

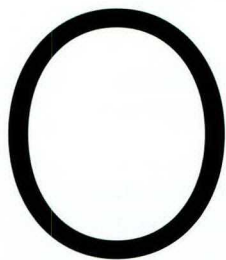
The World of DoD Financial Management is Changing Fast

Here are Some Ways to Prepare

by Simone Reba and Brad Gladstone

“The current bureaucratic approach, centered on exacting thoroughness and minimizing risk above all else, is proving to be increasingly unresponsive. We must transition to a culture of performance where results and accountability matter. We will put in place a management system where leadership can harness opportunities and ensure effective stewardship of taxpayer resources.”

— National Defense Strategy of the United States of America, 2018



One of the three pillars of our National Defense Strategy is to “reform the Department for greater performance and affordability.” The strategy makes clear that current bureaucratic processes and functions are not serving the military’s needs as it modernizes for future battlefield

challenges. More to the point, the strategy implores Department of Defense (DoD) support organizations to “shed outdated management practices and structures while integrating insights from business innovation.”

We’ve heard calls before for management reform throughout the defense community. But today, they carry a pronounced urgency because the stakes are so high given the rapid pace of innovation and shifting global security landscapes we see around us.

In the federal financial management (FM) community, the imperatives for reform seem all too obvious. Consider these factors:

Today’s FM tools and business systems are increasingly outdated and straining to keep up with the fast-paced

needs of our military. They are costly and difficult to operate and sustain, they are not integrated, and they cannot easily deliver the data-derived insights that planners need to make smart resource decisions that will shape the future.

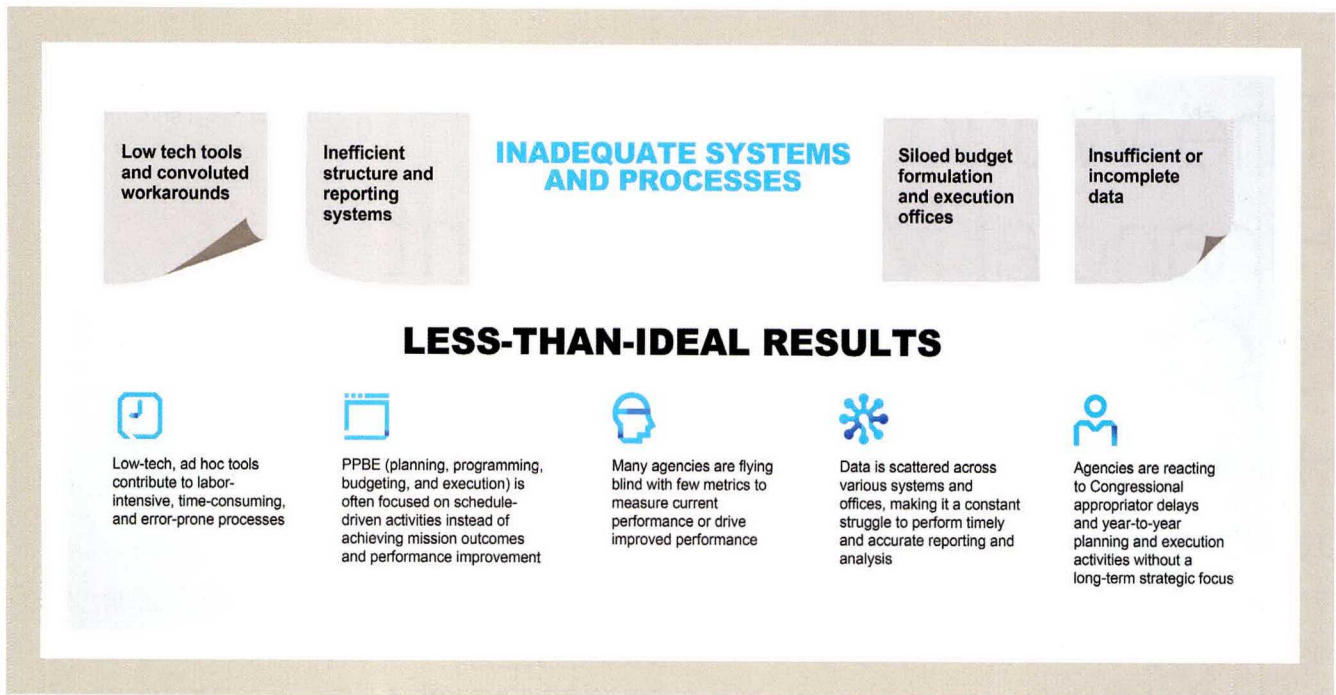
Expectations on the financial management community are growing. Defense planners and military commanders need better insights and information, and they need them faster to respond to a more complex, dynamic world. As the National Defense Strategy puts it, the Department of Defense

needs “a management system where leadership can harness opportunities and ensure effective stewardship of taxpayer resources.” Abundant data exists on enterprise resources, their costs, and how they’re consumed and used. But Chief Financial Officers (CFOs) and their organizations are unable today to fully leverage that data to better understand, manage, and improve costs.



“The nature of FM work will change dramatically in the next five years.”

The nature of FM work will change dramatically in the next five years. Accenture research tells us that, on average, federal FM employees spend four out of five days a week collecting data, maintaining spreadsheets, and developing



reports. With the advent of artificial intelligence (AI), big data analytics, and robotic process automation (RPA) technologies, we will see much of this backward-looking, transaction-based financial work go away. Accenture research suggests that between 60 and 80 percent of process-oriented work for finance and budget staffs can be automated. As much as 40 percent of the federal FM workforce will be repurposed to perform higher skill-level work, such as analysis and strategy-focused work, which is more directly aligned to adding value to the mission.

Enterprise resource planning (ERP) systems, as we know them, are about to change dramatically. Current ERP systems will stop being supported by their vendors — SAP, Oracle, and Workday — on or around 2025. This will force defense organizations to upgrade to new systems that will be cloud-based and embedded with a range of new capabilities powered by AI and machine learning, data analytics, and other emerging technologies. These next-generation ERP (NextGen ERP) systems will go beyond performing record-keeping functions and backward-looking diagnostics to delivering more real-time analytics and forward-looking predictive intelligence to assist with strategy and planning.

The Path Ahead

These trends and factors — many of which are technology-driven — will soon lead to foundational shifts in how defense FM teams operate, manage risk, and contribute to their organizations and missions.

Consider the implications of this for future CFOs and their teams. Many tasks they do today — for example, tracking transactions, accounting, auditing and control, compliance,

and reporting — will soon be automated, freeing them up to concentrate more on higher-value responsibilities. These higher-value responsibilities include:

- **Planning.** This includes tasks such as strategic planning, target setting, financial planning, and performance planning.
- **Analyzing.** This could include portfolio analysis, performance analysis, and resource management analysis.
- **Advising.** This includes serving as a business advisor to agency leaders, supporting strategy execution, and engaging with agency stakeholders.

In addition, standard FM department activities will look different. More time and critical thinking will be spent on using analysis to reduce costs, optimize productivity, and improve value and mission performance for the agency. But again, this is where CFOs want to go. Our own research tells us that 81 percent of CFOs globally see “identifying and targeting areas of new value across the business” as one of their main responsibilities. And 77 percent of them believe it is within their purview to drive business-wide operational transformation.

Our clients tell us they are excited about the data analytics and mobile computing capabilities the NextGen ERPs will bring. The integration and speed of the data allows employees to more easily obtain data, and process, format, and mine it in a way they have never been able to do before, such as sending data to a co-worker or customer in a dashboard format on the fly. The possibility of working from anywhere versus being tied down to a desk is another

benefit. Mobile computing will be more and more critical to attracting the future workforce.

What DoD FM Organizations Can Do Now

So how do we get there? Broadly speaking, we believe this transformation journey will require federal FM leaders to re-align their priorities around five critical areas of focus:

- ❖ **Big data analytics and reporting.** FM data is available at an unprecedented level across the DoD enterprise, and widespread efforts to accomplish financial statement audits have done much to cleanse and consolidate that data. As federal FM organizations continue automating routine accounting, control, and compliance tasks, they must shift their focus to value creation. Through enhanced dashboards and data analytics, DoD organizations can now take information to another level through more in-depth analysis, reporting, and forecasting.
- ❖ **Financial management robotics, machine learning, and applied intelligence.** The standard to-do list of the finance shop will continue to shift dramatically as automated processes are adopted to reduce cost, improve productivity, and allow employees to use critical thinking and creativity to drive value. Moreover, predictive analytics tools will allow FM teams to exploit data and enable more impact analysis than has been possible with traditional historic analysis.

- ❖ **CFO at the table.** Federal FM leaders have long been responsible for producing the numbers and obtaining resources; however, as the capabilities of financial management tools advance, that role will shift rapidly to have greater impact across the organization. Within the next decade, we expect DoD's top tier of FM officials to be considered strategic enablers, going beyond a supportive role to a proactive one. Additionally, many jobs we consider today as "financial management" jobs will transition to something more like business partner positions where FM needs can be self-served.
- ❖ **Reskilling the workforce.** Federal FM leaders will need to shift their hiring and talent development criteria so the next generation of FM officials can flourish in this expanded role. Soft skills, such as collaboration and communication, will be as vital as traditional hard skills are today. As the DNA of FM talent pools evolve, federal FM leaders will need to establish and cultivate hubs of deep expertise.
- ❖ **Next generation ERP.** Technology advancement will continue to accelerate, so FM leaders will need to leverage opportunities to improve service and reduce costs through adoption of new technologies and the modernization of ERP systems. For example, migrating ERP operations to the cloud and employing next-generation ERP capabilities will help them improve financial capability, timeliness, and financial compliance.

REIMAGINING THE FINANCE WORKFORCE

Federal Finance 2030 Workforce Requires New Skills

Key New Behaviors

- Proactive
- Collaborative
- Questioning
- Decisive
- Mission-Focused
- Customer-Centric
- Analytical
- Flexible

Shift the primary focus beyond transactions, manual data manipulation and reporting to helping the organization meet their mission.

Shifting Roles

Reduction in Finance Cost and Shift in Finance's Role

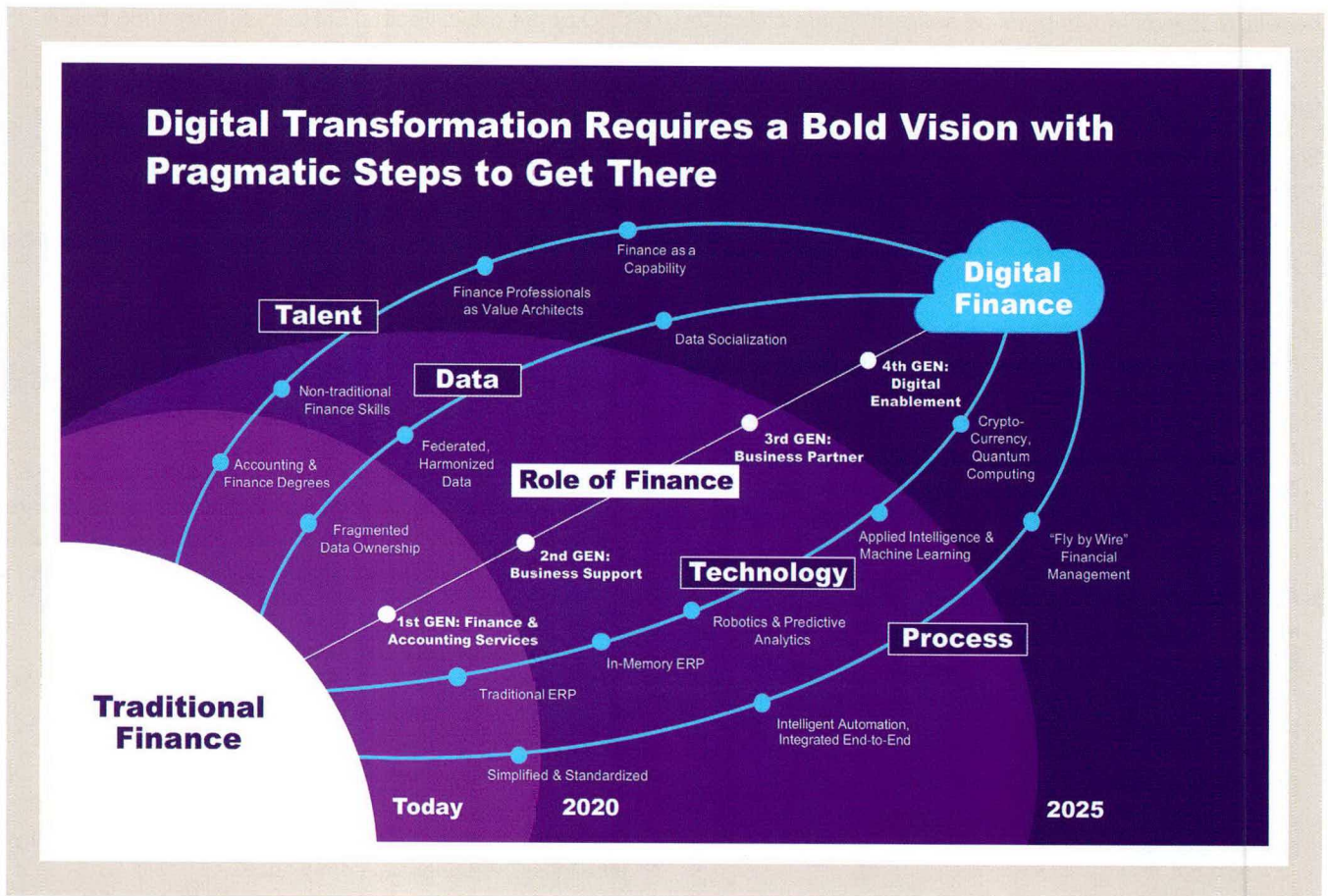
Illustrative Time Allocation

Monday	Tuesday	Wednesday	Thursday	Friday
Collecting Data	Collecting Data	Maintaining Spreadsheets	Developing Reports	Other Activities
			Maintaining Spreadsheets	Performing Analysis
				Developing Reports

➔

Monday	Tuesday	Wednesday	Thursday	Friday
Collecting Data	Performing Analysis	Interacting with Decision Makers	Interacting with Decision Makers	Other Activities
Performing Analysis				Strategic Initiatives
				Personal Development

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In addition to placing greater priority on these areas, FM organizations can also take some proactive steps in the near term to get them on their way:

❖ **Optimize existing operations.** The first of these is to optimize existing operations by doing things like:

- Streamline infrastructure
- Improve processes
- Incorporate RPA and bots where possible
- Identify opportunities for efficiencies and cost removal

Steps such as these will produce a wide array of benefits, including process efficiencies, reduced operating costs, reduced system development and implementation times, and an improved posture for migrating to NextGen ERP.

A good example of how organizations can optimize existing FM operations can be found at the Defense Logistics Agency (DLA). As with many organizations, DLA experiences interim document (IDoc) exceptions, which are errors that sometimes occur in SAP ERP systems

when a file, document, or other data is sent from one part of the system to another. These IDoc exceptions are lengthy and mundane to process. Because they are typically performed manually — each process may require over 60 steps across multiple screens and forms — processing them has the potential to introduce errors. This results in frustrated users and backlogs in processing IDoc exceptions that can stretch up to a month.



“The result was a dramatic reduction — 67 percent — in exception processing times.”

To address this, DLA leveraged RPA technologies to reduce exception processing times down to four days for first-occurring exceptions and down to several hours for repeat exceptions. The result was a dramatic reduction — 67 percent — in exception processing times. This translated into 8,400 fewer hours per year dedicated to IDoc exception processing and one million dollars

per year in cost savings. Moreover, DLA finance was able to extend these automated tools to address more than 50 other IDoc exception processes.

In the future, DLA plans to focus on automating all remaining IDoc exception processes and explore other possible activities outside of IDoc exceptions that may be ripe for automation.

❖ **Invest in advanced capabilities for existing ERP systems.**

Another step that DoD FM organizations can take is to add advanced capabilities onto their existing ERP systems. There are many tools and capabilities available now that can derive some benefits of NextGen ERP right away. An example of this is to move all or portions of an organization’s ERP system to the cloud. Doing so can dramatically speed up processes and enable a broader view of data across the enterprise. In addition, once the ERP system is in the cloud, it can more easily employ things such as RPA, machine learning, artificial intelligence, advanced data analytics, and mobile technologies.

Another option for DoD organizations is to simplify how they use ERP systems through third-party service design providers, such as ServiceNow, Salesforce, and Appian. Delivering or customizing functionality from traditional on-premises ERP systems is time-consuming and complicated. Service design modules, by contrast, enable organizations to quickly and easily design services that meet their specific needs in ways that are far more intuitive, streamlined, and value-added.

Once advanced capabilities are added to an existing ERP, they can be applied and reused to benefit many aspects of the finance operation with better analytics and insights, more flexible work environments, and more intuitive user experiences.

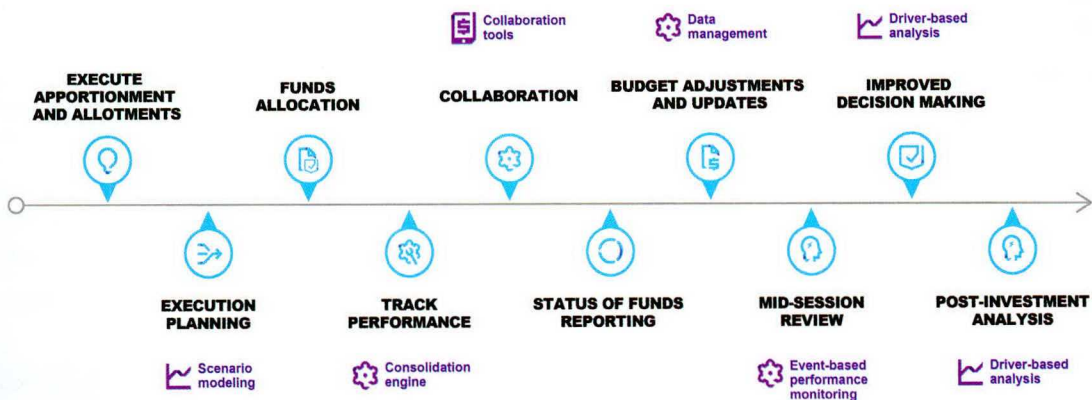
A good example of this is at the State Department, which invested in a third-party service design provider to provide enterprise service management across customers, service providers, and department leadership. Before doing so, employee requests on the ERP were requiring significant effort to manage, fulfillment times for requests were longer than desired, and the processing of transactions related to employee requests required the use of multiple applications.

The State Department’s new enterprise service management capability modernized the information technology systems and processes that support requests and fulfillment of services. Accessibility was improved, data was centralized, customer experience was streamlined, and disparate processes were integrated. Today, the new service management platform supports the full enterprise — including human resources, finance, operations, travel, security, and technology — and it manages more than 130 unique services, reducing fulfillment times and increasing efficiency.

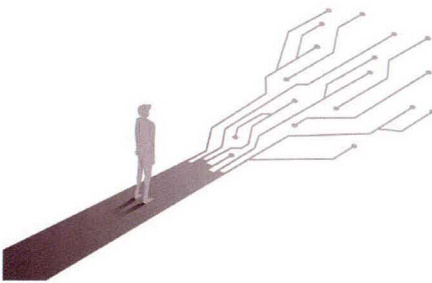
State Department finance leaders are now considering whether to move the ERP application solution to the cloud and are assessing next-generation Software-as-a-Software ERP products and services.

❖ **Migrate to NextGen ERP.** The third step organizations can take is to migrate to NextGen ERP systems. The major ERP vendors are already making them available to commercial clients — public sector versions of these new systems are not expected to be available for several years.

An Effective Budget Execution Journey



DIGITAL FINANCE ENVIRONMENT



A core ERP migration is coming for most federal agencies in the 2025 timeline, however, much can be done now with your existing ERP to take full advantage of advanced technology.




Optimize Operations

- Streamline infrastructure
- Improve processes
- RPA/BOTS

Identify opportunities for efficiencies and cost removal

Benefits Include:

- Process efficiency
- Reduced operating costs
- Automation
- Enables core migration
- Move to dev ops



ERP + Advanced Capabilities onto Existing ERP

- Cloud migration
- RPA/BOTS
- ML/AI
- Service design
- Mobility
- Analytics/big data


Smaller investment

Reusable

Part of the ERP core migration strategy

Benefits Include:

- Better analytics and insight
- Flexible work environment
- More intuitive user experience



NEXTGEN ERP Core

- SAP S/4
- Oracle Cloud
- Workday

Being implemented in private sector

2-3 year delay for public sector

Benefits Include:

- Enhanced analytics
- Reduced cycle times
- Enhanced speed to analytics

Building on years of successfully implementing financial systems, some of our clients are planning for the future by recruiting the best and the brightest, putting processes and infrastructure in place now to ensure a smooth transition. These clients believe people are the key factor to success and are putting interim steps in place prior to migration to improve the user experience. User adoption is critical and buy-in can be achieved by engaging the workforce early and often, throughout the system development life cycle. Strong leadership support at the top and a robust change management program are also vital to success.

Other commercial-like government entities, such as the Army's non-appropriated fund operations and the Federal Prison Industries' Unicor operation, are already making the move to NextGen, anticipating benefits such as enhanced analytics, reduced cycle times, enhanced speed to analytics, and more.

The important thing to keep in mind is that every organization's roadmap and strategy will be different. There is no plug-and-play. Instead, each organization will need to assess its current state, define where it wants to be, and then develop a sound strategy for bridging the divide in a

sensible way that delivers maximum return on the investment made.

Many DoD FM organizations, understandably, are not thrilled with the idea of having to invest constrained budget resources into a modernization that will upend processes and operations, even if they are not efficient. But many of these steps we suggest are becoming less and less optional with time. Technology is moving fast, and it will change the way we all do business and manage our operations, sooner or later. The best medicine is to be proactive in shaping how your organization adapts to these trends and changes to gain the best advantage.

It is also important to realize there is real benefit to taking these steps in the form of real return on investment (ROI). Typical ROI categories include:

- Achieving savings sooner through quicker analytical insights.
- Reduced infrastructure costs due to processes being streamlined and automated.

“Strong leadership support at the top and a robust change management program are also vital to success.”

- Greater efficiencies through innovations like robotics and machine learning.
- Higher employee retention due to keeping current with state-of-the-art software.

But even more important than ROI are the broader benefits of transforming the finance operation to be more

streamlined and, ultimately, more valuable to the organization and its missions. This is about realizing the National Defense Strategy’s vision of transitioning to a culture of performance where results and accountability matter, and where leadership can more effectively harness opportunities and ensure effective stewardship of taxpayer resources.



Brad Gladstone

Brad Gladstone is the Managing Director of Accenture Federal Services' Application Services practice. He leads Accenture Federal business related to Enterprise Resource Planning (ERP) application services, spending the last 32 years working with organizations to implement ERP and business intelligence solutions. He has also worked with private sector clients, including mergers in banking and the airline industry.



Simone Reba

Simone Reba is the Accenture Federal Services' Finance and Enterprise Performance lead, with 34 years of financial management experience helping DoD develop solutions to their toughest financial problems. She is a former DoD Senior Executive and Deputy CFO of the Defense Logistics Agency. Simone holds a BS in business management and marketing, a Master of Public Administration, and is a Certified Defense Financial Manager – Acquisition.

Air Force Brig. Gen. Virginia Gaglio, commander, Massachusetts Air National Guard, don personal protective equipment while visiting Tewksbury Hospital, MA.

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