketing trends, yet often the empirical values necessary to recognize trends and developments with future potential are lacking. These considerations led to the development of the Detecon Trend Radar and the Detecon Capability Map, two consulting instruments that complement each other. They support companies in the assessment of relevant trends and the selection of software that is both powerful and future-oriented.

The basis is provided by a fundamental analysis of existing software solutions that can indicate need for action and facilitate advance feasibility studies. The Detecon Trend Radar plots developments within the dimensions technology, regulatory requirements, and future skills of employees over a time frame of several years.

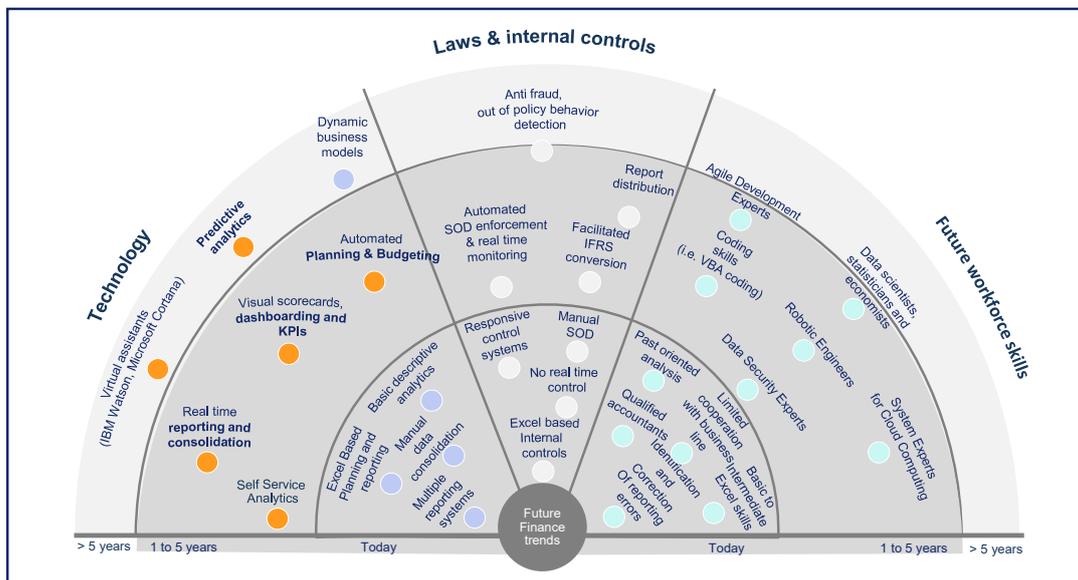


Figure 1: Detecon Future Finance Trend Radar

4 The Detecon Capability Map for F&C: Strategic Matrix for Companies

Detecon works with the Capability Map, an instrument developed by the consultancy itself that comprehensively models the processes of the F&C department. This so-called blueprint is used as an aid in the holistic analysis of company-specific F&C processes and the identification of deltas between existing and required capabilities. Our approach has the objective of simplifying and automating work steps and processes.

The capabilities for the following subjects can be formulated on a general level:

- **Cash Flow Management:** presentation of the capabilities necessary for the steering of free capital and the financial flows.
- **Controlling & Internal Reporting:** presentation of the capabilities necessary for internal reporting and steering of the company on the basis of financial indicators.
- **Compliance Management:** presentation of the capabilities necessary for the review of internal procedures and minimization of compliance errors (laws, etc.).
- **Risk Management:** presentation of the capabilities necessary for the identification, analysis, and assessment of risks in both the finance sector and in operating business.
- **General Accounting & External Reporting:** presentation of the capabilities necessary for external reporting as well as the fully comprehensive capture of data within the framework of the primary accounting based on HGB, IFRS/IAS, US GAAP, etc.
- **Tax Planning & Management:** presentation of the capabilities necessary for the legally correct disclosure of taxes.
- **Change management:** presentation of the capabilities necessary for continuous improvement in F&C department and of the employee skills.
- **Treasury management:** presentation of the capabilities necessary for the measurement and management of funds oriented to payment flows for internal and external financing.
- **Effectiveness, standards, and methods:** presentation of the capabilities necessary for measurement of effectiveness and compliance with/utilization of the standards and methods defined in the company.

This general F&C categorization lays the foundation for more refined structuring. During the next step, the capabilities are broken down further in line with the individual F&C categories (see Figure 2) that must be assured by the work processes. The advantage of the Capability Map lies in the determination of the F&C capabilities independently of processes, software, and departments, focusing on the services that are required of an F&C department. Current F&C processes and solutions are initially put on the back burner and are analyzed at a later point in time.

The generic Capability Map serves solely as a strategic starting point for the analysis of individual F&C capabilities. In a Capability Map for a specific company, departments and work processes are contrasted with the actual requirements of the F&C department of the company; it is a customized product for every individual company.

5 How Do I Find the Right Software Solution for My F&C Department?

A large number of solutions is characteristic for the software market. In recent years, it has been noted that even renowned software producers are facing increased competition and are outdone in part by relatively small companies when it comes to suitability for daily use and functionality. Some of these systems, however, only dock onto a basic system and are used as data sources. Heightened mobility and better connection to external data sources that assure greater data and market transparency are the reasons for this.

Detecon helps during the selection of suitable software solutions for the F&C department, conducts feasibility studies, and, after the decision has been made, supports the implementation of a software solution and the related processes. Figure 5 presents an example of the classification of various software solutions according to the required capabilities. To achieve this, the software solutions must be examined closely and shortlisted pursuant to a comparison with the processes defined by the Capability Map.

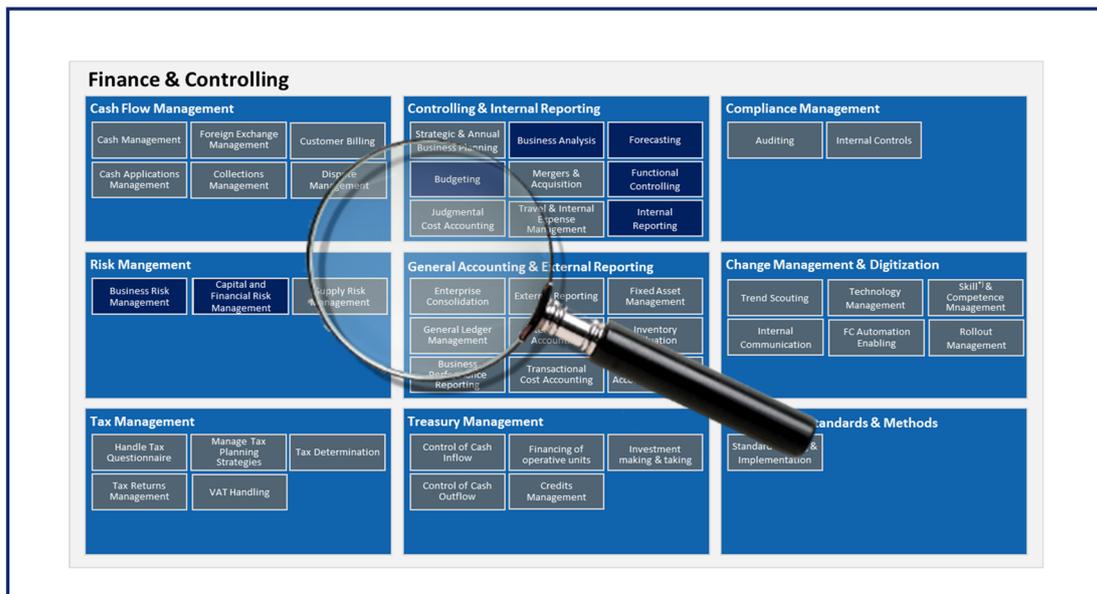


Figure 2: Finance Capability Map

Mapping makes it possible to put together a matrix of software solutions that assigns the appropriate solution to virtually every F&C process, simplifying the work involved in the single process or even automating the entire process. One problem, however, is that these solutions often have differing data storage locations so that data must be manually transferred back and forth. The best way to combine the front-end solutions preferred by the end users is to utilize a basic system that can access every software solution. Detecon works primarily with SAP as the basic system; the mutual dependency in the process chain can quickly be isolated, determining what data must come from which module and where the data must go after processing. Although the source data of the front-end solutions are stored in various SAP modules, SAP is a standardized system in which automated data exchange takes place.

6 Use Case: How Is Detecon's Capability Map Approach Implemented Concretely?

Some of the practical examples depict the introduction of management visual scorecards, dashboards, and KPI diagrams; as a rule, their implementation follows the sequence shown below.

- **Identification of the technology trends: Which trend does the client want to realize?**

During the first stage, the Trend Radar provides the foundation for definition in consultation with the client of the joint objective for the realization of a trend. The specific capabilities necessary for realization of the trend are determined with the aid of Design Thinking and customer journey methods.

- **Analysis of the required capabilities with the aid of the Capability Map: What capabilities are required for realization?**

Once the client has decided what technology trends derived from the Trend Radar are to be considered, the Capability Map is employed to examine the F&C capabilities necessary to ensure the realization of the trend. If necessary, the individual processes and software solutions are adapted to the capabilities or redefined. The resulting sum of possible process cost savings represents the feasible financial framework for the adaptation or new implementation of software solutions. Moreover, it is the foundation for the transformation planning.

- **Analysis and selection: Which software solution is suitable?**

In the third step, Detecon analyzes the software solutions and prepares a list of the solutions that best meet the client's requirements in view of the desired trends and the necessary capabilities

- **Definition of the right data models: What is the purpose of the business blueprint?**

When a matching software solution has been selected on the basis of the capabilities, the data flow of the application in conjunction with the system landscape and the impact on the current F&C processes and organization are examined. Based on the results, a business case for a projected period of 3–5 years is prepared. The savings potential related to personnel resources and process cycle time can be calculated with the aid of new software solutions.

When the decision has been made, a business blueprint is created in preparation for the implementation phase.

■ **Implementation: How can transparent steering of the core business be achieved?**

In the final step, Detecon takes charge of the complex project management and implements the software solution on the basis of the business blueprint, integrates the required capabilities into the corporate processes, and, finally, trains the employees. At the conclusion of the project, the client can utilize the new capabilities to achieve more transparent steering of core business on the basis of the visualized financial data.



7 Authors

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8 The Company

Detecon International is an internationally operating management consulting company that combines traditional management consulting with outstanding technological expertise. This approach of thinking in terms of these two areas simultaneously will determine the future performance of every company.

Our business is consulting, our strengths are digital technologies and networks. For more than 40 years, we have been supporting companies and telecommunications providers around the globe, helping them to improve the sustainability of their competitiveness and performance capabilities along the entire added-value chain with the aid of innovative technologies. Moreover, we offer our clients solutions in all fields of traditional corporate consulting: strategy, organization, processes, and HR management.

Digitization has advanced to become today the overriding challenge of a globalized economy cutting across the boundaries of industries and sectors. Digital technologies are no longer merely vicarious agents for the business side – IT is becoming the core of products, business models, and processes. Broadband networks create the fundamental platform for a networked world. Detecon consultants help their clients to rethink business models, to digitalize procedures and processes, to network customers with companies, and to build the platforms for customers, companies, and products.

Our unique selling proposition is the combination of technological expertise, business know-how, and transformation experience acquired by our consultants during more than 20,000 successful projects in Germany and abroad, from San Francisco to Beijing. We understand the processes and business models of our clients and know how they can exploit technology to gain a decisive and sustained lead over their competition.

We build the bridge between the business and the ICT perspectives. These are the capabilities that enable us to guide our clients through digital transformation. Detecon is a subsidiary of T-Systems International, the key account brand of Deutsche Telekom.

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