

# ***How to Innovate Radically? On the Temporal Evolution, Path Exploration and Practical Choices of Financial Transformation***

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**Abstract.** This paper probes deeply into the necessity, evolutionary process and implementation path of enterprise financial transformation. With the development of the new generation of information technologies such as big data, intelligent technologies, mobile internet, cloud computing, the Internet of Things and blockchain, the traditional accounting processes and organizational structures are undergoing profound changes. The study points out that financial transformation is not only an adaptation to information technologies, but also a strategic measure for enterprises to realize the organic unity of growth, profitability and risk management. The study divides financial transformation into four stages, namely informatization, intellectualization, collaboration and valorization. Furthermore, it proposes a financial transformation path from a strategic perspective, which includes three levels: financial strategic management, financial organizational management and financial operation management. Finally, the paper innovatively puts forward the RESEARCH framework to drive CFOs to carry out effective financial transformation, covering eight aspects: Strategic Integration, Exemplary Leadership, Agile Organizational Design, Responsive Risk Framework, Ensuring Talent Supply, Real-time Business Synchronization, Highly Accountable for Results and Continuous Improvement Drive.

**Keywords:** Financial Transformation, Strategic Finance, RESEARCH

## **1. Introduction**

The vigorous development of the new generation of information technologies including big data, intelligent technologies, mobile internet, cloud computing, the Internet of Things and blockchain has transformed the processes, organizations, functions and working methods of traditional accounting. It has provided a powerful boost for the high-quality development of accounting [1], and at the same time forced enterprises to carry out financial transformation to achieve the organic unity of growth management, profitability management and risk management.

Financial transformation refers to the shift of enterprise financial management from the traditional accounting-oriented and management-oriented model to a strategic one. Strategic finance is a strategy-oriented financial management process centered on corporate strategy, which shifts the focus from accounting to resource integration, decision support and value management [2]. With

economic development, enterprises keep adapting to changes and making innovations, making financial transformation a continuous process. However, the academic circle has not yet formed a unified understanding of financial transformation at different stages. Therefore, this paper aims to explore the future of financial transformation by clarifying its past and present situation.

## 2. Temporal evolution of financial transformation

Based on the sorting out of the background of financial transformation, the application of new technologies and policy orientation, financial transformation can be roughly divided into four stages in chronological order: informatization transformation, intellectualization transformation, collaboration transformation and valorization transformation. In fact, financial transformation is a gradual and in-depth process. Each enterprise has different steps and priorities in the process of financial transformation, and transformation is a continuous process with possible overlaps between different stages, as shown in Table 1.

Table 1. Structured framework of financial transformation

| Transformation Stage               | Background                                                                                                               | Objective                                                                                 |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Informatization Transformation     | The development and application of information technologies such as ERP and financial software                           | Improve the efficiency of financial work and realize electronization and automation       |
| Intellectualization Transformation | The rise of emerging technologies such as big data and artificial intelligence                                           | Empower finance with new technologies and realize intellectualized and refined management |
| Collaboration Transformation       | Increasingly drastic changes in the internal and external environment of enterprises, emphasizing collaborative response | Realize the in-depth integration of finance and business to support corporate strategy    |
| Valorization Transformation        | The transformation of financial role positioning, from a supportive type to a value-creating type                        | Deeply participate in enterprise operation and create greater value                       |

### 2.1 Informatization transformation

Informatization transformation is the starting point of financial transformation, against the background of the rapid development and extensive application of information technologies such as ERP and financial software. Liu Shuchun et al. argued that enterprise resource planning systems, manufacturing execution systems, product lifecycle management systems and other systems, as the main investment projects of informatization transformation, support the accurate matching of capital chains, supply chains, factor chains and business chains through the allocation of resources such as order management, procurement management, inventory management, supplier management and customer relationship management, thus becoming the key to the digital transformation of enterprise management [3]. The goal of this stage is to improve efficiency through information technology means and realize the electronization and automation of business processes. To this end, enterprises need to optimize business processes, identify links that can be simplified or automated by information technology, construct and integrate information systems, so as to realize the in-depth integration of financial business and information technology, build an efficient, accurate and secure financial informatization system, and lay a foundation for subsequent transformation.

### 2.2 Intellectualization transformation

In 2016, Deloitte and Kira Systems jointly announced the introduction of artificial intelligence into accounting, taxation, auditing and other fields, marking the advent of the stage of partial accounting intellectualization [4]. This stage takes modern science and technology as the means to realize the

intellectualized and refined management of enterprises, which is an important link in the construction of enterprise informatization. To achieve this goal, enterprises must carry out data governance to build a reliable data management system and improve the quality and availability of data. At the same time, they should apply technologies such as artificial intelligence, for example, intelligent expense reimbursement and risk early warning, to enhance the intellectualization of financial management by scientific and technological means, shifting from experience-driven to data-driven, and from ex-post response to ex-ante prediction.

### **2.3 Collaboration transformation**

Against the background of increasingly drastic changes in the internal and external environment of enterprises, financial transformation has entered the collaboration stage. Several potential application directions of intelligent finance have been put forward, such as financial forecasting, business simulation, risk quantification, value optimization, decision automation and information recommendation [5]. The focus of this stage is the coordination and cooperation between finance and business, aiming to support corporate strategy through the integration of finance and business. To achieve this goal, it is essential to establish an organizational structure and process system integrating finance and business, break the boundaries between various departments, and realize information sharing and collaboration. Through the coordination of finance and business, finance empowers business and business feeds back to finance, thus realizing the two-way integration of finance and business. The key of this stage is to realize the strategic coordination of finance and business, promoting finance to transform from a supporter of business to a business partner and value creator.

### **2.4 Valorization transformation**

Valorization transformation, or value creation, is the current stage of financial transformation, against the background of the transformation of financial role positioning, that is, the shift from the traditional supportive type to the value-creating type. The goal at this stage is to create greater value for enterprise operation through the in-depth participation of finance. To achieve this goal, finance needs to provide insights for the major decisions of enterprises, optimize data analysis and business understanding, use tools such as comprehensive budget management and cost management, and improve the efficiency of resource utilization by establishing financial shared service centers, so as to provide valuable references for decision-making. Existing studies have shown that enterprises complete informatization reconstruction, process optimization and organizational change through the shared service model in finance, which effectively reduces the degree of information asymmetry and uncertainty of enterprises [6]. At the same time, finance needs to further promote the integration of finance and business, participate in the innovation of business models, and explore new value growth points for enterprises. The key of this stage is to realize the leap in the value creation capacity of finance, making finance the mainstay of enterprise value creation.

Since valorization transformation is still in its infancy, discussions on its construction in the field of financial practice are still fragmented. Therefore, how to carry out the valorization-oriented financial transformation is an urgent problem to be solved.

### **3. Path of financial transformation from a strategic perspective**

The development of modern enterprise management has gone through three stages. Taylor's scientific management emphasizes the efficiency of internal operation, Simon's decision theory focuses on market demand orientation, and Porter's strategic management thought has led a new era, starting from meeting customer needs.

Against this background, it is of great value to study the transformation of financial management from a strategic perspective. The goal of financial management is to implement strategic finance, formulate forward-looking financial strategies under the guidance of corporate strategy, and promote sustainable development. The "strategic" characteristics of strategic finance are mainly reflected in: value-added business analysis, medium and long-term resource planning, optimization of budget performance management, risk control, and participation in promoting strategies and business plans. Therefore, the path of financial transformation includes three levels: financial strategic management, financial organizational management and financial operation management.

#### **3.1 Financial strategic management**

Enterprise financial strategy is to optimize the allocation of corporate financial resources so as to maximize corporate value. Enterprise financial strategic management includes three important links: strategy formulation, strategy implementation and performance evaluation. The formulation of financial strategy is the core, in which enterprises need to comprehensively consider factors such as the enterprise life cycle, internal and external environmental factors, development strategies and strategic goals. Such a systematic analysis can keep the competitive advantage of enterprises in a dynamic state. This process transforms strategic planning into actual performance, which requires strict implementation and monitoring. Financial strategic performance evaluation is a bridge between the objectives of enterprise operation and management and the actual operation, and an important guarantee for enterprises to achieve their strategic goals.

#### **3.2 Financial organizational management**

From a global perspective, the integration of financial organizations is the key for enterprises to cope with competition and risks. The realization of financial integration requires unified standards, standardized accounting statements, unified data and standardized processes. Enterprises that have completed financial integration show strong advantages in adapting to business needs, identifying and implementing growth strategies, and continuous process improvement. To support the strategic transformation of enterprises, financial organizations should unify financial processes and systems in a planned way, optimize organizational structures and responsibilities, cultivate new skills of employees, and provide corresponding technical infrastructure. However, the current functions of financial organizations are mainly compliance and control, with less participation in corporate decision-making. The promotion of management model transformation should be carried out in parallel: on the one hand, cooperate with business and finance departments to strengthen the capacity for sustainable growth; on the other hand, optimize decision support to realize the unity of efficiency and benefit.

#### **3.3 Financial operation management**

The smooth implementation of enterprise financial transformation requires the construction of a sound financial operation system. Based on strategic orientation, enterprises should continuously

improve the operation capacity of financial management to provide strong support for enterprise development. Improving financial operation management can start from three aspects: financial sharing, value management and financial innovation.

In the field of financial sharing, enterprises should establish financial shared service centers through the reengineering of financial processes and the integration of financial supply chains. It is an innovative institutional arrangement aimed at integrating financial operations and reshaping management processes. Through the integration of personnel, information and procedures, the internal work processes of enterprises are standardized. The implementation process is divided into four steps: process simplification, process standardization, shared service process construction and process outsourcing. Enterprises should start the construction of shared service centers only after the completion of the first two processes. The main benefits of establishing a financial shared service center include reducing total costs while improving multiple aspects such as service quality, accuracy and timeliness, thus realizing the standardization of business processes and the optimization of working capital. Its core is to achieve economies of scale through the integration of resources and processes.

In the field of value management, enterprise value is the result of business decision-making activities. However, to realize the creation and appreciation of enterprise value, it is necessary to clarify its driving factors from the perspective of economic definition and carry out corresponding management. In the current era of "cash is king", cash flow is an indispensable driving factor. Predicting future cash flow is the foundation of enterprise value, which requires a comprehensive understanding of the company's operating conditions. Another driving factor comes from the moat that enterprises must build to highlight their competitive advantages, that is, to extend the period of rapid growth through entry barriers and sustainable competitive advantages, slow down the pace of entering the recession period, until new growth points are found.

In the field of financial innovation, innovation is reflected in adaptation and transcendence. Financial innovation requires a keen insight into the market, a proactive spirit, the courage to break through traditional ways of thinking, and a high attention to national policies and macro development directions, so as to respond quickly to market needs. The innovation of corporate culture with financial concepts at its core is the foundation and guarantee of the overall innovation of enterprises. Although accounting systems and standards are specific, different financial thinking will lead to different processing results. Therefore, when carrying out financial transformation, enterprises must first start from the concept and build a finance-centered culture with value as the core. With the evolution of the value concept, the financial role will gradually transform from the traditional bookkeeper, supervisor and partner to a value creator, providing valuable contributions and guidance for the company.

#### **4. How CFOs can drive effective financial transformation**

In the current economic environment, the role of CFOs has transformed from traditional financial recorders and reporters to strategic planners and value creators. With the deepening of financial transformation, CFOs need to take a series of effective measures to drive the financial transformation of enterprises, so as to adapt to the constantly changing business environment and market requirements. Then how to carry out the transformation? This paper puts forward the RESEARCH framework to drive financial transformation, named after the initials of English words. See Figure 1 for details.

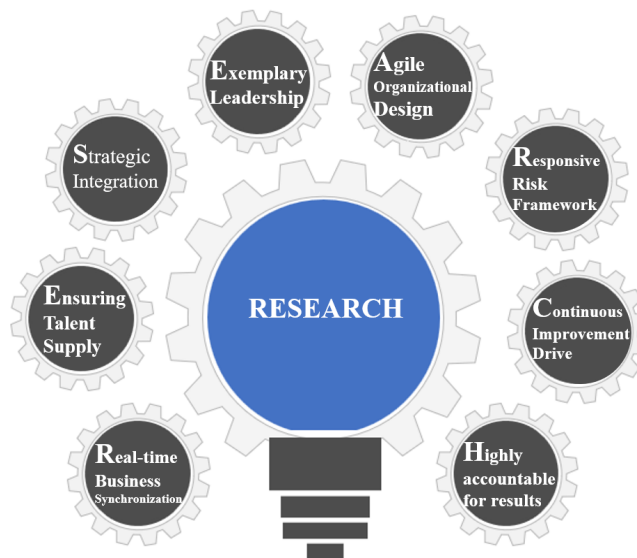


Figure 1. The RESEARCH framework for driving financial transformation

#### 4.1 Real-time business synchronization

Enterprise management should ensure that team members are accountable for performance, set clear expectations, goals and key performance indicators (KPIs), and conduct regular performance evaluation and feedback. A performance management system should be established to ensure that the goals of team members are consistent with the strategic goals of the enterprise, encourage team members to be accountable for results, and take corrective measures when necessary to ensure the achievement of enterprise goals.

#### 4.2 Ensuring talent supply

How to attract, cultivate and retain core employees? This includes career development paths, continuous on-the-job training, mentorship programs and leadership development. Enterprises should conduct hierarchical training for financial talents and build a professional talent team. Managers need to identify potential employees and provide them with opportunities for development and promotion. The company should also formulate a performance appraisal system to evaluate employees' performance and provide incentives, ensuring that everyone's work goals are consistent with the company's strategic goals.

#### 4.3 Strategic integration

Enterprise managers should ensure that financial strategies are closely linked to the overall corporate strategy, which requires an in-depth understanding of market trends, customer needs, competitors and the company's internal resources. To ensure the long-term development of the company, enterprise managers must formulate a comprehensive budget plan, fund allocation and investment strategy. This requires cooperation between various departments to ensure that the company's financial decisions are consistent with the marketing, R&D and business departments, so as to achieve the coordination of corporate strategy.

#### **4.4 Exemplary leadership**

Leaders should set high standards through their own actions and decisions, and demonstrate integrity, transparency and accountability. An open communication culture should be established. While providing coaching and support for employees, leaders should encourage them to communicate and give feedback to each other so as to promote their personal and career development. At the same time, leaders should have the spirit of flexibility and innovation, lead the team to face challenges with a positive attitude, thus cultivating team spirit and creative thinking.

#### **4.5 Agile organizational design**

The organizational structure of enterprises must be flexible enough to adapt to market changes. Such measures include restructuring work processes, setting up cross-functional teams, implementing flat management and streamlining management levels, so as to speed up the efficiency of decision-making and implementation. Managers should evaluate the existing organizational structure, determine how to enhance the organizational adaptability and innovation through changes, and ensure that employees understand the principles of agility and can apply them to daily work.

#### **4.6 Responsive risk framework**

Enterprises need to establish a comprehensive responsive risk framework to identify, evaluate, monitor and mitigate different types of risks, including market risk, credit risk, operational risk and strategic risk. Managers must ensure that the company has an effective risk management process, such as risk monitoring, early warning mechanisms and emergency response plans. In addition, the management should establish risk awareness to ensure that all employees have a full understanding of their responsibilities in risk management.

#### **4.7 Continuous improvement drive**

The management should promote a culture of continuous improvement by regularly reviewing processes, technologies, strategies and market trends. This involves the principles of lean management, such as the Six Sigma methodology or the PDCA cycle. The management must establish a continuous improvement mechanism, encourage employees to put forward improvement suggestions, carry out effective improvements, and evaluate the results of improvements, making corresponding adjustments as needed to ensure that the company maintains its competitiveness in the rapidly changing market environment.

#### **4.8 Highly accountable for results**

Enterprise management should ensure that team members are accountable for performance, set clear expectations, goals and key performance indicators (KPIs), and conduct regular performance evaluation and feedback. A performance management system should be established to ensure that the goals of team members are consistent with the strategic goals of the enterprise, encourage team members to be accountable for results, and take corrective measures when necessary to ensure the achievement of enterprise goals.

## 5. Conclusion

Financial transformation is an inevitable choice for enterprises to adapt to the development of information technologies and market competition in the new era. Through systematic research and practical exploration, enterprises can build a more efficient, flexible and forward-looking financial management system. The RESEARCH framework provides CFOs with a comprehensive set of transformation tools, helping enterprises achieve the alignment of strategic goals and the maximization of value not only in the financial field but also at the entire organizational level. Enterprises should keep abreast of the latest trends in financial transformation, constantly optimize and adjust transformation strategies to ensure their competitiveness and sustainable development in the complex and changing business environment. Future research can further explore the differentiated needs and customized solutions of enterprises in different industries and of different scales in the process of financial transformation, so as to provide more accurate guidance and support for enterprises.

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