

PROCESS MATURITY MODEL

**DRIVING STRATEGY
IN A COMPLEX WORLD**

WHITEPAPER BY
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PREFACE

In today's highly sophisticated and digitally powered world, making sense of chaos is not easy. Traditional measurements of a Process' health have often fallen short in addressing the "As Is" pain areas in an integrated manner. Older ways of working – consisting of driving change and improvement in silos, mostly due to lack of coordination and consensus amongst various functions - have been seen to be inadequate when it came to helping Clients frame long term strategies with the goal of reaching the Best-in-Class quadrant.

Hence, a framework that allows Clients, especially Small and Medium Businesses (SMBs), get a meaningful understanding of their processes and accordingly drive Strategy, has been long desired. And Datamatics' Process Maturity Model (PMM) tool addresses this need in a holistic, yet flexible manner based on each Client's size and their niche process' nuances.

The PMM tool not only enables Clients to get a holistic understanding of their Finance & Accounting function, but the tool also provides Strategic views which would enable all members of Operations, drive Transformation in an integrated manner, towards a common goal.

PROCESS MATURITY MODEL – WHAT IT ENTAILS

The Process Maturity Model – or the PMM – is a tool designed (especially for SMBs) to gauge the maturity of the Finance & Accounting function through the lens of Process, People, Technology, Metrics and Controls, understand the "appetite" for change, and eventually move towards the Best-In-Class category in the Client's respective industry.

Some of its features which make it a highly attractive Solutions tool include:



Leverages Best Practices from our deep F&A experience



It is "Industry Agnostic"



Industry Agnostic Model / Highly Flexible & Customizable for F&A Environments

Figure 1

Hence, the Solution or the Best-In-Class blueprint that will emerge will be highly bespoke and specific to each Client's operating environment.

The PMM has been designed to gauge a Process's Maturity in the three major F&A areas viz: Record to Reports / General Accounting (R2R/GA), Order to Cash (O2C) and Procure to Pay (P2P) and some Generic Process areas, on a progressively increasing scale, against a consolidated list of Best Practices across Technology, People, Process, Metrics and Controls, As such it addresses all aspects of a process ranging from **Quantitative** to **Qualitative** measures.

The elementary idea behind PMM is to gauge the **As Is status** and then design a journey that would take an organization's F&A function to the Best-in-Class category. In essence, the journey entails moving from a **Manual** status to the **Best-in-Class** category across all the 5 Lenses as depicted by the figure below. It also mentions a few illustrative yet typical features of each of the scores for ease of understanding the maturity curve:

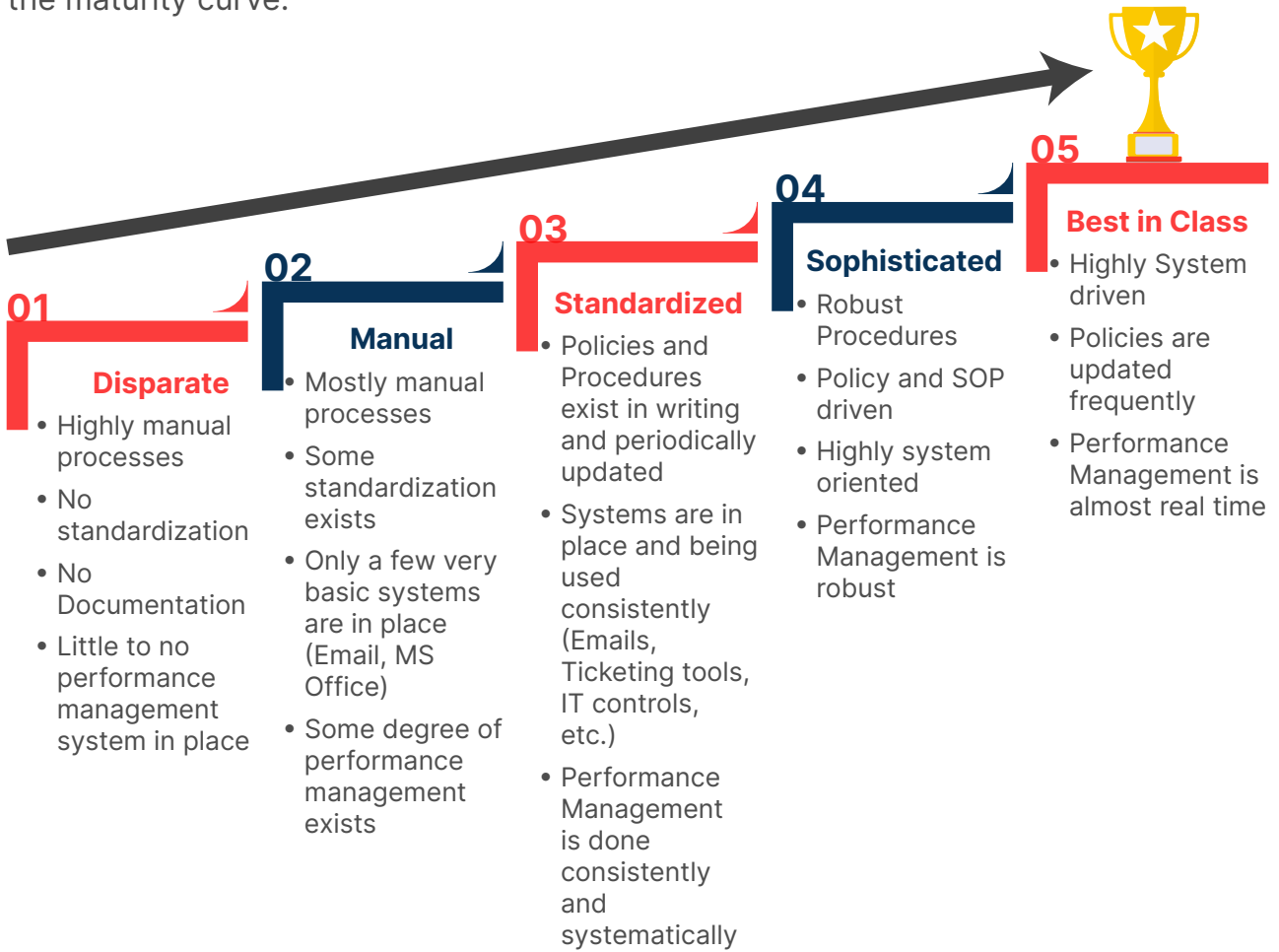


Figure 2

This PMM tool further positions the F&A function across three major strategic pillars, based on which **customized** Solutions are carved out by our Solution Architects aimed at taking the Client towards the Best-In-Class category in the most efficient and effective manner.

These three **Strategic Pillars** which get addressed besides a processes' maturity are:



Figure 3

Which in turn would help the organization to:

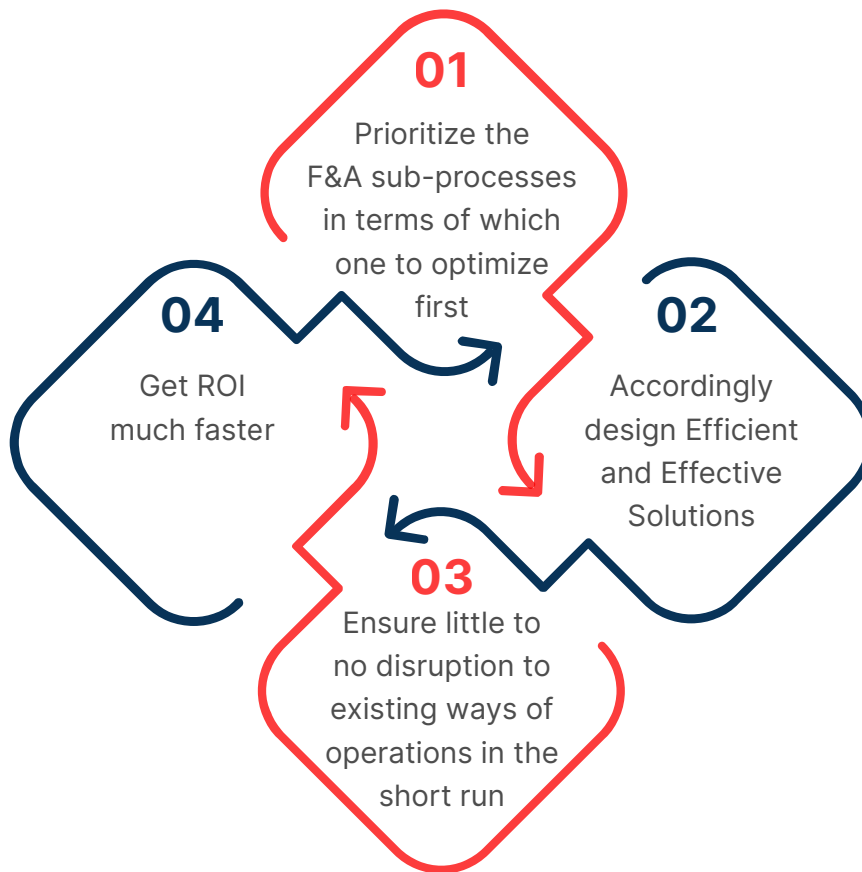


Figure 4

And we need to bear in mind that the PMM tool can be leveraged **more than once in this journey** to run the above cycle whenever any significant change impacts the process. Our Solution Architects have been required to periodically reorganize the Best-In-Class journey in line with the any significant change in the processes in order to not lose sight of the eventual Goal.

We shall now discuss each of the strategic pillars and what they imply.

STRATEGIC PILLAR 1 - EFFORT TO CHANGE

As discussed, the first step in the journey would be to gauge an F&A Processes' Maturity. This involves asking questions (and if possible, simultaneously observing the concerned F&A process to validate the response) which explore the degree to which a process is following the industry best practice. For example, asking:

- (i) If in R2R, how Journal Entries are getting posted
- (ii) If there is a well-defined Collection Strategy in AR
- (iii) If there is an Auto-Cash Application mechanism in place
- (iv) If there are any Analytics that predict customer behavior
- (v) If in AP payments are made electronically or via cheques.
- (vi) How automated the Non-PO based Invoice approval process is, etc.

Once such responses are collated, our Solution Architects also consider how easy or challenging it would be to change the “As Is” status and take it towards the Best Practice within about a year. Accordingly, the Ease of Change data should also be captured. The PMM tool has provision for the same

Once that is determined, a consolidated picture can be put together to ascertain which all areas to address first in terms of driving change. Let us now study the figures below to understand this better:

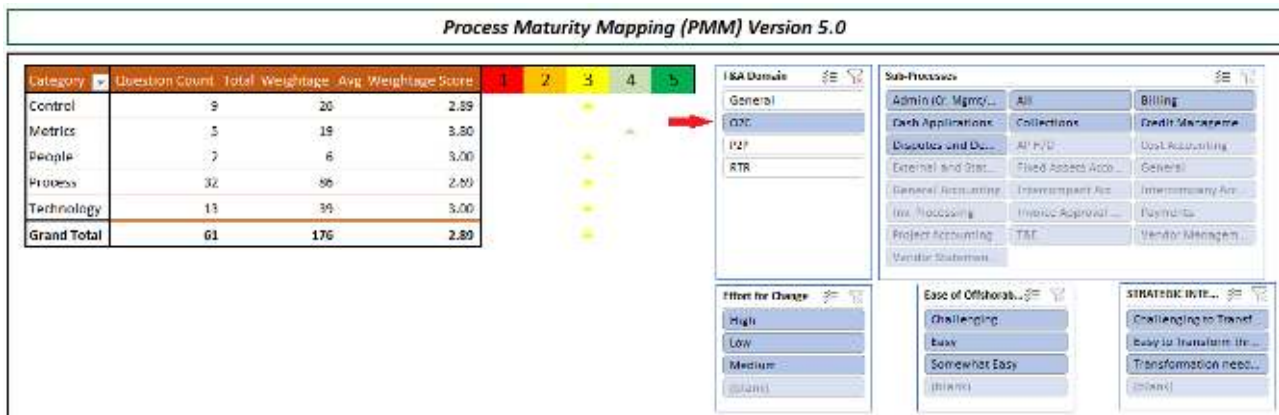


Figure 5(a)

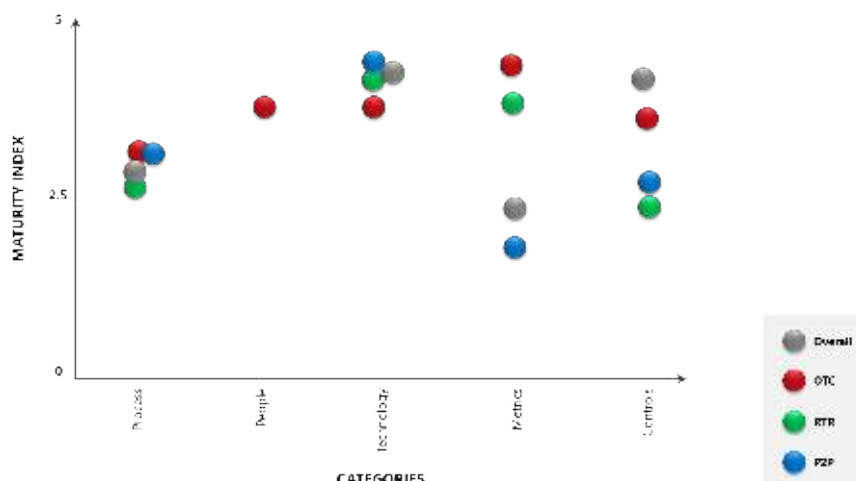


Figure 5(b)

The Figure 5(a) is an extract from the PMM Tool that demonstrates – as an example – the Maturity score of OTC across the 5 Lenses. You will notice that the tool has the ability to segregate OTC into its sub-processes also but for now we shall consider the entire OTC.

Once the scores are ascertained in the tool, (as in the Figure 5(b)), it is then plotted in a 2x2 graph as in the figure on the right.

The next Figure below (6(a) & 6(b)), shows how “Ease of Offshorability” is integrated in the tool (Figure 6(a) – shown by the red arrow) and how it can then be plotted in a 2x2 graph along with the maturity score (as in the Figure 6(b))

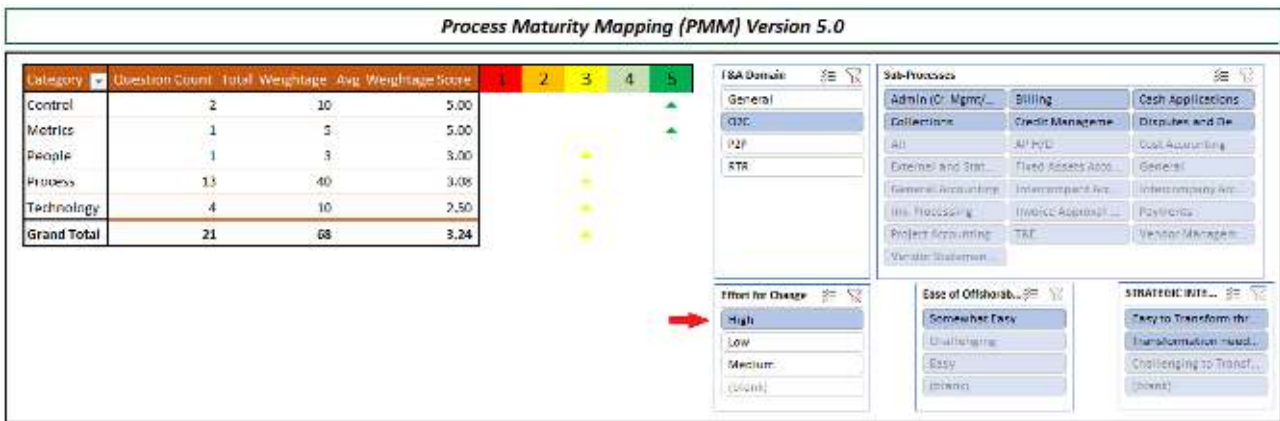


Figure 6(a)



Figure 6(b)

In conclusion, the PMM tool enables Solution architects to draw the co-relation between Maturity and Effort for Change, which in turn has allowed our Clients to narrow down on those F&A sub-areas which can be changed with relative ease and therefore faster than the rest enabling the Client to **prioritize** and focus its change management efforts on the easier processes first, if it so desires.

Additionally, this will also ensure improved Control, better Cost Allocation, Faster Results, and an overall accelerated journey towards a **Best-In-Class Target Operating Model (TOM)**.

STRATEGIC PILLAR 2 - EASE OF OFFSHORABILITY

Much like the co-relation done in the previous section, between Maturity and Effort for Change, a similar co-relation can also be made between Maturity and **Ease of Offshorability** using the PMM tool.

Ease of Offshorability is critical to achieve both Savings as well as Transformation. While performing the Maturity assessment, the Solution Architect needs to also gauge Ease of Offshorability at tandem with Effort to Change – given that they are logically co-related. This co-relation is made by our Solution Architects based on his/her judgement about the As-Is F&A processes.

The next step is to ascertain the potential savings. The key to arrive at potential savings is to understand the On-Shore cost of operations versus the Off-Shore cost of operations. Generally, in F&A it ranges from 35% to sometimes even 60%.

Once such an assessment is done, a Strategic viewpoint can be created for the F&A processes as shown below by the two illustrations. The illustration on the left-hand side shows how the Ease of Offshorability is integrated into the tool (shown by the red arrow) and the illustration on right shows how it can be mapped against potential Savings:

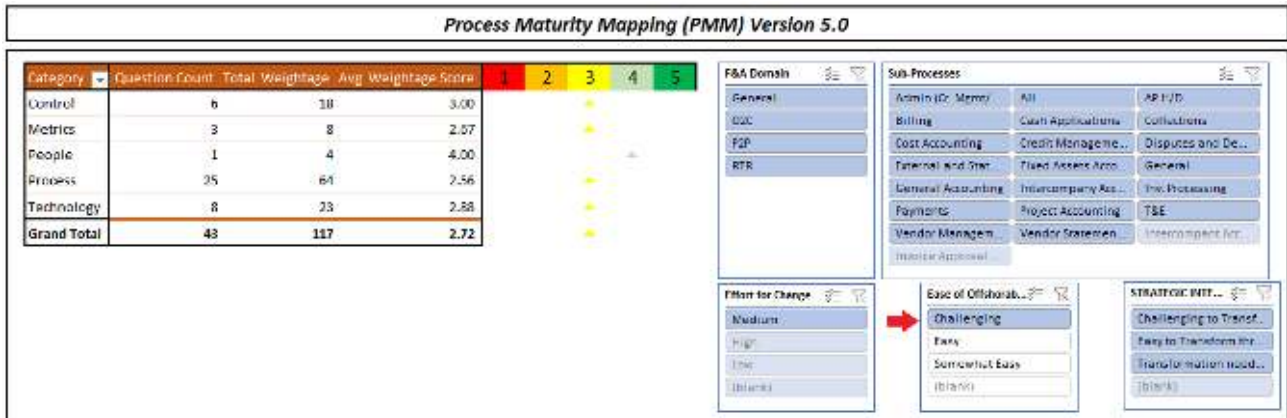


Figure 7(a)

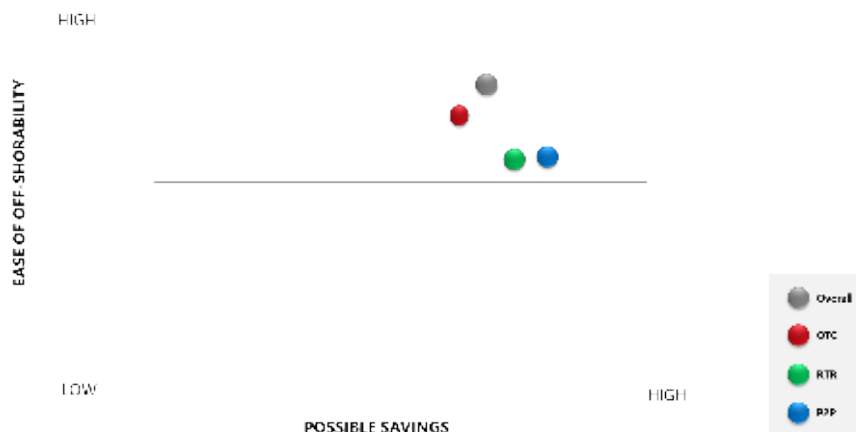


Figure 7(b)

As we can see, the PMM tool makes it fairly easy to get a simple yet scientific view of the F&A processes from two strategic viewpoints, in a highly integrated fashion.

STRATEGIC PILLAR 3 - TRANSFORMATION CAPACITY

On similar lines, a co-relation can also be drawn between Ease of Offshorability and Transformation. DBSL Solution Architects co-relate Ease of Offshorability and Transformation appetite simply by asking – If a process is easy to offshore, is it also easy to Transform? The aggregate answers to this question against each of the Maturity question would result in the third Strategic viewpoint as shown below:

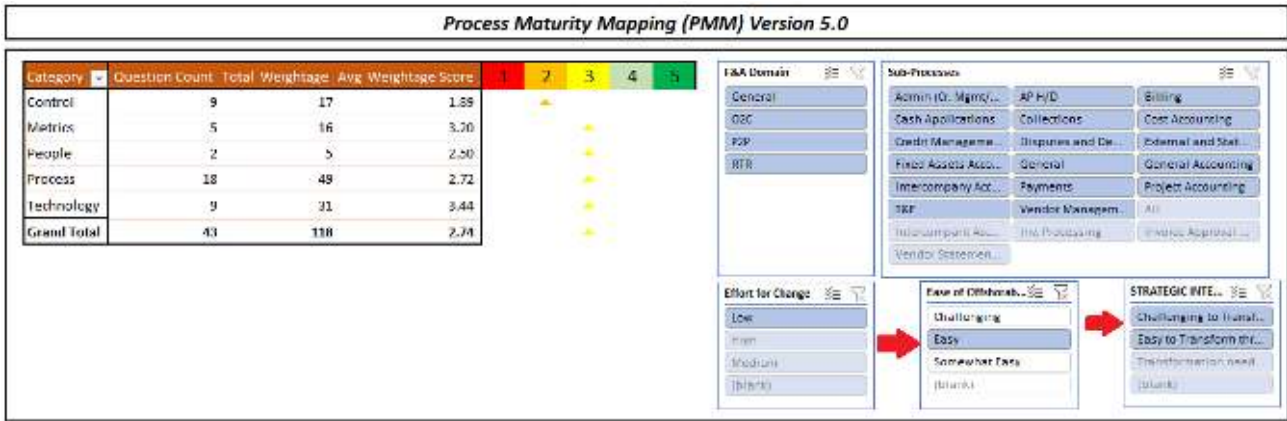


Figure 8(a)

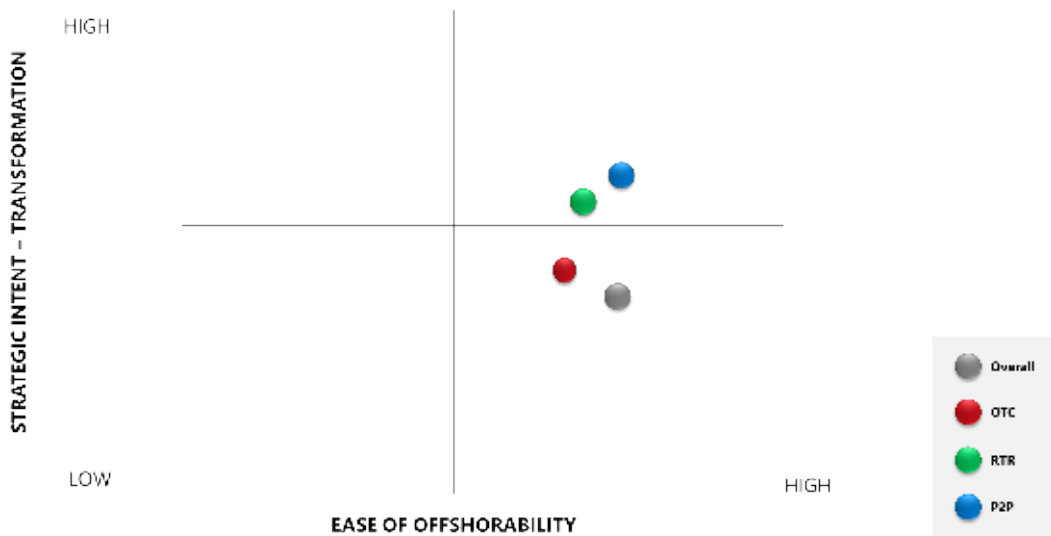


Figure 8(b)

Once the third view is established, the Client now gets a 3-dimensional view of the F&A Function. The indicative illustration below shows how our Solution Architects represent the As Is status and project a To Be status depending on the Transformation appetite of the client:

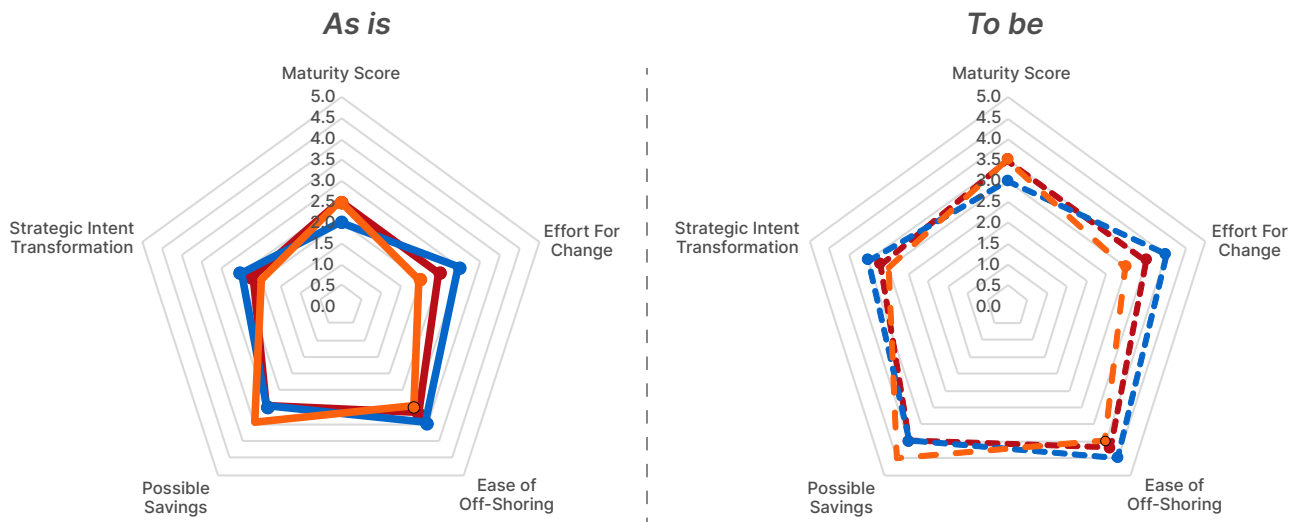


Figure 9

This in turn, makes it easier for **Executive Leadership** to:



Figure 10

Now, to understand how the PMM tool helped drive Transformation, let us look at the case study below.

HOW PMM HELPED TRANSFORM THE R2R PROCESS OF A UTILITY CLIENT

The Client was facing issues with their R2R function which ranged from gaps in month end closure to defective forecasting and budgeting.

To resolve the underlying issues, as a first step our Solution Architect deployed the PMM tool which gauged the maturity of R2R process from the 5 Lenses mentioned earlier. And much to the dismay of the R2R Operations Leads, the score was around 2 (Somewhat Matured). This discovery led to the re-calibration of the Operations Leads perspectives concerning their individual areas.

The next step was to understand which sub-processes in R2R would be easy to Offshore and subsequently Transform within 2 quarters – a timeline mutually agreed with the Client. The PMM tool was once again leveraged to arrive at this view.

The three sub-processes shortlisted in the first wave were – Journal Entries, Reconciliations, and Inter-Company.

These processes were chosen based on the **speed** with which they could be Offshored, the Financial Benefits and the ability to Standardize and Automate (initially minor to medium automations) - all based on the PMM tool's findings.

The subsequent benefits derived from gauging the maturity of the R2R function and then deciding to Offshore and Transform these three R2R processes (Journal Entries, Reconciliations, and Inter-Company) led to:

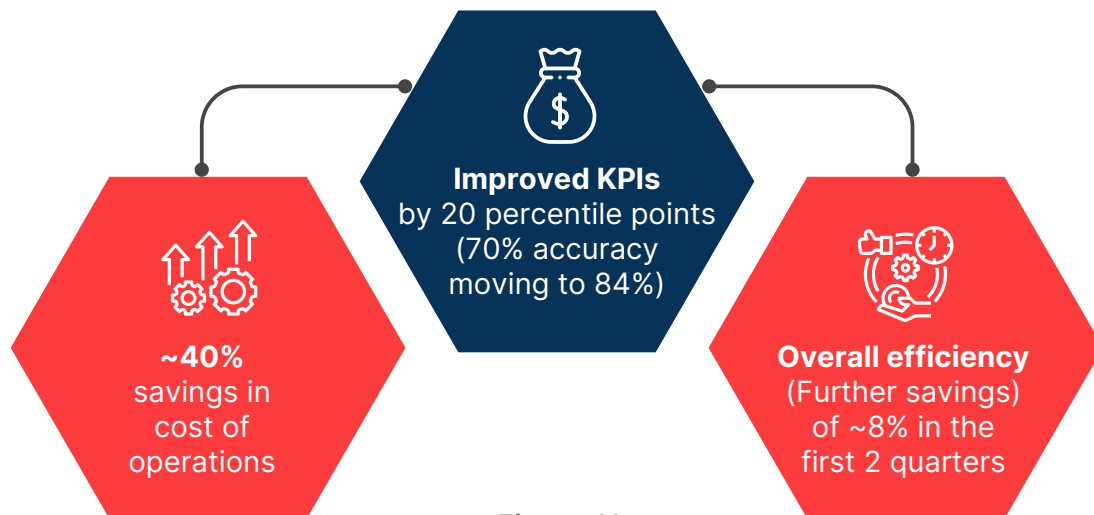


Figure 11

And the illustration below shows the above journey in a nutshell:

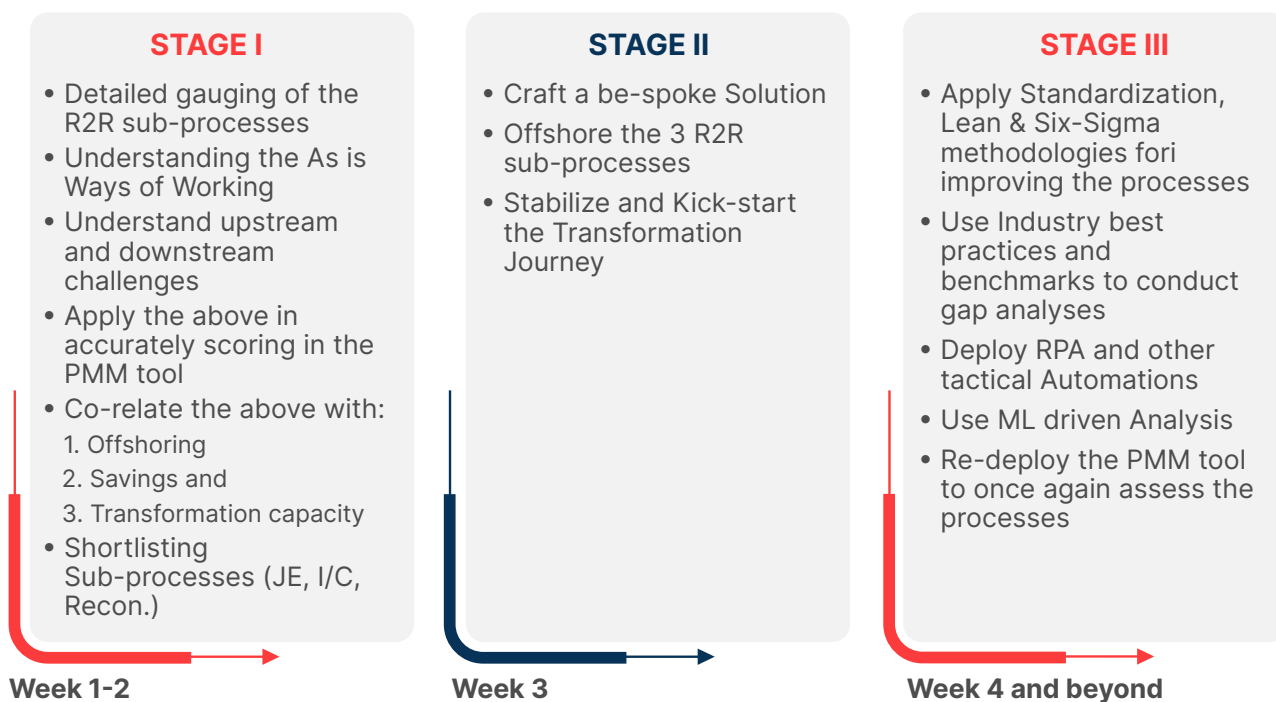


Figure 12

Once a Strategic Viewpoint was achieved in Stage I, the DBSL Solution Architect, crafted a detailed be-spoke Solution which included a list of Observations and Recommendations, “One-Time Costs” involved, Risks and Mitigations, etc. which acted as a blueprint of the Transformation Journey aimed at taking the 3 R2R processes towards the Best-In-Class category.

Once the off-shoring was completed and the processes were stabilized, DBSL’s Operations, Quality and Technology Teams came together to apply the levers of Transformation, ranging from Standardization to AI based Automation. Once these levers were applied, our Solution Architect once again deployed the PMM Tool to re-asses the processes and continue with the cycle to move up the maturity curve till such time the three R2R processes reached the top quartile of the industry.



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