HFS

POINT OF VIEW

# Future-proof finance: Nordic region finance leaders are at the helm of change for the AI revolution

**Authors:**

Srini Vaddepalli, Practice Leader
Melissa O'Brien, Executive Research Leader
Saurabh Gupta, President, Research and Advisory Services

CFOs face numerous challenges due to ongoing black-swan events such as the COVID-19 pandemic, geopolitical conflicts in Europe and the Middle East, and supply chain disruptions. They need to be cautious about high inflation, rising interest rates, new regulations, and technological advancements, which require them to mobilize resources to deal with these challenges. Industries such as manufacturing, oil and gas, logistics, retail, and agriculture in Sweden, Norway, Denmark, and Finland have experienced adverse impacts due to changes in consumer behavior, import and export freight duties, and fluctuations in currency exchange rates. These macroeconomic pressures are forcing CFOs in the Nordic region to cut costs while driving innovation.

HFS Research, in partnership with Cognizant Technology Solutions (CTS), has interviewed some of the Nordic region's finance and accounting (F&A) transformation leaders to understand how their finance functions are combating these pressures and competing priorities.

## The CFO's remit touches every facet of the enterprise

Faced with economic challenges, CFOs focus on reducing costs, streamlining processes, modernizing technology, and implementing sustainable practices. They are taking several measures to achieve these goals, such as slimming organizational structure, consolidating vendors, renegotiating contracts, and adopting and upgrading technology to drive enterprise transformation. CFOs have a challenging role as they balance protecting their existence while maintaining brand value, customer experience, employee experience, and the industry ecosystem.

Our research indicates that businesses will increasingly balance outsourcing and insourcing their services. Companies achieve significant cost reductions while integrating shared service centers and leveraging business process outsourcing (BPO) contracts to maintain operational excellence. Enterprises also invest in clearing technology debt, modernizing their enterprise resource planning (ERP) systems, slimming down the organization for greater efficiency, and investing in the Triple-A Trifecta (artificial intelligence, automation, and analytics). However, finance leaders need more interdisciplinary skills, the right talent, and service providers. The move toward SAP S/4 HANA for harmonizing processes underscores a strategic focus on technology-driven efficiency.

The biggest challenges for finance leaders are the limited skilled talent pool, the shift toward working from home, and the need for digital literacy. These challenges emphasize the importance of developing employees' digital mindsets within finance and accounting, especially in transitioning to new systems like SAP and leveraging AI for process improvements.

## B2B firms simplify their clients' operations, enabling them to focus on core business

Enterprises use global business services (GBS) to manage their complex operations, which they developed through their transformation along with BPO partners. Enterprises aim to create a single source of truth and enhance financial planning and analysis throughout the organization. Standardizing processes and creating data models can ensure data quality and consistency.

 © 2024 | HFS Research 

Facilities management companies provide their services to customers with a global presence. These business-to-business (B2B) providers simplify their customers' processes to help them concentrate on their core businesses. For example, bringing thousands of facility providers on board and managing their finances and contracts is the most complex and critical job for a global bank with hundreds of branches worldwide. Instead of handling the tedious and non-core jobs, the bank transfers these tasks to a single facilities management company, which manages the complexity of the customer's contract management, accounts payable, risk management, compliance, and dispute management functions with its GBS and BPO partners.

> "Our success is attributed to simplifying our customers' operations while enhancing their experience. To comply with regulations, our clients are required to screen and approve thousands of potential suppliers. However, as part of partnering with us, we absorb a lot of that complexity, allowing them to deal with only one supplier for their facilities management. We excel at efficiently managing simple tasks with low-profit margins while providing value to our customers worldwide."
>
> —Soren Vestergaard
> VP & Head of Finance Transformation and Shared Services
> ISS A/S

During a conversation with the facilities management company, the GBS leader revealed that handling frontline employees' entry, engagement, and exit is complex, especially for those who live paycheck to paycheck or need more training and education. F&A transformation and automation around intercompany management, journal posting, and benefits mapping have helped frontline managers add value to their workplace. The frontline managers on the facilities management company's payroll regularly measure and report heater readings, electricity consumption, and food waste at their customer locations. The facilities management company adds value to its customers by tracking and reporting their carbon footprint on its sustainable development goals (SDG) or environment, social, and governance (ESG) areas. This is possible when the enterprise and its automation partners share a mutual understanding and trust.

## Enterprises aim to create self-serving digital channels to boost efficiency and customer experience

Technology stands at the core of the evolution of finance functions. Companies are exploring AI, automation, and data analytics for deeper insights and efficiency. Adopting SAP S/4 HANA and investing in tools like Adra (balance sheet reconciliation software) and GenAI signal a shift toward more sophisticated, technology-enhanced finance operations.

Enterprises in customer-facing industries move from traditional inbound phone support to a digital-first approach. They plan to limit customer interactions on different platforms regarding invoice support. Instead, enterprises aim to create self-service portals to direct customers to resolve the invoice issue independently.

These solutions can range from an auto refund with a specific order verification process, providing the status of an order, or even personalizing support through an outbound call from the company. To enable this process, enterprises must streamline the entire order to cash functions, including order management, collections, billing and invoicing, and dispute management.

> "We aim to reduce dispute resolution time by streamlining customer invoice management. Using digital channels, we can reduce interaction time and direct customers to personalized handling when needed, including outbound calls."
>
> —Kaj Nyman
> Head of Finance Shared Services Center
> PostNord

Enterprises anticipate customers will appreciate the advantages of receiving quick and direct support through digital platforms. In the Nordics region, customers have already undergone faceless interactions with governments' digital-ready initiatives. As enterprises align customer behavior with new systems, they expect the shift toward digitalization to evolve, ensuring that customers feel valued and content with the services provided.

Finance leaders recognize that to remain competitive in today's market, they must leverage the capabilities of AI. However, they also acknowledge that outdated technology hinders the deployment of the most innovative solutions that can enhance the employee and customer experience. The IT infrastructure must be upgraded to ensure that GenAI-based solutions produce accurate results, and the financial systems should be integrated and orchestrated well to get the relevant data for training. These solutions can then be evaluated and tested using copilots and control systems.

> "When you have a single, reliable source of financial and accounting data, and the data quality is high, the potential of AI is limitless and can work wonders. However, implementing AI without the right data points can lead to confidently making incorrect decisions, which is the worst thing you can do."
>
> —Soren Vestergaard
> VP & Head of Finance Transformation and Shared Services
> ISS A/S

## The foundations of effective partnerships: trust, shared objectives, and strategic congruence

The relationships between enterprises and service providers are crucial in successfully navigating digital transformation and operational challenges. Collaboration with technology providers can make or break the success of enterprise business transformation.

Some businesses in the Nordic region have faced partnership failures due to incomplete scope, a lack of proper strategy, frequent changes in service level agreements (SLAs), and alignment issues. However, partnering with the right service providers allows organizations to leverage external expertise, access to global talent, and implement best practices in technology and process management. These partnerships can be either transactional or strategic, depending on the goals and objectives of the organizations involved.

The focus of these partnerships is on shared goals, mutual growth, and innovation. They help enhance the Triple-A Trifecta, including AI, automation, and data analytics capabilities, ultimately driving business success.

> "We replaced one of the Nordics providers with an Indian service provider to bring cost benefits, scale, competence, and flexibility. Our partnership goes beyond commercials, KPIs, and SLAs. It is based on trust and mutual risk-taking like meeting challenges together and succeeding together."
>
> —Kaj Nyman
> Head of Finance Shared Services Center
> PostNord

Nordic finance leaders seek strategic and trustworthy partners for innovative and outcome-based services rather than relying on service providers for outsourcing work. While some companies still follow the FTE-based commercial model, the trend is shifting toward more collaborative and value-based partnerships.

## Insight-driven strategies accelerate digital transitions, enhancing efficiency and effectiveness

In a recent discussion with an automotive company, the head of global accounting mentioned that the industry is trying to balance its long-term and short-term goals. They invest in electric vehicle (EV) platforms and battery technologies while selling traditional internal combustion engine (ICE) cars. This requires significant capital and cash flow management, especially during this financial crisis. Integrating age-old legacy systems and old ERP with the manufacturing, sales, and research and development (R&D) departments is a complex project for automotive enterprises. This business model change impacts procurement, F&A, and regulatory aspects.

> "We are investing in transforming our ERP and other emerging technologies to balance long-term and short-term goals to be profitable and compliant with sustainability legislations. We expect our partners to share the insights from the industry and other partners to learn from them."
>
> —Head of Global Accounting for a Global automotive company

Automotive companies are integrating sustainability reporting into F&A to meet legislative requirements. As sustainability metrics evolve, enterprises mention the need for constant evaluation and adaptation due to technological advancements. However, they look for BPO partners to help them share insights from the market and other clients through collaboration events or workshops.

## Navigating talent development in finance and accounting's digital shift is critical for collaboration

Finance leaders in the Nordic region seek talented professionals with digital expertise and deep domain knowledge from offshore locations, as nearshore outsourcing can be expensive. Therefore, many companies outsource their business processes to strategic partners to modernize and optimize their technology systems.

Enterprises are taking a balanced approach to outsourcing and insourcing depending on their business requirements and upstream and downstream dependencies. They work with BPO partners in areas such as procure-to-pay, finance transformation, and record-to-report while retaining control over the critical part of the process.

Many organizations face challenges in retaining employees, transferring proper knowledge when they leave, and effectively engaging the employees. The primary reason for these challenges is aligning employees' skill sets with rapidly evolving technologies and business needs. To drive innovation and contribute to company culture, finance professionals must adopt a digital mindset, be proficient in new technologies, and build strong relationships with stakeholders. To keep up with digital transformation efforts, continuous learning and development programs must be in place to upskill the workforce in data analytics, AI, and cybersecurity.

> "The pandemic has created good flexibility for employees to work from home. However, it is important to find a sensible balance, ensuring employees do not become detached from the organization, reducing collaboration and effecting deliveries."
>
> —Rebecca C. Harrold Hjortby
> Head of Contract Management
> Pharmaceutical company in the Nordic region

## **The Bottom Line:** Nordic region finance leaders must prioritize tech modernization and F&A transformation, seeking proactive solutions with the right talent and partners.

Enterprises face macroeconomic challenges and a constantly evolving technology landscape, necessitating upgrading their underlying technology infrastructure. This is vital for fostering innovation and enhancing business processes. If enterprises fail to address this fundamental issue, they will be unable to tackle more significant technological obstacles that may arise.

Enterprises use automated processes, advanced reporting, analytics, and AI to evolve their business models, reduce costs, and bring visibility to their F&A, procurement, and sourcing functions. Finance leaders in the Nordic region need to adopt a holistic approach to finance transformation and strategic partnerships to navigate changes and secure cash flow, keeping their businesses healthy and competitive.

# Research authors

## Srini Vaddepalli

Practice Leader

Srini Vaddepalli is a Practice Leader at HFS Research, covering information technology (IT) and business process (BP) service providers in finance, accounting, sourcing, and procurement. He brings more than 14 years of experience from three sides of the IT and BP industry, working with Capgemini, Information Services Group, and Eastman Chemical.

## Melissa O'Brien

Executive Research Leader

Melissa is an Executive Research Leader and Head of Research Operations at HFS Research. Melissa leads HFS' research initiatives for all things customer experience, including contact center, digital marketing and sales, CX design, and conversational AI. Her industry research focuses on key services dynamics within retail, CPG, travel, and hospitality firms. Melissa also looks after operations across all research coverage areas, helping HFS realize our own version of OneOffice™.

## Saurabh Gupta

President, Research and Advisory Services

Saurabh Gupta is President, Research and Advisory Services at HFS. He sets the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research. He oversees HFS' global research function, managing the global team of analysts and operations across the US, Europe, and Asia.

HFS

## About HFS

- **INNOVATIVE**
- **INTREPID**
- **BOLD**

HFS is a leading global research and analysis firm trusted at the highest levels of executive leadership. Our mission is to help our clients clients—major enterprises, tech firms, and service providers—tackle challenges, make bold moves, and bring big ideas to life by arming them with accurate, visionary, and thought-provoking insight into issues that impact their business.

Our analysts and strategists have deep, real-world experience in the subjects they cover. They're respected for their independent, no-nonsense perspectives based on thorough research, demand-side data, and personal engagements with industry leaders.

We have one goal above all others: to propel you to success.

www.hfsresearch.com

hfsresearch

www.horsesforsources.com