

The 7 financial transformation **challenges** holding companies back

Identifying and navigating the core challenges makes it easier to build a roadmap for success.

Not all financial transformations involve the same level of complexity, but many companies misjudge the workload and are surprised by how quickly underlying problems can derail their best-laid plans. What initially seems like a straightforward process becomes much more involved, leaving teams frustrated and struggling to meet expectations. All this is avoidable if you prepare adequately for the core challenges financial transformations will inevitably present.

It's critical to treat this list as a guideline for posing the right questions rather than a one-size-fits-all template. It will help you identify challenges that may prevent your company from achieving the full benefits of financial transformation. Recognizing and discussing how to navigate the issues makes it easier to build a roadmap towards success.



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A background image showing a business meeting. Two people are seated at a wooden table. One person, wearing a checkered shirt, is pointing at a laptop screen. The other person, wearing a white shirt and a watch, is holding a tablet. On the table, there are several documents with charts and graphs, including a pie chart and a bar chart. A laptop is also visible on the table. The image has a blue tint and a semi-transparent orange border around the text.

“Data-driven organizations are 23 times more likely to outperform competitors in new customer acquisition and nine times more likely to surpass them in customer loyalty.”

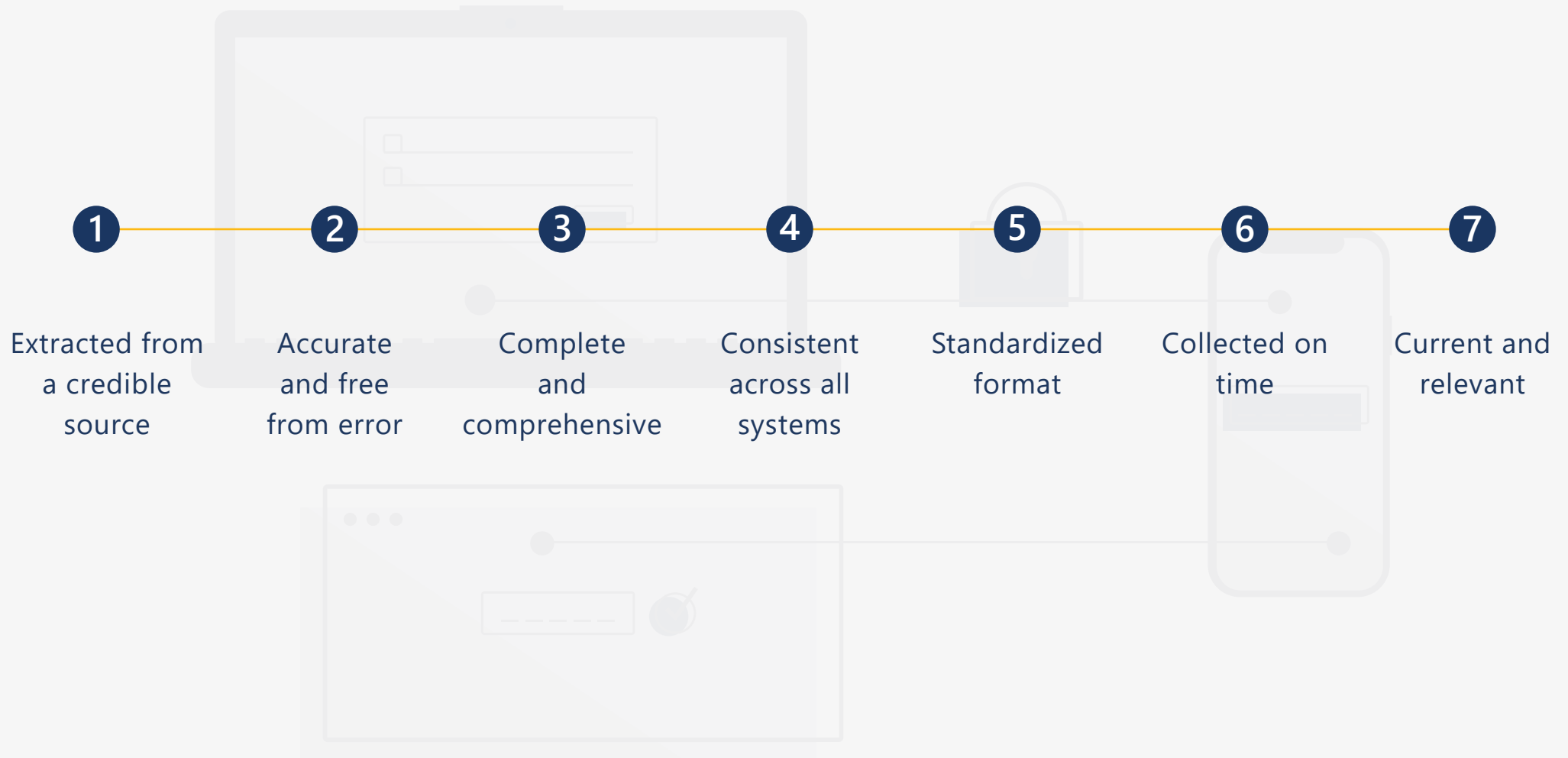
Source: McKinsey & Company | How customer analytics boosts corporate performance

Challenge 1

Data management practices can be inconsistent and difficult to correct

According to a report by Deloitte, often, companies aren't looking at external data like customer insights because they're still trying to fix internal accounting practices. Because many of their processes are still manual, they spend more time moving data around—via email, spreadsheets and between various systems—than analyzing it. Whether you're mining churn metrics or consolidating financial statements, companies should focus on the seven standards of good data management.

The 7 standards of reliable data



Challenge 2

Investors and stakeholders can cause roadblocks

Stakeholders and investors can be risk-averse, and the upfront costs can make it challenging to secure their support. Convincing them of the benefits will require setting expectations, predicting ROI, and painting an accurate picture of the risk of being left behind.

Invest time and energy in persuading all parties. After all, it's a process that will change how your company does business, allowing you to think and act rather than react in uncertain times.

Leaders need to incentivize teams by changing key performance metrics to reflect the importance of financial transformation.



Challenge 3

Misalignment between short- and long-term goals

The pressure of immediate goals can impact how your team approaches transformation. Executives responsible for reaching shorter-term targets and whose performance is measured by achieving these goals may not see how their role matches up with longer-term goals like financial transformation. Drilling down to the individual level will require reassessing how you measure success and accounting for the alignment of duties with longer-term goals.

Model for splitting investment at all 3 levels of innovation management

Enhancements to the core business will reap results in months, but financial transformation may take anywhere from 5-10 years before companies realize all the benefits. Leaders must consider the best ways to motivate executives to achieve longer-term goals and find new ways to incentivize performance.



Enhance core business operations



Expand to adjacent markets and businesses



Develop breakthrough innovations

Without appropriate technology, it will become impossible to manage the complexity of compliance over time.



Challenge 4

Compliance standards and financial regulations keep shifting

Teams may worry that digital transformation will eat up valuable resources that should first focus on achieving compliance standards. Again, this is putting short-term goals ahead of long-term solutions. Without appropriate technology, it will become impossible to manage the complexity of compliance over time.

Regulators continue to tweak and introduce new accounting standards to govern the constantly shifting economic environment. For evidence of this phenomenon, look no further than the widespread adoption of recurring billing models and the introduction of ASC 606 to account for recurring and deferred revenues.

The cost of non-compliance

It's estimated that the cost of non-compliance exceeds an average of \$14 million and covers five main areas.



Fines, penalties and other fees



Business disruption



Revenue loss



Productivity loss



Reputation damage

Challenge 5

**Evolution of the
workforce makes it
difficult to retain
appropriate talent**

Uncertainty and change can lead to top talent leaving. That does not mean leaders should be paralyzed by the fear of losing their best employees, but it does mean that roadmaps need to include strategies for recruiting and retaining the right people to drive the changes you need.

A group of diverse professionals are gathered around a wooden table in a modern office setting. They are smiling and interacting, with some looking at laptops and others at each other. The background features a wall with many small, light-colored sticky notes. The image has a blue overlay and a yellow border around the text.

“Research shows that agile organizations have a 70% chance of being in the top quartile of organizational health, the best indicator of long-term performance.”

Source: McKinsey | Why agility pays

Challenge 6

Lack of agility and coordination between various departments and entities

An agile mindset is at the heart of financial transformation. Teams will need to adopt a level of agility and coordination that may not always come naturally. If legacy standards and processes are in place, it can take time and convincing to introduce coordination and agility between departments.

Centralizing data helps, but it's only part of the puzzle. The emotional impact of large-scale transformation means that a failure to communicate changes effectively can be damaging. Effective transformation requires clear and constant communication and a map to integration that helps employees navigate the choppy waters of change.

A woman in a dark business suit is holding a clipboard and looking at a man in a white shirt and dark vest. The man is wearing glasses and looking down at the clipboard. They are in a modern office setting with large windows in the background. The image has a blue tint and a yellow border around the text area.

**Conflict can occur when teams fear
being replaced by technology.**

Source: Forbes | [Learn about Digital Transformation from risk-averse industries](#)

Challenge 7

Clashes between risk-averse mindsets and the need for innovation

It can be difficult for those bogged down in manual processes to imagine their duties when this workload is alleviated. Automation is only a scary word if people feel they will lose their jobs to technology.

It's important to communicate that humans will remain at the heart of operations and shift mindsets to understand how their roles will evolve. Managing the clashes requires investing in change management and communications, as well as having empathy and compassion for those transitioning to new processes.

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customers
successfully
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Why customers trust us with their financial transformation



Wonderful, wonderful, wonderful. A joy to work with Binary Stream. Everyone was super helpful and positive, which had a big impact on the success of the implementation.

MoxiWorks



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Ibexa



The team at Binary Stream helped us get everything going. They addressed our questions as they came up and helped us stay on track throughout the implementation. Their hands-on approach was key in the whole process.

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Management**



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Binary Stream Software inc.
800 - 7300 Edmonds Street
Burnaby, BC V3N-0G8
Canada

+1 604 522 6300
www.binarystream.com
sales@binarystream.com