



White Paper

# How to make technology a catalyst for high performance finance

## Introduction

What does it mean to be a CFO? Not so long ago, that was an easy question to answer. CFOs kept the books, reported on performance, and made sure the bills got paid. It's safe to say that this description can now be looked back on with nostalgia and classified as part of a "simpler time." Today's CFO has a much bigger role to play and with good reason. In a recent study, Accenture found a 70% correlation between high-performing finance departments and high-performing organizations.<sup>1</sup> Additional research confirms that the CFO's responsibilities have evolved. Providing the rear-view mirror perspective is no longer enough. CFOs must now be able to act as strategic advisors, navigating their businesses through perilous waters and playing a fundamental role in shaping company direction.

Meeting these expectations and operating successfully in today's environment is no longer possible without one fundamental ingredient—technology. Too often, however, existing solutions were put in place to meet requirements that became outdated years (and in some cases, decades) ago. The very tools that should be empowering the department of finance are instead shackling it to old processes and ways of doing business that have become unsustainable.

At the same time, groundbreaking technologies that can fundamentally change the way finance departments work are becoming readily available. From mobility and cloud computing to social media, these technologies are being used by forward-thinking companies to drive growth, attract top talent, and adapt to an increasingly global world.

Clearly, finding a technology strategy that works doesn't happen by accident. It requires a thoughtful, step-by-step approach that begins with financial fundamentals, then extends to operational efficiency, financial performance, and ultimately, strategic growth. The CFO has a vital role to play in this process. It will, after all, be one of the most significant factors driving the finance department's performance, and by default, the performance of the company as a whole.

In this white paper, we'll examine the forces that are converging to change the role of the finance, explore how technology is providing new ways to solve old problems in critical (and historically painful) areas, and look at how forward-thinking CFOs are using innovation to build high-performing finance departments and change the way they work—forever.



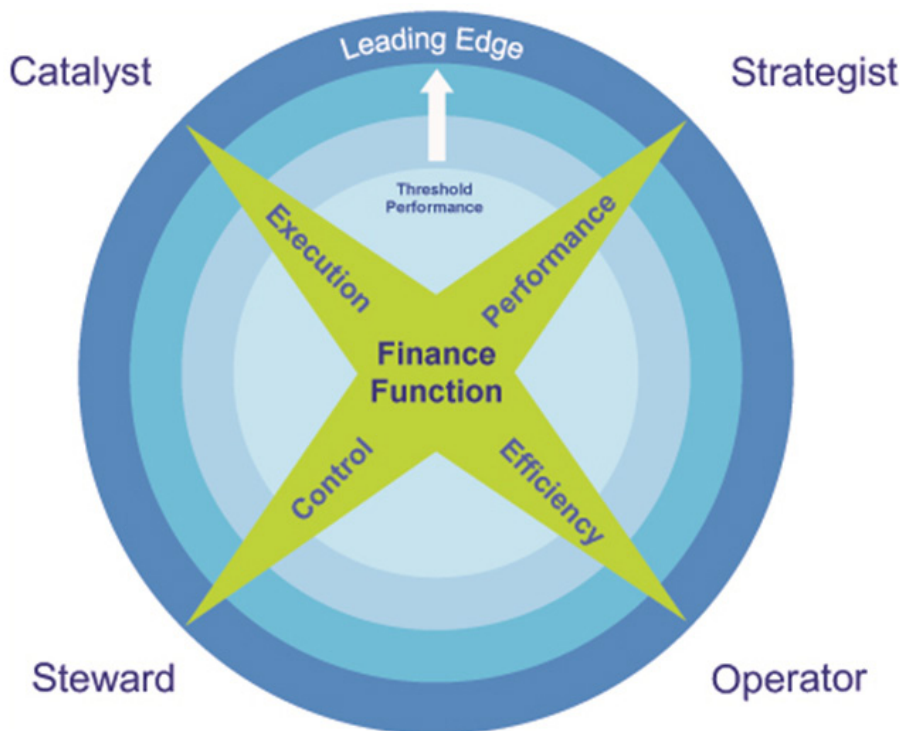
## Table of contents

- 1 Introduction
- 2 The evolving responsibilities of the CFO
- 4 The finance department's evolutionary scale
- 5 Old dog, new tricks? Planning and budgeting for success
- 7 Accounting for talent
- 8 Building a foundation for excellence

<sup>1</sup> Accenture, High Performance Finance Study, Delivering Value in a Complex World: The Next Battleground for the Finance Organization, 2011

## The evolving responsibilities of the CFO

There's no question that today's CFO is operating in a dynamic and challenging world. In a recent report, Deloitte & Touche LLP identified a new hierarchy of functions that have significantly expanded the role. These responsibilities fall into the four categories illustrated in the graphic below. While the steward and operator categories tie back to more traditional expectations, the strategist and catalyst roles represent a substantial evolution for CFOs into serving as a "trusted adviser" to the other members of the C-suite. In this capacity, the finance department almost becomes an in-house management consultancy, helping ensure that all of the company's plans and initiatives are supported by sound analysis and that new initiatives perform at expected levels.<sup>2</sup>



**Steward**—Accounting, control, risk management, and asset preservation are the province of the steward, who must ensure company compliance with financial reporting and control requirements.

**Operator**—Efficiency and service levels are the primary areas of focus for the operator, who must dynamically balance cost and service levels in delivering on the finance organization's responsibilities, and adapt finance's operating model as necessary.

**Strategist**—The strategist helps define the future of the company to enhance business performance and shareholder value while providing a financial perspective on innovation and profitable growth.

**Catalyst**—The catalyst is an agent for change who strives to attain business alignment and serves as a business partner to other decision makers, including business unit leaders, the chief information officer, and sales and marketing leaders.

<sup>2</sup> Deloitte LLP, The Four Faces of the CFO, Jan 2011

A key underlying question is: “What’s driving this evolution?” The answer provides an additional level of understanding about the new objectives that CFOs must be able to meet. While there are many factors at play, primary among them is volatility. The global economy is clearly an on-going concern, with CFOs worldwide indicating a drop in their confidence levels. In the latest “CFO Signals Report” from Deloitte & Touche LLP, researchers noted the following:

“...in the UK, CFO optimism saw its sharpest decline since the inception of the survey (2007)—its third major decline in five years—and there, as well as across the continent, defensive strategies are back at the forefront.

“...in North America, where CFOs’ expected earnings growth has outpaced revenue growth for nine consecutive quarters—due in large part to finance’s adeptness at efficiency gains—only one in three CFOs polled believes that can be sustained for more than another year.

“...in the Middle East, more than half of CFOs say they are somewhat or significantly more optimistic about their company’s prospects. But that is down from 72% in the first half of 2011.

“... in Asia Pacific, CFO sentiment is somewhat mixed. In India, 31% of CFOs report a more optimistic outlook than in the previous quarter, but in Australia, only 16% are more optimistic than they were three months ago. In addition, business uncertainty hit its highest level in more than a year in Australia, with 87% of CFOs saying it was above normal.”<sup>3</sup>

But volatility is not limited to economic concerns. Increasing consolidation—which in some cases is a side effect of the economy and in others, is being driven by unrelated factors—is also occurring across many industries. In just one micro example, merger and acquisition activity for the upstream oil and gas market set records in 2011 for both deal values and deal counts. In 2011, M&A activity totaled \$86 billion for 369 deals, with \$62 billion of that spent on deals involving unconventional resource assets.<sup>4</sup> That record is expected to be broken again when numbers are finalized from 2012.

Technology is one final area of volatility that should not be overlooked. It can be an asset or an obstacle when it comes to meeting changing needs. As the needs of businesses change and the responsibilities of the finance department evolve, companies are increasingly finding that dated software solutions can no longer be adapted, supported, and maintained in a cost-effective way. At the same time, new technologies—like mobility, social media, cloud, and big data—are taking on a life of their own, driving businesses to adopt them sometimes before they are fully ready.

In recent reports by Gartner, analysts describe the convergence of these four technology categories as the “nexus of forces” and predict that they will result in new information patterns that drive new business scenarios.

“Although these forces are innovative and disruptive on their own, together they are revolutionizing business and society, disrupting old business models and creating new leaders.”<sup>5</sup>

Part of the CFO’s expanded role is to help identify the technology platforms that will take not just their finance departments, but their businesses as a whole, into the future.

3 Deloitte & Touche, LLP, Global CFO Signals, Retrenching Again, August 2012

4 PLC Inc., Press release, “Record \$86 billion in 2011 U.S. Oil and Gas Upstream Deals,” January 13, 2012.

5 Gartner, “Gartner Says Nexus of Forces Social, Mobile Cloud and Information - Is the Basis of the Technology Platform of the Future”, July 30, 2012, press release, <http://www.gartner.com/it/page.jsp?id=2097215>

## The finance department's evolutionary scale

While expectations may have changed for the role of the CFO, the tools and resources available to the finance department often have not. If anything, resources have been reduced, along with budgets for making investment in much-needed modernized technology.

Each CFO's strategy will, therefore, be inevitably determined by a combination of organizational readiness and technological advancement. When building a go-forward approach, it's helpful to place the finance department on its own evolutionary scale across the following four categories: fundamentals, operational efficiency, financial performance, and strategic growth. The chart below defines these categories, while identifying strategies for mastering each and moving to the next stage of advancement.

Phase	Tools
<p><b>Fundamentals: Just do it</b></p> <p>Master the core responsibilities of the finance office, encompassing routine tasks whose timely and accurate completion is essential to the operation of the company.</p>	<p>A flexible and adaptable fully integrated ERP solution with financial management capabilities that support complete audit trails and essential risk controls. Systems must be easily configurable to meet changing business requirements.</p>
<p><b>Operational efficiency: Do it well</b></p> <p>Streamline the process of closing the books to eliminate drama, increase accuracy, improve speed, and increase transparency and auditability.</p>	<p>Advanced reporting, consolidation, and close management solutions that draw on all systems throughout the company. Also, budgeting software that simplifies work and provides benchmarks for success.</p>
<p><b>Financial performance: Do it better company-wide</b></p> <p>The standards of measurement for all aspects of business performance are typically financial measurements, i.e. time and money. By implementing systems for standardizing and benchmarking performance company-wide, the finance office puts the entire firm on a path to continuous improvement.</p>	<p>Enterprise performance management (EPM) solutions encompassing planning and budgeting, reporting, business intelligence and analytics, and risk management, so that you can turn your information onslaught into an asset rather than an obstacle.</p>
<p><b>Strategic Growth: Do it to accelerate growth</b></p> <p>At this level, the primary issues evolve beyond simply controlling costs and focus on delivering value and sustaining growth.</p>	<p>Advanced analytics and integration to improve strategic execution and ensure visibility into important information for all decision makers, allowing them to identify and act upon growth opportunities</p>

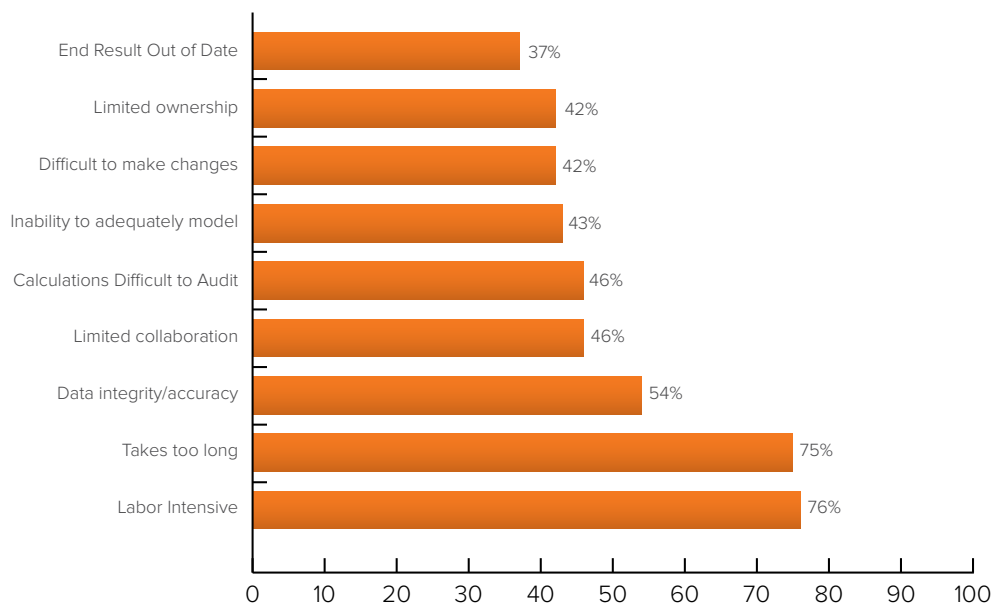
## Old dog, new tricks? Planning and budgeting for success

No matter where a finance department is on the evolutionary scale, it's likely that planning and budgeting are an ongoing source of pain. Typically, only the most technologically advanced organizations have fully integrated and optimized financial planning processes and even then, changes to the structure of the business can turn those goals into moving targets. Research consistently indicates that planning and budgeting are high on most CFOs' lists of challenges.

In a survey by PWC, for example, 54% of responding organizations indicated that it takes two to four months to complete their budgeting process, and 20% said that four to six months is the average. These same companies reported difficulty with forecasting accuracy, with only 10% saying that actual performance generally falls within +/-2% of their forecasts.<sup>6</sup>

The reasons for these difficulties consistently have a direct relationship to technology, or the lack thereof. The graph below shows the top reasons for budgeting and planning dissatisfaction from BPM Partner's annual budgeting and planning survey, which gathers data from nearly 300 organizations worldwide. The top two reasons, "labor intensive" and "takes too long," are closely related and an indicator that manual processes are still being used.

**Top reasons for budgeting and planning dissatisfaction<sup>7</sup>**



As a result, one key to effectively managing volatility and meeting expanded expectations for the CFO is to find new ways to solve this old and ongoing problem.

<sup>6</sup> PWC, Financial Planning: Realizing the Value of Budgeting and Forecasting, 2011

<sup>7</sup> BPM Partners, 2012 BPM Survey Pulse Marketing Trends, July 2012

At most companies, the CFO owns the budgeting process and by extension, the planning process as well. The purpose of an effective budgeting and planning process is to help implement strategy. Often, financial planning doesn't support the execution of strategic initiatives for the following reasons:

- A loose linkage between corporate financial plans and budgets or operational plans
- Forecasts and plans that don't consistently match actual performance measures
- Fragmented planning processes

While on its own, technology cannot overhaul a company's planning processes, it has been proven to make a direct, measurable, and lasting positive impact. Performance management solutions—which encompass planning, budgeting, and forecasting capabilities—can make it easier for a CFO to build a collaborative planning process with direct involvement from line-of-business managers. That, in turn, can lead to more accuracy and better insight.

Dana-Farber Cancer Institute is one organization that has taken this approach, reducing financial planning time by 40% and decreasing budget process submittal time from two weeks to four days as a result. According to Marlena Ward, VP of Financial Planning for Dana-Farber,<sup>8</sup> “The critical bottom line benefits for us resulting from using Infor CPM Planning and Budgeting are improved financial accountability and enhanced business performance. Everyone from top management down is happy with the process and the results.”

Research by the Aberdeen Group also shows the powerful contributions that performance management solutions can make by automating the budgeting, planning, and forecasting process and enabling companies to implement industry best practices.<sup>9</sup>

- Time to decision in best-in-class companies has decreased 23% over the past year, as opposed to a 2% decrease for others
- Best-in-class organizations are 54% more likely than all other organizations to update plans and forecasts on a monthly basis
- Best-in-class organizations had a 3% improvement in operating margins over other organizations

Companies classified as “best-in-class” when it comes to performance management also had a 17% operating profit margin on average, compared to 14% for all others.

The key to achieving these results is the implementation and maintenance of best practices to support the budgeting and planning process, including:

- **Developing a fully integrated budgeting and strategic planning process.** This provides the foundation for dramatically decreasing the time required to produce plans, increasing their accuracy, and creating a tracked single version of the truth across the organization. Performance management software makes it easy for everyone in the organization to contribute to the process.
- **Building plans from the top down, as well as from the bottom up.** This makes plans more accurate and encourages even greater stakeholder buy-in, resulting in a single plan to which everyone in the business has contributed. An effective performance management solution turns planning into a process that's owned by everyone, not just the finance department.

<sup>8</sup> Infor Global Solutions, case study, “Dana Farber slashes budget process time by 40% with Infor”

<sup>9</sup> Aberdeen Group, Performance Management for Finance Executives, July 2011

- **Linking the budgeting and planning processes to all activities.** Budgeting and planning should be tied directly to corporate objectives, as this is the way to get buy-in from key stakeholders and ultimately, to add strategic value. However, this is often the most difficult objective to achieve. It is essential to have a rolling plan that reflects the dynamic nature of the business. Performance management solutions with the ability to incorporate “what-if” scenarios increase the chance that plans will match reality and that future plans will be more accurate.

## Accounting for talent

Another growing concern for CFOs working to create high-performing finance departments moves outside of processes, like financial planning and reporting, and into the domain of who will execute those plans.

Despite continued high levels of unemployment and what would appear on the surface to be an employer’s market for hiring, CFOs are finding it increasingly difficult to recruit and retain talented people for the department of finance. In fact, a recent study by KPMG showed that more than 78% of financial executives worldwide see professional staffing of the finance department as a high or medium risk to the success of the business.<sup>10</sup>

A recent study by Towers Watson holds a wide range of factors—from changing workforce demographics and cost challenges to higher expectations for both employee and financial performance—responsible for creating such a challenging hiring environment, saying, “Not in recent history have we seen such rapid movement in economies, and workforce demand and availability.”<sup>11</sup>

Just as there’s no single cause for this problem, there’s also no single approach to solving it. However, technology is one tool that a growing number of companies are considering. The often overlooked relationship between technology and talent can provide a fundamental building block in hiring/retention strategies.

The bottom line is that employee expectations for technology have changed, particularly for those who are new to the workforce. Employees now fully expect that the technology they use in a professional environment will mirror the usability and sophistication of the technology they use in their personal lives. Younger generations will not accept the drudgery and frustration caused by siloed systems and dated technology as an unpleasant but unavoidable part of their jobs.

The combination of these changing expectations and significant technological advancements are paving the way for adoption of technologies that many CFOs likely never thought they would embrace. Two primary examples are mobility and social media.

On the mobility front, capabilities are rapidly expanding beyond just checking email remotely, with many financial applications now accessible on tablets and smartphones. In addition to allowing employees to work in the ways that best meet their personal needs, mobile capabilities can also have a significant positive impact on productivity and decision making. Information can be delivered directly to the people who need it—anytime, anywhere—allowing employees to respond quickly, but accurately, and avert problems before they become critical.

<sup>10</sup> CFO Publishing and KPMG International, “A New Role for New Times,” March 2011

<sup>11</sup> Towers & Watson, 2012 - 2013 Global Talent Management & Rewards Study, October 2012

With respect to social media, the term “social business” is an accurate description, but one that is still easily misunderstood. The models that shape most opinions about social business techniques are the popular social media services, like Facebook™ and Twitter™. However, social business is all about one crucial goal—collaboration. Social business technologies can connect employees in ways that other technologies cannot, allowing them to work more closely together and helping businesses operate in a way that’s more aligned, empowered, intuitive, and efficient. It can also be a highly effective tool for strengthening relationships with customers.

From a practical perspective, social business means having a single, centralized place to track information. For example, employees working together on a critical project can get a centralized view of related communications, easily find relevant conversation threads, and connect those threads to project stakeholders. Unlike email, these communications are completely auditable and can be recorded in a central repository that can easily be searched at any time. And just as mobility allows people to work the way they live, social technology in a business environment can deliver the same intuitive, efficient experience as products in the consumer world.

This is not to say that the adoption of technologies like social media and mobility within finance is all upside and no risk. Finance departments have a particularly urgent need to put stringent rules and processes in place before moving forward. Proactively developing policies around the use of these technologies, actively monitoring their use, defining (and therefore limiting) access to business information by user, and taking a holistic approach to adoption are all essential to ensuring that the benefits of these technologies aren’t superseded by the harm they can cause.

## Building a foundation for excellence

CFOs today face a range of new expectations, but those added responsibilities also come with opportunity. The finance department now has a greater chance to contribute to the strategic direction and overall success of the business than ever before. A key part of living up to this potential is technology.

As responsibilities evolve, technologies supporting the CFO must evolve with them. And because technology plays a critical role in the health of the business overall, not just finance, selecting and implementing it should be considered a strategic activity that warrants the involvement of every CFO. The following four principles can provide the foundation for a successful technology strategy.

- **Choose technology that allows the finance department to do more with the same or fewer resources.** This is accomplished through the elimination of manual processes, general process improvement, and increased efficiency.
- **Leverage existing technology investments.** It is no longer practical—or necessary—to have systems that operate in silos and that require existing systems to be either abandoned or heavily customized in order to work together.
- **Provide a foundation for the long-term.** Technology investments must be flexible enough to support changing needs over the long-haul, without generating outsized costs for ongoing innovation and support.
- **Target high impact areas where exponential gains can be achieved.** Financial planning processes are a common target, as are areas like risk management and expense management. Strategies must be determined by each organization’s level of technological advancement and individual needs.



With the right combination of technology, people, and processes, CFOs can position themselves and their organizations to succeed in a period of unprecedented volatility. And in the process, they might just change business world as we know it, forever.



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