



**Australian Government**

**Department of Finance**  
Service Delivery Office

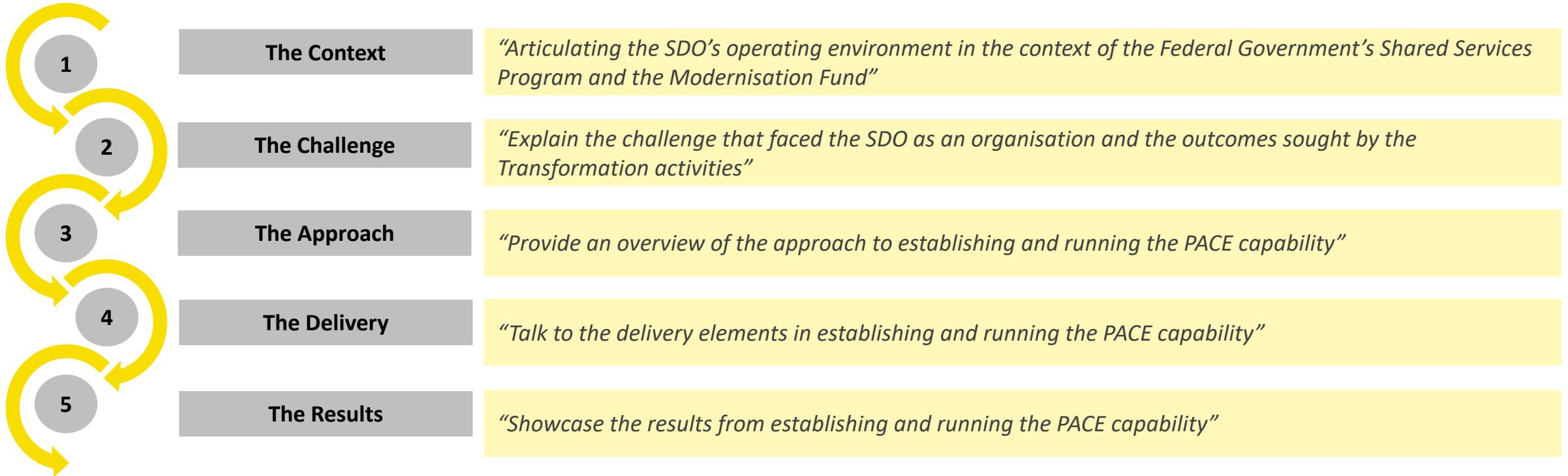
# **Augmenting the digital DNA of financial services delivery** *... through the establishment of the Productivity and Automation Centre of Excellence (PACE).*

IAG Conference – 22 November 2019

# What we will cover today

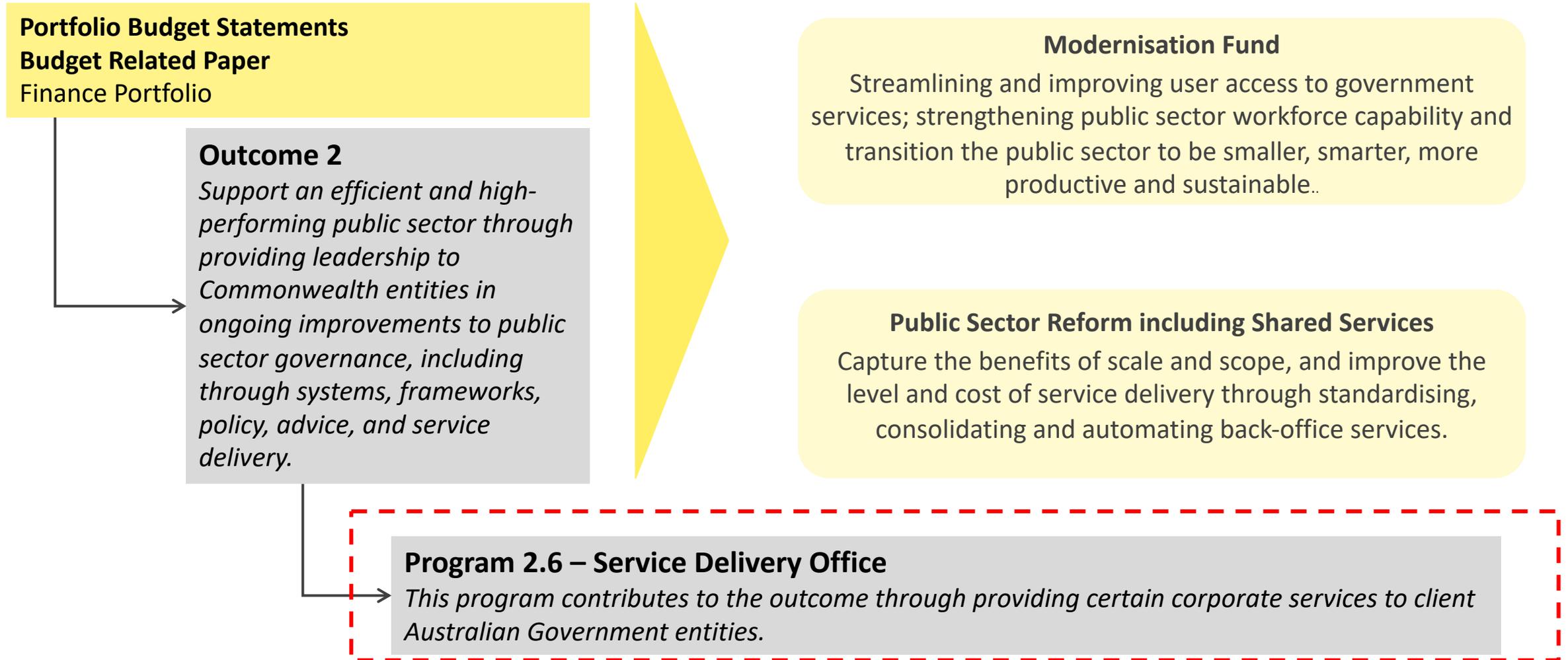
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*In establishing the **PACE capability** the SDO has focused on **optimising the management system** through **coaching and change management**; **removing complexity and freeing up capacity** for high value tasks; and **identified and eliminated pain points** through **process redesign and automation**.*



# The Context

***Finance is actively pursuing productivity, business re-engineering and automation to delivery outcomes for Government***

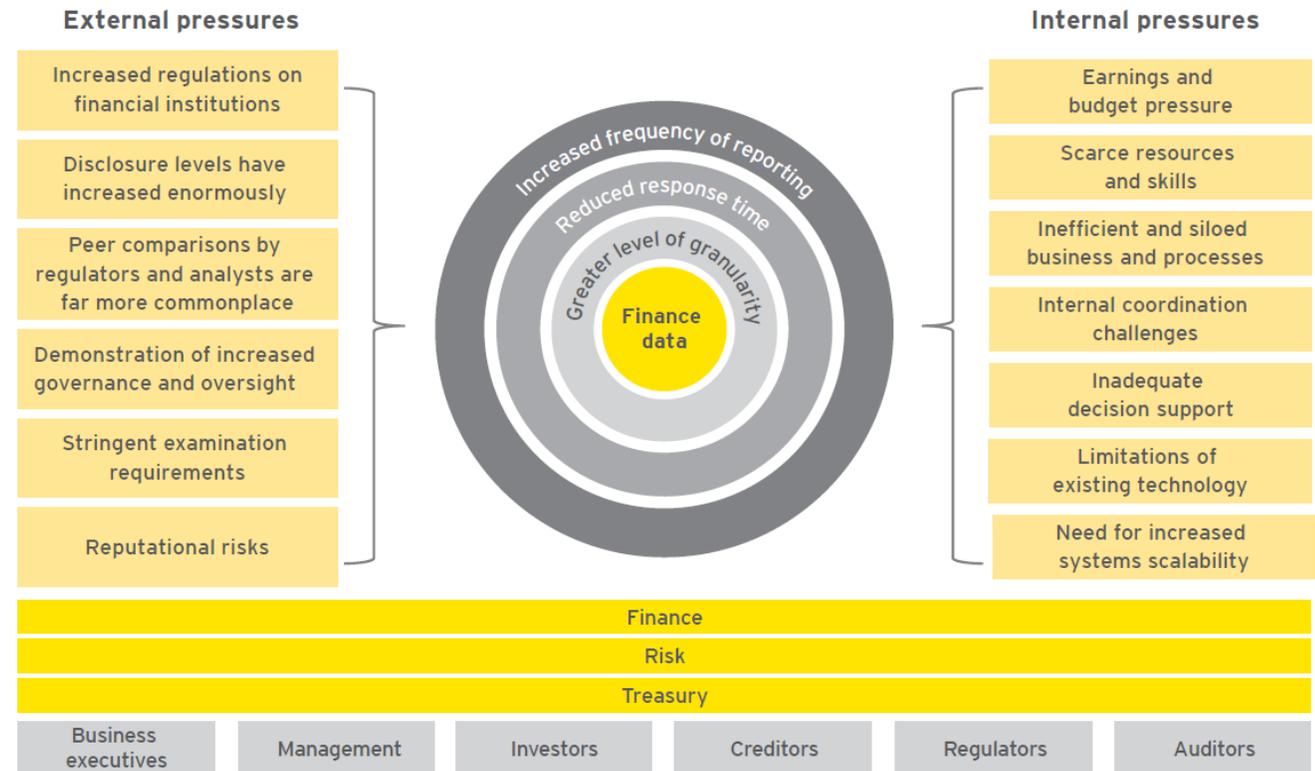
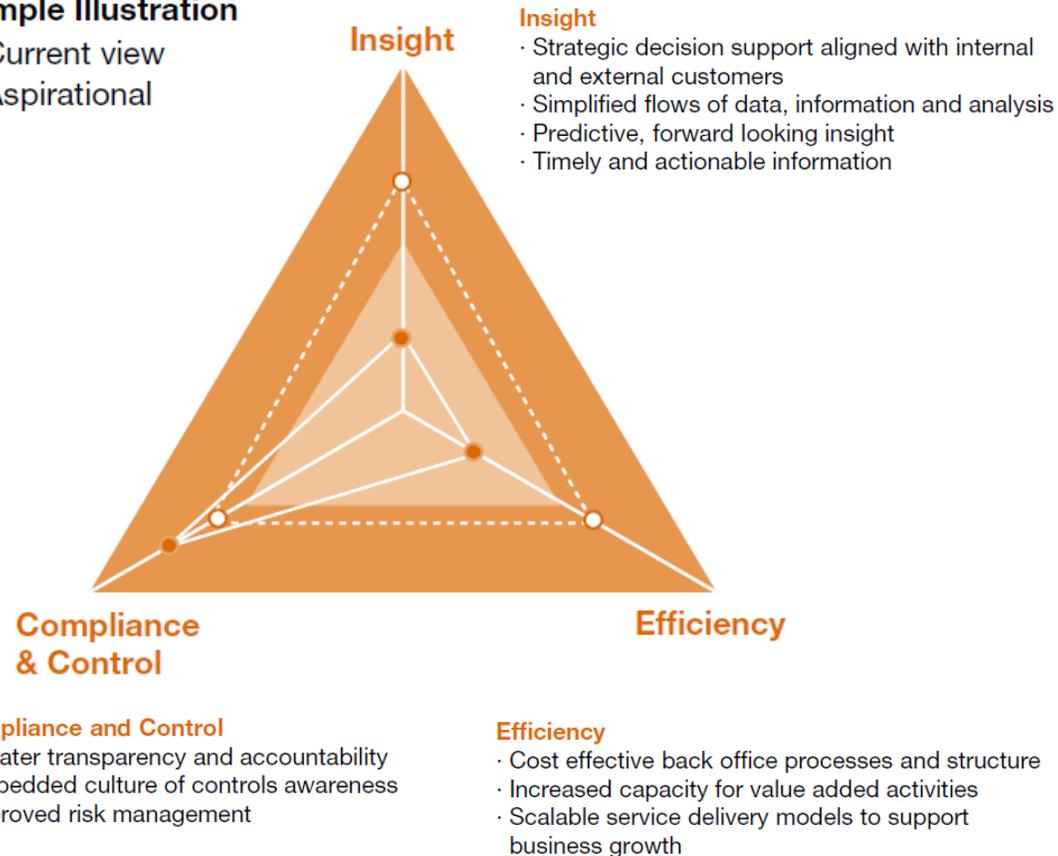


# The Challenge

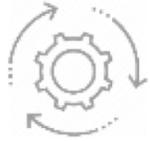
In an environment where amazing advances in technology are all around us, finance stakeholders expect accurate, error-free information faster, in more detail and with greater frequency than ever before. Finance, risk and treasury departments must rethink their approach to enterprise reporting if they don't want to miss the mark.

## Sample Illustration

- Current view
- Aspirational



# The Approach



**Productivity:** measure performance against known drivers of productivity



**Policy, Data and Innovation:** Build greater capability, professional standards and toolkits across Government



**Citizen and Business Engagement:** provide better services with and for citizens and business



**Structure and Operating Model:**

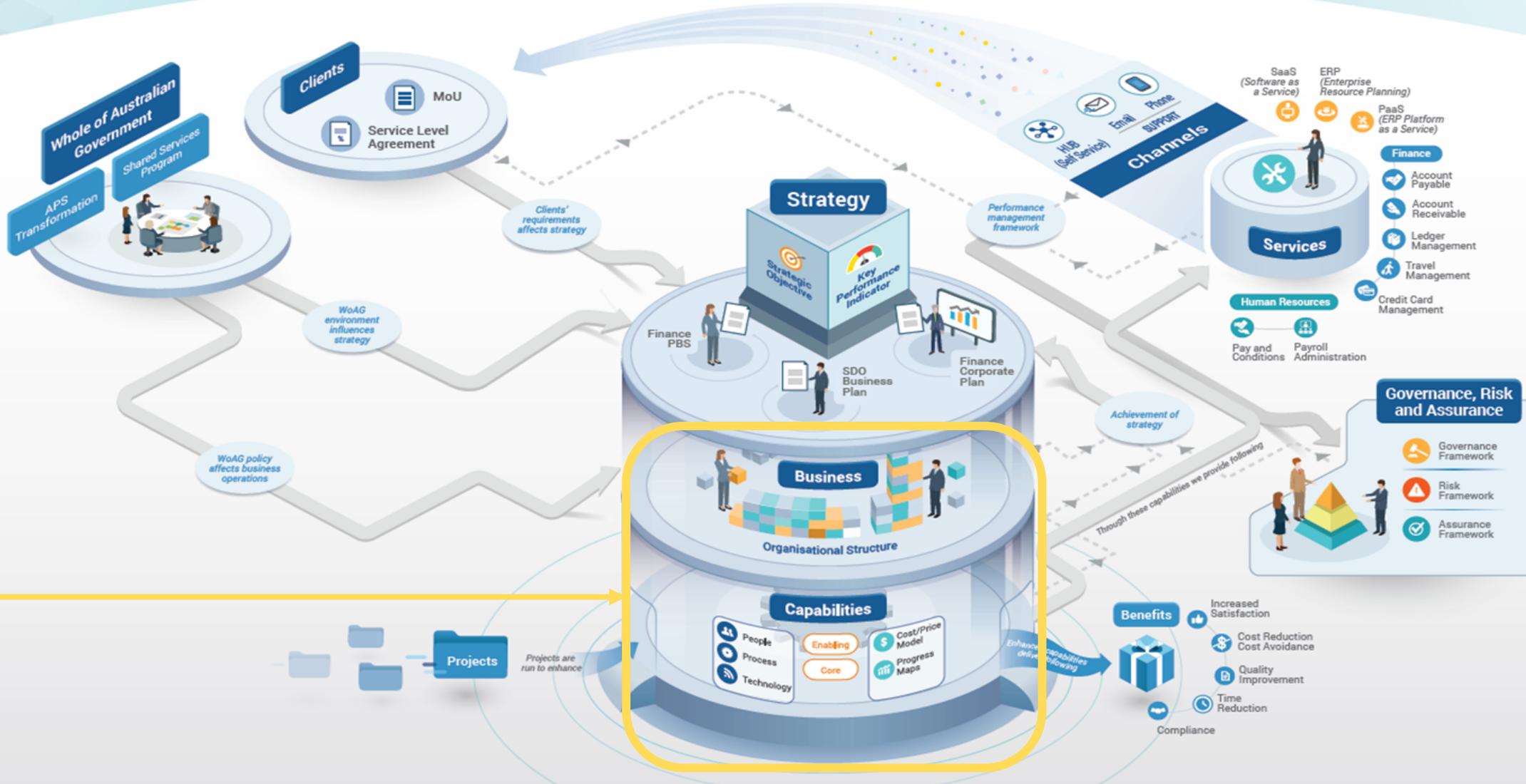


**Investment & Resourcing:** Prioritise and plan investment in major departmental assets, at the Whole-of-government level



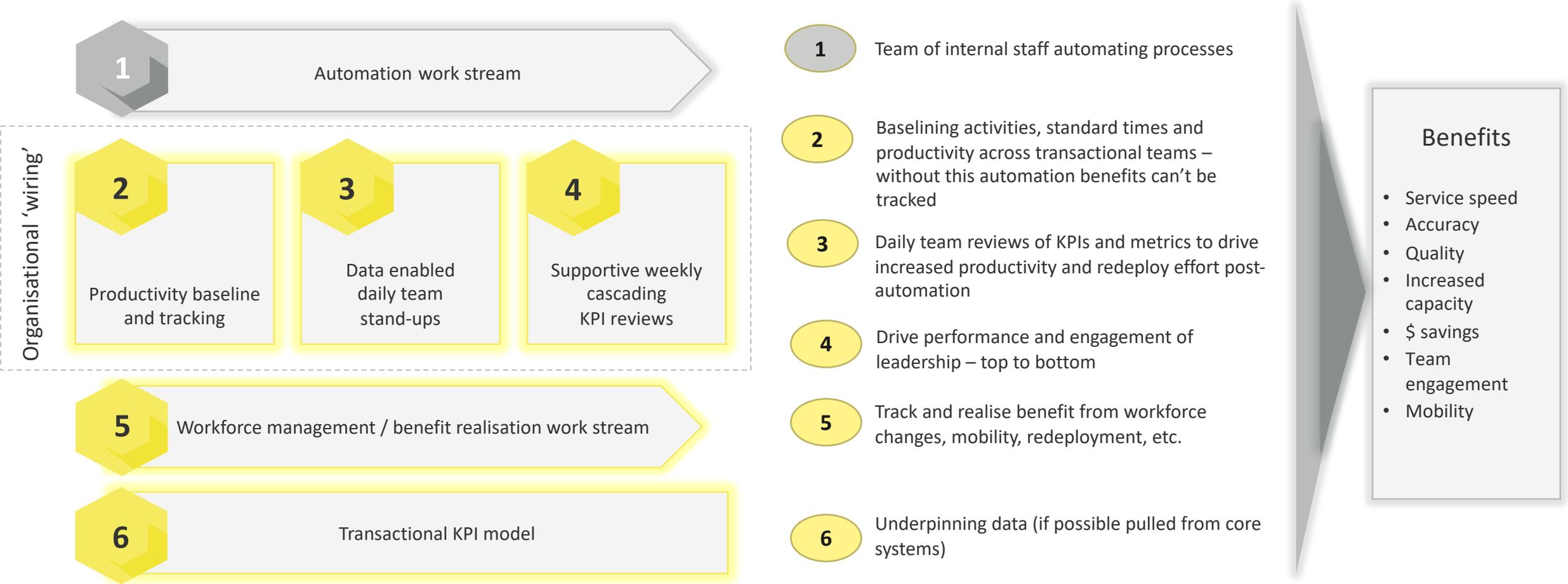
**Workforce and Culture:** strategies to prepare and empower the APS for the future of work in the Digital age.





# Embedding PACE capability into the Operating Model

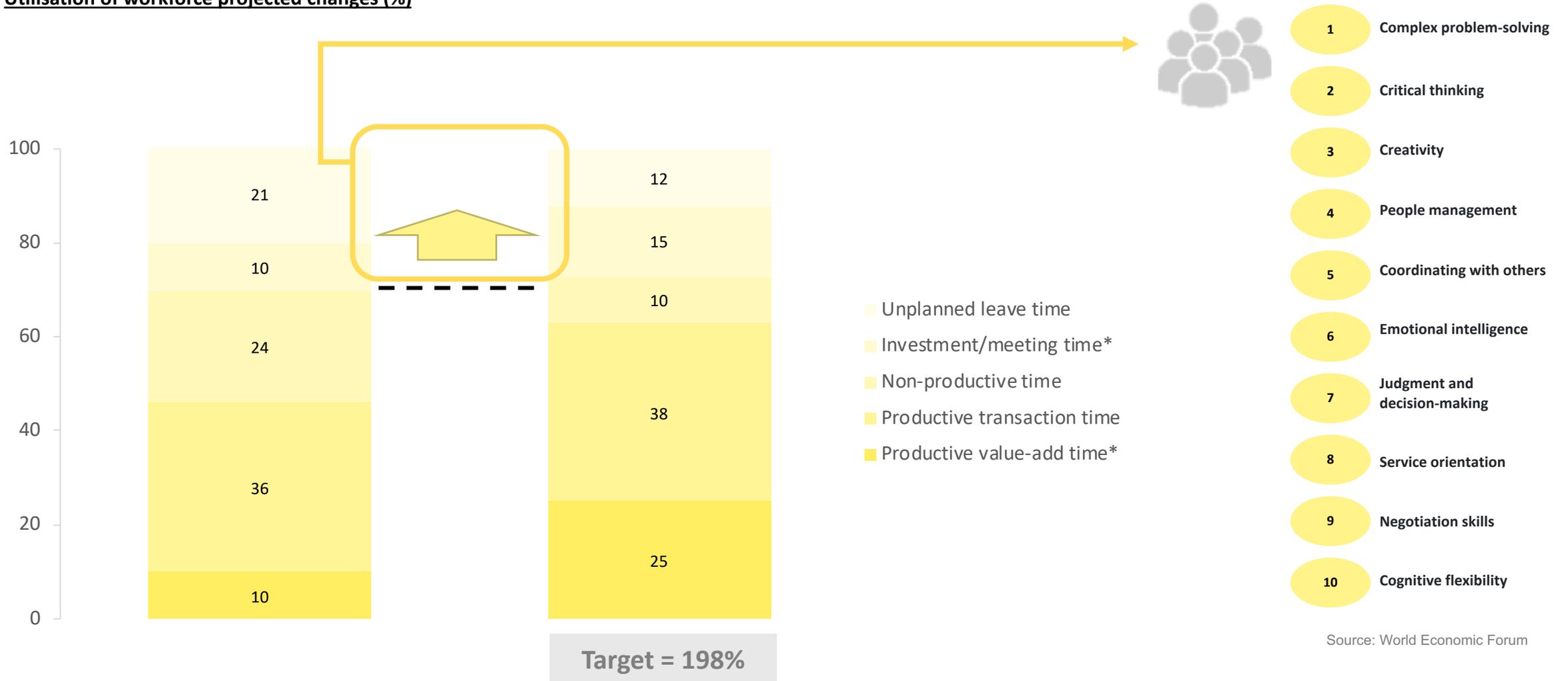
PACE has been established to support APS transformation by building a consistent, well-governed approach to productivity and automation. To fully realise the benefits from automation the PACE team can also guide you in establishing the organisational wiring and discipline essential for driving success



# The Delivery

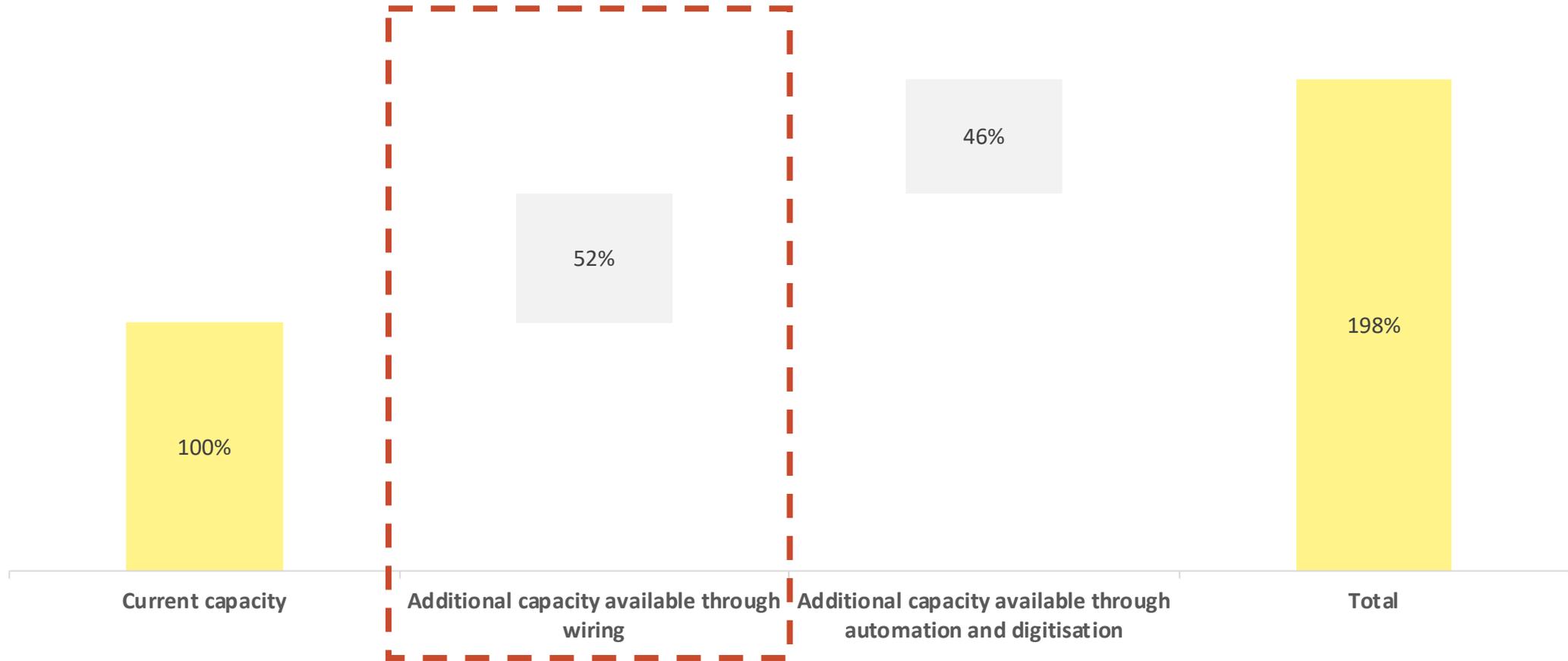
**‘Wiring’ a workforce of the future**, was key to unlock capacity to create space for the uplift to workforce of the future, including the important qualities such as a strong customer service orientation, flexibility, and good collaboration skills—in addition to the technical capabilities needed for specific jobs....

Utilisation of workforce projected changes (%)



Source: World Economic Forum

**The SDO has sought to realise the potential for the organisation to increase the capacity available within the current workforce....**



*Note: Process improvement cuts across both improvement levers*

# Finance talent models are evolving quickly

Digital transformation is fundamentally human-centric because it's about imagining new ways of value creation. For that to happen, people have to be digital enablers as well as users of new digital capabilities. Therefore, a premium is placed on data scientists, business analysts, and storytellers.

**Talent essentials for digital transformation**



**Leadership**

Digital transformation doesn't happen without leadership. In finance, a CFO champion is indispensable. Be deliberate about the commitments you're making, with a sharp view to the future and a clear roadmap for getting there.



**Culture**

Clear ambitions give people the opportunity to understand where they can push boundaries and drive innovation. Previous generations of finance professionals worked in an environment that valued predictability. Those in the newer generations tend to seek more experimentation, innovation, and progress. With every new hire, your finance culture can become more and more ready for the digital world.



**Skills**

The skills needed for digital finance are different from what has been needed in the past. Finance talent today needs a solid knowledge of technology and data science, as well as a deep understanding of the business itself.



**Engagement**

What would it take for people to see your organisation as actively and fully committed to them and their goals? Getting there is key to having a more engaged and inspired workforce.

Source: Deloitte Crunch time Finance in a digital world

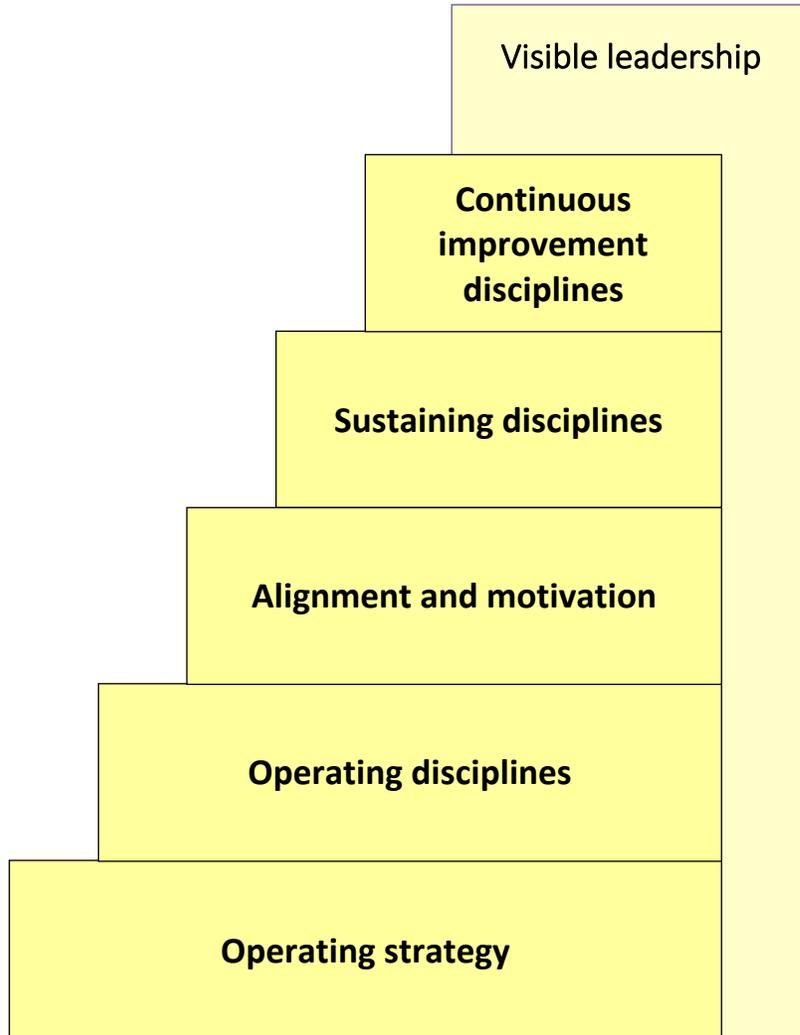
 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Overall digital vision not clearly defined</li> <li>■ <b>Solution:</b> Hold integrative discussions within your organization—bringing together representatives from all parts of organization—to come up with joint digital vision</li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Digital initiatives not linked to overarching business strategy</li> <li>■ <b>Solution:</b> Link specific initiatives to elements of broader corporate strategy, identify linkages in strategy discussions, and monitor outcomes</li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Lack of clear, strong mandate to digitize processes across organization</li> <li>■ <b>Solution:</b> Identify sponsor from top management who will openly promote the digital agenda,<sup>2</sup> and give owners of digital initiatives clear responsibility and authority over their projects</li> </ul>
 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Backlash within finance function over changes resulting from digitization initiative<sup>1</sup></li> <li>■ <b>Solution:</b> Establish or redefine employee incentives so they align with digital agenda</li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Lack of understanding between digital-finance teams and business units</li> <li>■ <b>Solution:</b> Work in cross-functional squads, integrating various business-unit perspectives as well as customer view</li> </ul>	 <ul style="list-style-type: none"> <li>■ <b>Obstacle:</b> Gap between current capabilities and those required in digital-finance function</li> <li>■ <b>Solution:</b> Set up a dedicated capability-building program in finance, and invest in top talent</li> </ul>

Source: McKinsey on Finance Number 67

# Organisation Wiring

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## Elements of the Wiring Pyramid



## Alignment to APSC Capability Maturity Model (CMM) Criteria

**Senior leaders:** how well do leaders promote and support the capability and how mature are the processes in the agency to allow them to communicate their vision for the role the capability plays in agency performance.

**Stakeholder engagement:** what processes exist to engage with stakeholders about the capability and whether there exists processes to integrate stakeholders' views into the development of the capability in the agency?

**Resourcing:** resources are specifically allocated to delivering the capability and the agency regularly evaluates the delivery of the capability to ensure that it is meeting its requirements.

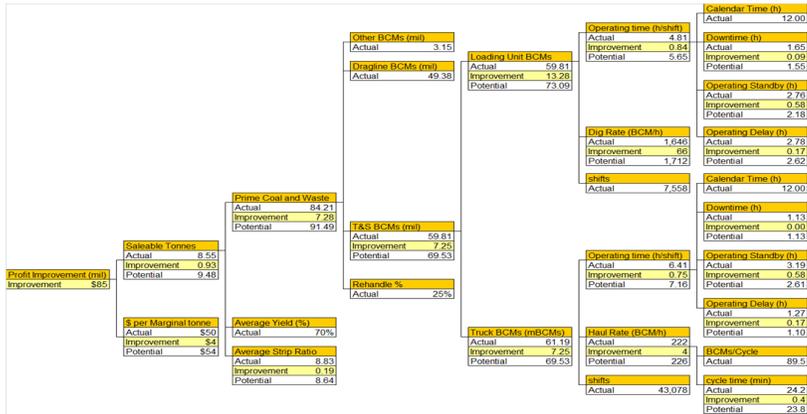
**Workforce knowledge and skills:** how well does the agency understand the workforce capability needed to support the organisational capability; what processes are in place to support building workforce capability where required.

**Organisational systems and evaluation:** whether there are processes in place to measure the effectiveness of the capability and whether this leads to improvement in the capability

**Strategic planning:** whether the agency has a set of strategic objectives for the capability and processes for identifying how these link to agency outcomes.

# Outcomes through personal accountability

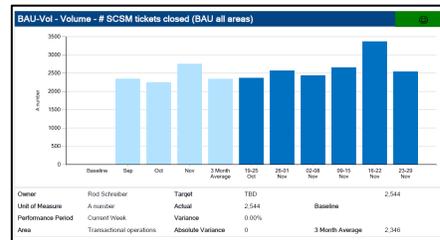
## 1. Identify and prioritise KPIs to input level while ensuring process integrity



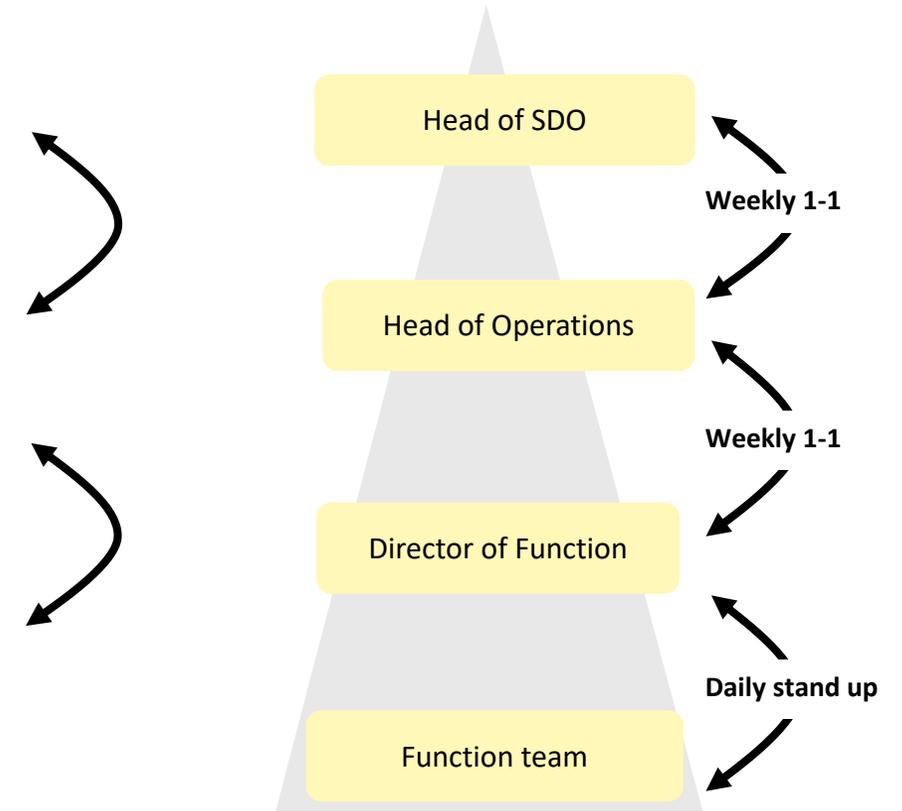
- KPIs focused on:
- Volume of work
  - Quality of work
  - Productivity

## 2. Align and cascade KPIs

Results Action Review	
Reviewer	Lucelle Veneros
Reviewee	Rod Schreiber
Review Date	27 Nov 2017
Report Date	29 Nov 2017
Area	Transactional operations
Department	Change management, Cross functional, Finance, Governance, HR
Sub Department	Accounts Payable, Accounts Receivable, Cross functional, Travel & cards, Payroll, Systems
KPI Type	Automation, Centre of excellence, Cross functional, Digitise, Establish baseline, Other, Process optimisation, Volume, Wiring, Workflow redesign



## 3. Cascade complementary Results Actions Review meetings as constructive conversations



Prioritising initiatives which uplift capability in skills, (digital) tools, insights and relationships to achieve desired results

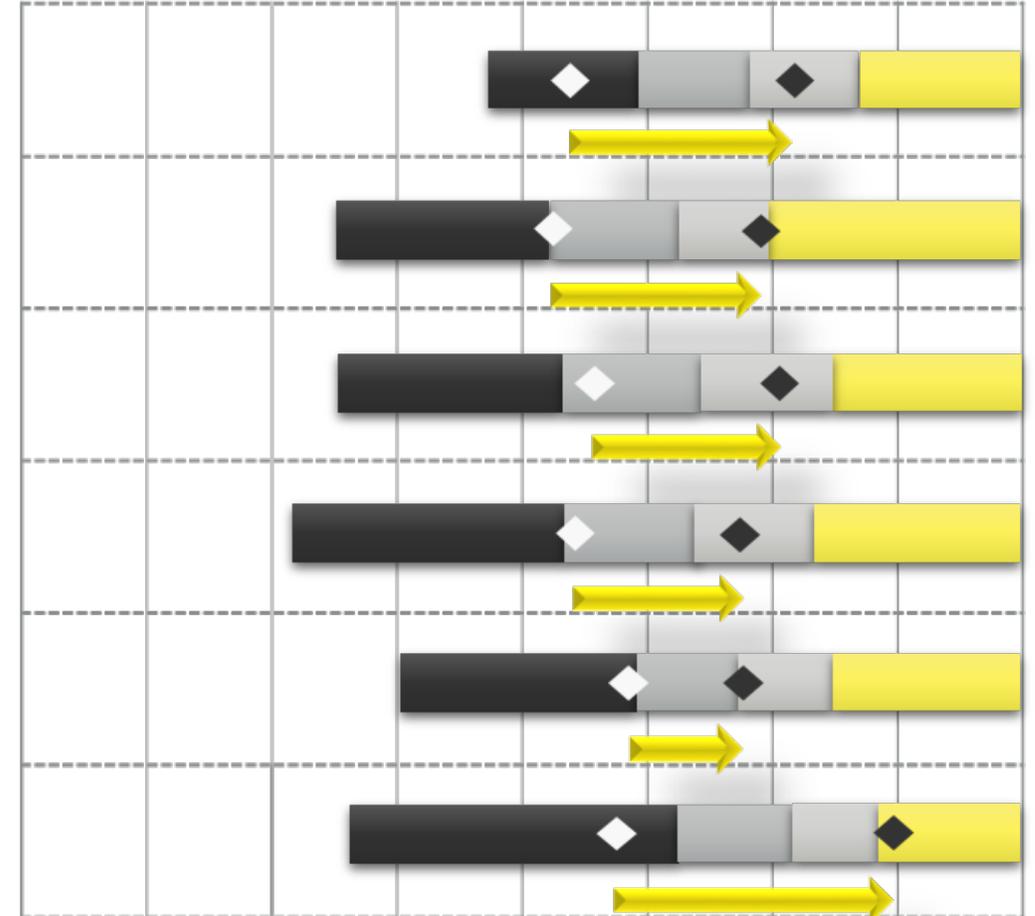
# The results of wiring

SDO has achieved a step-change performance, from a fundamental shift in organisational behaviour across several dimensions

Optimising your management practices facilitates the organisational change needed to deliver success  
**Staff recognise the improvements**



Quartiles from benchmark database

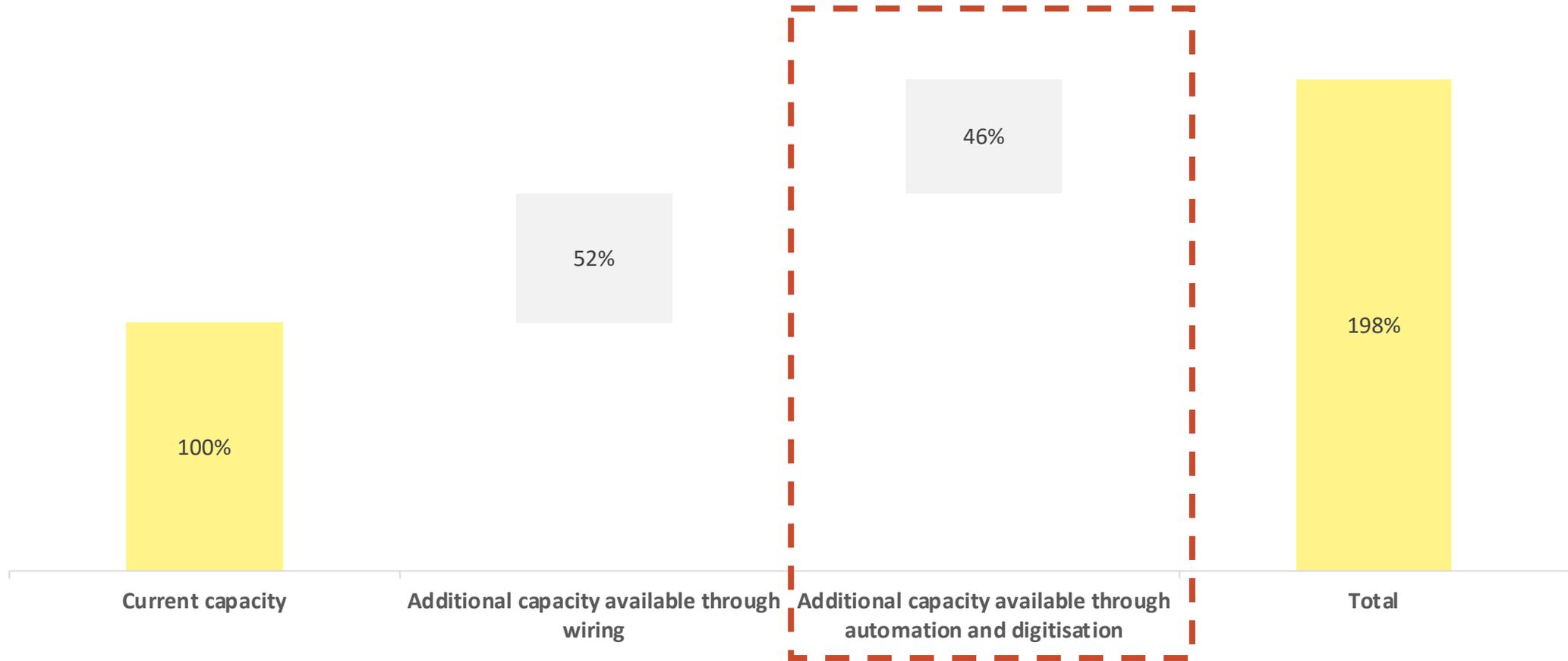


Survey #1

Survey #2 (4 months)



**The SDO has sought to realise the potential for the organisation to increase the capacity available within the current workforce....**

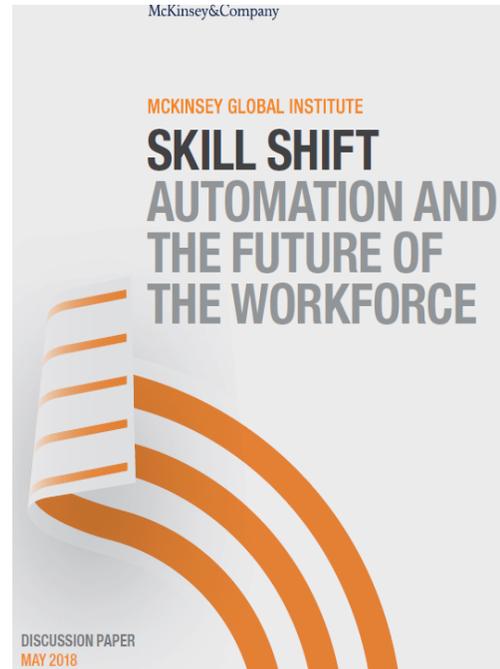


*Note: Process improvement cuts across both improvement levers*

*In the latest report by McKinsey & Company – Australia’s automation opportunity, it states that “44 percent of current work activities could already be automated using existing technologies... This potential rate of automation could rise to 63–81 percent by 2030”.*



2017



2018



2019

# In the future finance function, Automation technology will play an important role

Standardising and automating processes and building agility and quality into processes is a significant priority for the finance function. And while it is a particular priority for cost focused CFOs, it is also important for those focused on growth

## Four digital technologies will reshape the finance function.

### Automation and robotics



To improve processes

- Enable planning and budgeting platforms in cloud-based solutions
- Automate data reconciliation for single source of truth
- Apply robotics to standardize report generation and allow for narrative commentary

### Data visualization



To give end users real-time financial information

- Generate user-friendly, dynamic dashboards and graphics tailored to internal customer needs
- Deliver ubiquitous reports that can provide information at very detailed levels
- Seamlessly combine information from multiple data sources<sup>1</sup>

### Advanced analytics for finance



To accelerate decision support

- Conduct top-down scenario analysis
- Develop self-optimizing algorithms for preliminary sales forecasts
- Develop demand models to improve working capital and inventory management

### Advanced analytics for business



To uncover hidden shareholder value and growth opportunities

- Support optimization of pricing and SKU lineup
- Track resource utilization at detailed levels<sup>2</sup> and mirror against value creation and resource effectiveness
- Create predictive models for early warning<sup>3</sup>

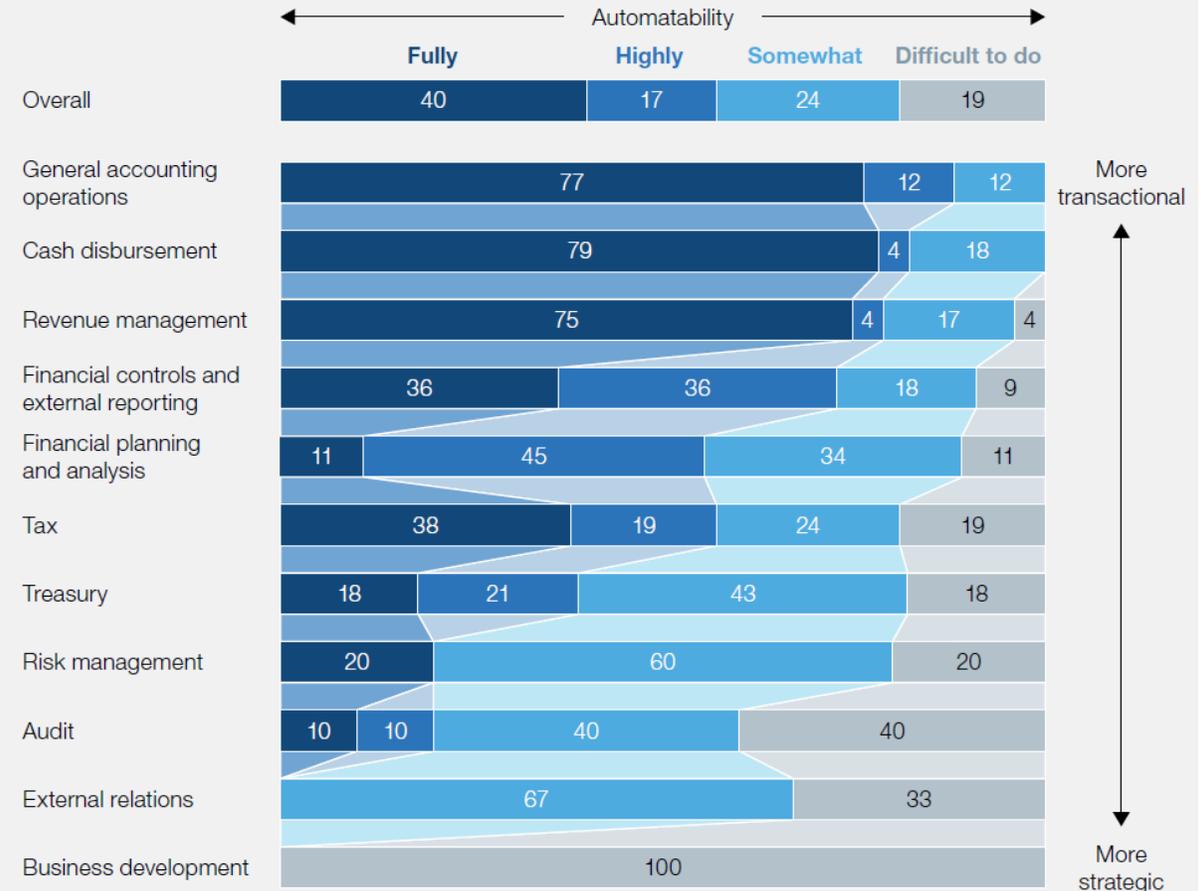
<sup>1</sup> Such as finance enterprise resource planning, customer relationship management, order volume, and market development.

<sup>2</sup> Such as sales force and marketing.

<sup>3</sup> On customer churn or credit risk, for instance.

Source: McKinsey analysis

## Potential for finance-function automation using demonstrated technologies, % share<sup>1</sup>

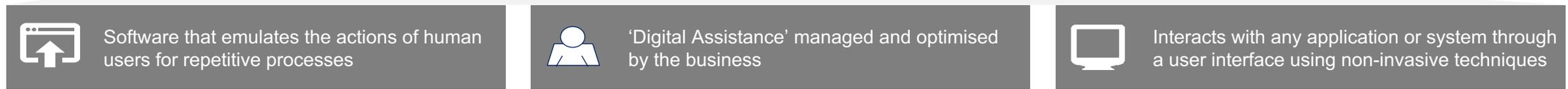
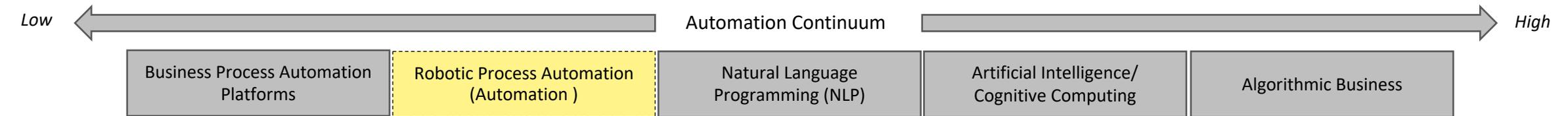


<sup>1</sup> Figures may not sum to 100, because of rounding.

Source: McKinsey Global Institute analysis; McKinsey analysis

# The 'A' in PACE – Automation.

Automation utilises digital technology (Robotic Process Automation software) to execute tasks normally done by a person. It is technology that can be used in isolation or in conjunction with more sophisticated automation technologies, such as Artificial Intelligence, to augment the human workforce and deliver significant quality and efficiency benefits.



	<b>1</b> Faster Processing	<ul style="list-style-type: none"> <li>3-5x increase in productivity relative to human resources</li> </ul>		<b>2</b> Improved Accuracy	<ul style="list-style-type: none"> <li>Consistent execution of processes</li> <li>Eliminates data inconsistencies across applications</li> </ul>
	<b>3</b> Scalable	<ul style="list-style-type: none"> <li>Licenses are scaled to respond to demand</li> <li>Software can be used across several unrelated processes</li> </ul>		<b>4</b> Auditable	<ul style="list-style-type: none"> <li>Every key stroke is tracked and reportable</li> </ul>
	<b>5</b> Customer Satisfaction	<ul style="list-style-type: none"> <li>Improve customer response time by reducing cycle time</li> <li>Reduce waiting time – immediately available processing capabilities</li> </ul>		<b>6</b> Fewer Defects	<ul style="list-style-type: none"> <li>Reduces error rate for manual tasks – there is typically ~10% error rate</li> </ul>
	<b>7</b> Lower Cost	<ul style="list-style-type: none"> <li>~10% annual cost of human resources</li> <li>Reduce re-work costs</li> </ul>		<b>8</b> Ownership & Governance	<ul style="list-style-type: none"> <li>Companies are beginning to use Automation to bring off-shored processes back on-shore</li> </ul>

# Demonstration of the Automation capability in Production

*Automation can help us do things that take up a lot of our time, but don't draw on our uniquely human capabilities. Automation is great for repetitive, high volume tasks governed by 'logic'.*



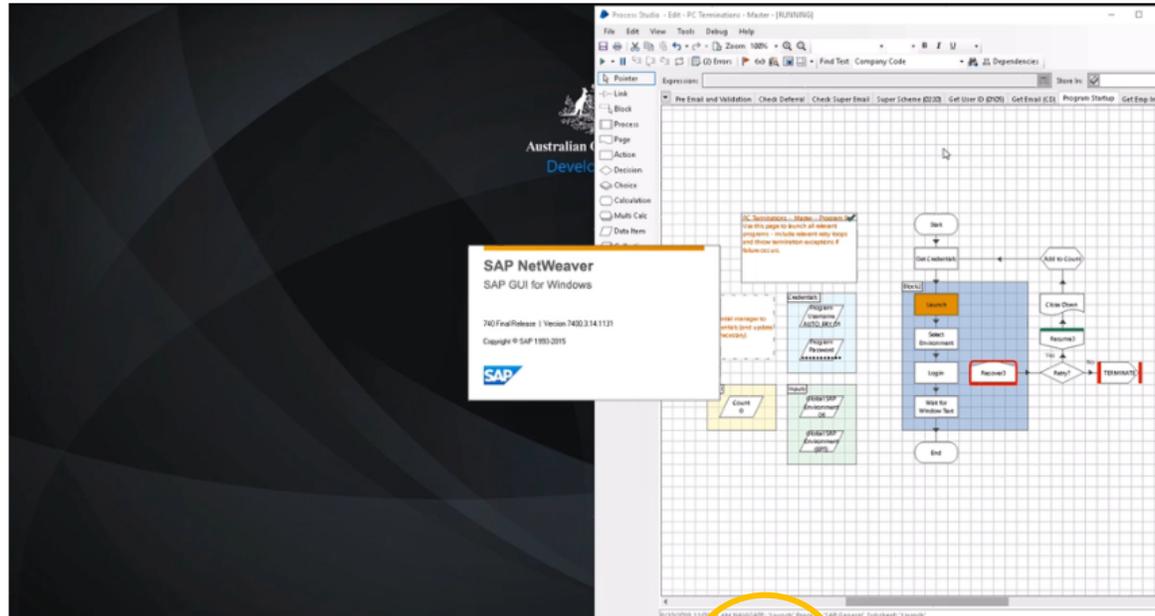
## High volume of repetitive manual tasks, especially across systems

- Data entry of standard client service requests
- Compliance checking and reporting
- Periodic standard reporting



## Digitised and structured inputs and outputs

- Form letters and notifications
- SAP/Excel/email operations
- Notification and processing of customer updates



## Clear business rules and processing logic

- Compliance with EBAs, published standards and regulations
- New supplier, customer, employee registrations and terminations
- Account and transaction entry across systems
- Processing of credit card orders



## Highly manual key stroke entering and rework of errors

- Form extraction – taking data from forms and making systems entries
- Journal entry accounting
- Standard reporting such as financials and budgets

# Results of the Productivity and Automation Centre of Excellence - PACE

Automation is a global capability that is being adopted across sectors and by multiple agencies across Government to improve productivity and deliver more efficient, higher quality services for Australian citizens. The Department of Finance's PACE team has been established to support APS transformation by building a consistent, well-governed approach to automation.

