Design Thinking for Finance Processes

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Traditionally, finance process improvement initiatives are driven by cost reduction strategies. They are rarely strategized using customer insights. The design thinking methodology has the potential to drive efficiency and effectiveness in finance processes while positively impacting internal stakeholders.

Common pain-points internal customers experience across finance processes are:

- Multiple systems for each process
- Lack of change control guidelines
- Manual reporting mechanisms
- Complex coding structures

Raghav Jaggi, Senior Vice President, Finance CoE in EXL states that, “With rapid digital transformation taking place for the front end systems, the CFO organizations need to embrace new methodologies like Design thinking for finance processes, to understand the art of the possible, and to keep pace with process efficiencies and effectiveness, required in today’s environment.”

Traditional Problem Solving vs Design Thinking

Traditional problem solving approaches involve all the basic steps of problem solving – problem definition, potential root cause analysis and solution design. Typically, the problem definition step involves identifying issues from an upper management lens and not from the eyes of the actual internal or external customers.

The design thinking approach has customer involvement as the primary focus of its methodology and focuses on identifying pain points from both internal and external customer perspectives. “Design-thinking companies stand apart in their willingness to engage in the task of continuously redesigning their business…”

In the past few years, the role of the finance function has been rapidly changing, to driving strategy as compared to its earlier audit-based role. Finance has a large base of internal customers, across it functions areas from source to pay, order to cash and record to reports.
to create advances in both innovation and efficiency — the combination that produces the most powerful competitive edge.”

—Roger Martin, author of the Design of Business

Design Thinking

Design thinking is synonymous with two major themes: customer-centric design thinking and innovation. “Customer-centric design thinking is about looking out from the inside—rather than outside in”.

Empathy and co-creation are key factors to understanding customers and driving solutions that focus on delivering the best possible customer experience.

Design thinking can be applied to the finance function in every organization. The key is to identify and define the customers clearly and approach their needs empathetically.

Design Thinking Framework for Finance processes

A design thinking framework for finance processes includes:

Empathize: This stage involves identifying which customers require a solution. This phase captures information to create an empathy map:

1. “What does the customer see”: This question tries to capture the customer’s view on the process.
Design Thinking in Finance

**Chief Financial Officer**

**GOALS**

**Procure to Pay:** Improved buying experience and better vendor management

**Order to Cash:** Best-in-class customer focus

**Record to Report:** Consistent internal process

**Finance Planning & Analysis:** Improved stakeholder experience

**Tax & Compliance:** Improved compliance standards

**WHERE TO APPLY DESIGN THINKING**

- Procurement Support
- Credit Management
- Manual Journal Entries
- Forecasting
- Direct tax processing

- Vendor Management
- Master customer data management
- Maintenance of Chart of Accounts
- Planning and budgeting
- In-direct tax processing

- Invoice Processing
- Order entry
- Bank Reconciliations
- Intercompany Reconciliations
- Performance management
- Decision analysis

- Exception Management
- Billing
- Intercompany Reconciliations
- Month end activities
- Standard Reporting
- Return filing

- Disbursement
- Cash Applications
- Fixed Assets management
- Adhoc Reporting

- Expense Processing
- Collections & Dispute management
- Month end activities
- Forecating
- Direct tax processing

**Intervention Examples:**

- Simple, integrated and user-friendly platform with mobile accessibility and social integration
- High-quality customer experience through interactive user portals
- Integrated close process with improved employee stratification
- User-friendly platforms and enhanced senior manager interactions
- Reduction in human variability and improved controls
2. "What are the customer’s frustrations": This question tries to capture the pain points of the process.

3. "What does the customer need to achieve": This question tries to capture the customer’s suggestion on how the process should be fixed.

**Define**: This step involves creating the mission statement to define the scope of the project comprising of key user issues. The final output should be to identify the exact problems using tools such as pain point analyses.

**Ideate**: The most critical phase, this step involves generating an exhaustive list of solutions and exploring all possible alternatives around the key levers such as digitization, Lean processes, analytics and reporting. The tools used might include insight generation, mind maps, and others.

**Prototype**: This step involves translating the ideas into a tangible output to convey the ideas effectively via tools like process simulation.

**Test**: This step involves floating the solution among customers and gathering feedback before rolling out the final solution. UAT testing across all customer levels is the key to a successful design thinking project.

## Using Design Thinking in Procure-to-Pay Processes

Design thinking can be used to spearhead digital transformation in any area of the finance function. As an example, consider how this methodology can be applied in procure-to-pay (P2P) processes.

The first step for improving procure-to-pay processes using design thinking comprises of gathering customer insights from internal teams during the empathize step of the framework.

Currently, the internal customers of P2P processes face numerous challenges, especially because of complex interfaces and manual processing. The lack of
customer empathy in these processes is clearly visible, with typical problems faced by users including:

- Manual workflow leading to high exception rate and higher cycle time
- Multiple interfaces across procurement operations processes and lack of a sophisticated and integrated platform
- Lack of mobility and self-service options
- Lack of automated reporting systems for tracking and visibility
- High cycle time for both simple and complex transactions
- Complex coding structures
- Low adoption of purchase order process

Most of the issues hint towards two major solution themes to improve the finance processes:

1. Internal customer empathy and insights
2. Digitization across procure-to-pay processes

**Design Thinking as a Solution**

Customer insights used during define and ideate stages should include the following:

- Identify solution elements to drive successful digital transformation (workflow) that impacts the whole service experience for end customers by integrating different processes in procure-to-pay cycle.
- Mobile experience
- Understand reporting analytics that help both users and F&A teams with transaction visibility and customized reports
- Gather key metrics including cycle-time reduction which can improve internal customer satisfaction significantly
- Analyze complex accounting structures used in raising procurement requests need to be simple and intuitive

A strategy for digital transformation set forth during the prototype and test phases could include:

- Simple, integrated and user-friendly platform with mobile accessibility and social integration
- Sophisticated reporting mechanisms for F&A teams to monitor progress and generate customized reports as required
Design Thinking for Finance Processes

- Tracking mechanisms for internal users to check status of transactions
- Robotics, especially for vendor management and exception handling

Conclusion

With a diverse range of internal teams as their customers, design thinking solutions might appear difficult to implement initially. However, this diversity can drive improvement teams to create long-term innovative solutions covering all potential areas of process inflexibilities and technology roadblocks.

To strengthen finance processes, every firm must look to appoint design thinking experts for a fresh outlook and digitally revamp their processes.

At EXL, we think of design thinking as one of the elements of EXL’s five-point value delivery framework and value proposition that includes domain expertise, cutting edge analytics, EXLerator™ and digital Transformation to help create customer centric, outcome oriented, agile operating models that drive revenue growth and profitability.

We believe that our approach of integrating design thinking into our overall value delivery framework rather than as a standalone lever greatly enhances our ability to deliver transformative value to our clients by leveraging and focusing the key strengths of EXL in designing and delivering new and innovative operating models at scale and with agility. This integrated approach is what we believe differentiates us from many of our competitors who may have taken a more standalone approach to design thinking.

References
1. http://www.creativityatwork.com/design-thinking-strategy-for-innovation/
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