



# DESIGN THINKING FOR FINANCE PROCESSES

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**Written by**

Ganapathy Subramanian  
Sr. Assistant Vice President, EXL

Jagmeet Singh  
Vice President, Global Finance  
Transformation Leader, EXL

**Mentored by**

Raghav Jaggi  
Senior Vice President, F&A  
CoE, EXL

Darshan Pathak  
Vice President, F&A CoE, EXL

[lookdeeper@exlservice.com](mailto:lookdeeper@exlservice.com)

## DESIGN THINKING FOR FINANCE PROCESSES

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 its functions areas from source to pay, order to cash and record to reports.

With digital disruption and new-age processes, EXL sees the “Chief Finance Officer” role shifting more toward that of a “Chief Performance Officer.” 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 at EXL states that, “With rapid digital transformation taking place for the front end systems, the CFO organizations cannot run in a silo and need to embrace new methodologies – like design thinking – to link ‘the art of the possible’ for the internal and external customers and to keep pace with process efficiency 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.

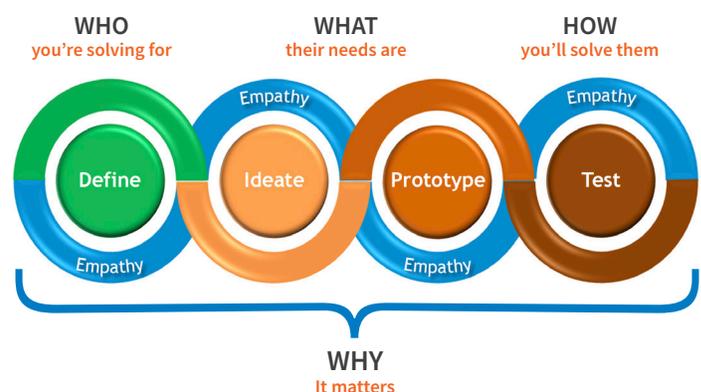
Typically, the problem definition step involves identifying issues from an upper management lens and not from the eyes of the actual internal or external customers.

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 is evolving as a critical step in organizations’ collapse barriers between their front, middle and back offices.

“Design-thinking companies stand apart in their willingness to engage in the task of continuously redesigning their business... 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 <sup>1</sup>

### 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. Second, 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.

## A Framework for Finance Processes

Design thinking for finance processes are particularly challenging since its processes involve both internal and external customers. However, introducing customer-

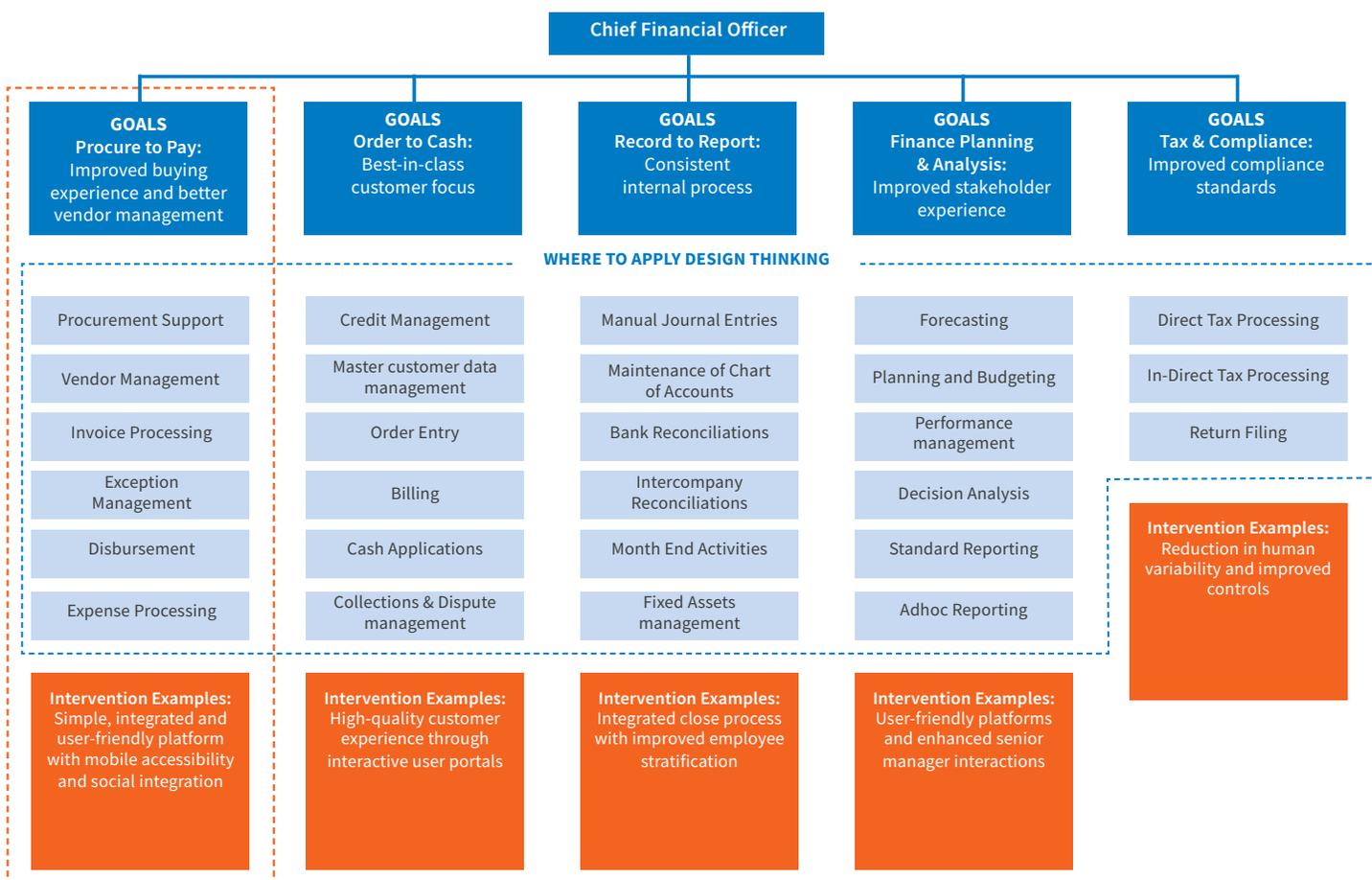
centric innovation in this area is particularly important since the focus of companies has still traditionally been on external customers.

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



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 (P2P) 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
- 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

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2. <http://www.forbes.com/sites/sap/2015/05/10/what-is-design-thinking/#4dc380793c18>

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## GLOBAL HEADQUARTERS

280 Park Avenue, 38th Floor

New York, New York 10017

T +1 212.277.7100 F +1 212.771.7111

United States • United Kingdom • Czech  
Republic • Romania • Bulgaria • India •  
Philippines • Colombia • South Africa

**EXLSERVICE.COM**

**lookdeeper@exlservice.com**