# MANAGING

---

# THE STRATEGIC

---

# FINANCE GAP

*Change is inevitable for the finance professional.*

**By Benjamin Kang, CPA**

The world is always changing, and it impacts you in some way as a finance professional. On one level, you know that market forces will always react to changes in supply and demand and that regulatory bodies will continue to create and enforce new rules and amend existing ones. Change impacts businesses in obvious and subtle ways, but you don't always know how to anticipate or determine the entire impact. When significant events require a change in the way of doing things, you seldom have a blueprint to guide you.

The finance professional's role is also changing. As a finance professional, you hold yourself accountable to understand how these changes impact today's businesses and what you must do differently or what you must improve from a financial management and accounting perspective. Other times, however, employers and clients hold you accountable to another set of expectations, such as the pressure to become more strategic thinkers and business advisors. Finance professionals need to drive business results, not just report financial results, but since there are still only 24 hours in a day, where do you find the time and bandwidth to deliver on these changing responsibilities?

According to a study by the independent research agency Loudhouse, the trend of finance's evolving role is likely to continue. NetSuite, a provider of cloud enterprise resource planning (ERP) solutions, sponsored the study that surveyed more than 300 finance professionals worldwide in June and July 2013. Thirty-seven percent said that the senior finance professional's role is changing rapidly because of an increasing amount of strategic decision-making responsibilities (see Figure 1). The study also found that business systems often aren't able to accommodate this changing role consistently, which is evident in the perception that workloads are increasing without a reduction in current responsibilities. So if change is taking place, how can you perform business analysis more productively for decision-making purposes and continue to serve as financial leaders in your organizations?

The financial skill sets you've developed and refined throughout your career remain as important as ever to helping businesses succeed financially. But what happens when the intellectual capital you possess doesn't easily apply to the business challenges at hand—not because you don't have the right expertise but because you don't have the right tools to enable the things that you need to get done? In order to meet business expectations, the right technology can help you overcome obstacles that hinder your productivity and subsequently can help you lead your respective organizations with financial aptitude. The survey results suggest that finance professionals can adapt to the evolving role by doing the following:

◆ Plan for growth and change,
◆ Be a proponent for a data-driven culture in the workplace, and
◆ Champion real-time information access.

## Plan for Growth and Change

Strategic initiatives, such as global expansion or mergers and acquisitions, introduce change and complexity in ways that are impacting the roles of finance professionals by demanding greater contributions to driving business results. If you work at a company, for example, where management reviews business results on a monthly basis, imagine a culture where executives demand analysis on a more frequent basis. In addition to the already required traditional financial management and accounting deliverables, this scenario illustrates how finance professionals are often providing decision support services on a recurring basis.

When planning for growth, it isn't only important to think about revenues and profitability but also to consider what those projections will do to the company. Once you assess the impact of your projections, you can position yourself to be more agile in reacting to changes in your business and not feel so overwhelmed. For example, given the company's expected size with projections, how many employees will there be? How many monthly paychecks and expense reports? Customers? Analyze these metrics, the resulting processes, and the way the company

### Figure 1: Finance Professionals' Increasing Responsibilities



Role entails more responsibility than it used to. Senior professionals are more involved in strategic decision-making analysis in addition to their other responsibilities. **37%**

Role has become more about strategic decision making and analysis while their direct role in the day-to-day finance execution has been reduced. **37%**

Role has become less strategic and more about their day-to-day finance execution. **15%**

Role has changed very little or not at all. **11%**

*Source: Loudhouse Research Study: The Strategic Finance Gap, August 2013.*

## THE CHALLENGE WITH GROWTH IS THAT YOU'RE ALWAYS IN THE MIDDLE OF IT AND TRYING TO MANAGE IT SIMULTANEOUSLY.

currently does the processes. Some processes might stay in place and scale if the company adds another two full-time equivalents to that process. You'll need to examine where the process is today and where it needs to be when the company is at a certain size. The identification and assessments of these gaps present a significant opportunity for finance to lead the organization through change and prioritize the routine work it needs to accomplish.

According to the study, however, only 27% said their financial management systems can adapt quickly to changes in their roles (see Figure 2). When thinking about growth, consider those business processes that won't scale and will come under stress as a company grows. The challenge with growth is that you're always in the middle of it and trying to manage it simultaneously.

### Figure 2: Highlights of Findings

| | |
|---|---|
| Describe the company as primarily "data driven" | **17%** |
| Agree that improved tools and systems could increase effectiveness and efficiency | **93%** |
| Agree that better tools and systems would make it easier to protect company assets from loss and misuse | **91%** |
| See "too much time spent on routine reposting and close procedures" as a challenge in the finance role | **45%** |
| Feel that financial management systems adapt quickly to changes in the finance role | **27%** |
| Not using completely integrated tools for financial management | **45%** |

*Source: Loudhouse Research Study: The Strategic Finance Gap, August 2013.*

There's never a time to hit the proverbial pause button so that you can hide in some pre-growth staging area to set up all the pieces and get everything ready right before you go out and grow. The reality is that there's never an opportune time to prepare for growth. As the saying goes, change takes longer than you thought it would but then goes faster than you thought it could.

Finance professionals don't seem to have the necessary bandwidth to dedicate to strategic decision-making responsibilities without any reduction in their current financial duties. In fact, 45% of respondents believe that they spend too much time on routine reporting and close procedures. And when your company is growing, routine tasks become susceptible to pains when processes aren't scalable. Regardless of how much experience you may have with financial operations, it isn't uncommon to just deal with whatever pains you come across as long as they're manageable and help complete your tasks. As a result, 93% said improved tools and systems could increase effectiveness and efficiency. If the trend of increasing strategic responsibilities continues for finance, the need to have improved tools and systems will only increase.

## Promote a Data-Driven Culture Using a Unified System

Financial systems today help management automate transactions, regularly report financial results, and streamline operations. Yet despite these investments, companies still encounter manual-related pain points and inefficiencies within their processes. Pains become particularly apparent when your business grows, which creates a need to modify your existing systems to accommodate

change. If you are unable to adapt your existing systems to handle the change, you often have to introduce even more manual tasks into your processes as a necessary evil.

Unified financial management systems are rare. According to the study, 45% of the respondents use tools that reside on their own desktops or a local server, and another 45% of companies don't use integrated tools among the various systems between locations. In the absence of a unified system, finance professionals often work with multiple systems and perform manual, time-consuming, nonvalue-added tasks, such as data management, instead of productive finance tasks.

Other than the fact that manual processes are inefficient, there's a deeper concern attributable to resorting to manual processes. Consider a person performing a task manually that a system really should perform; inefficiency lingers, and whatever confidence you have in that process diminishes as your company moves along. Compounding the problem of a manual task is if it involves teams of people spread across different geographic locations. These kinds of situations make it difficult to have confidence in the quality of the process and data, which can adversely impact your ability to perform your financial management responsibilities and influence decision makers.

Companies often end up solving point problems as they grow, which results in a siloed data problem in the future. A company may store customer data in one system and have several other systems for revenue data, order data, accounting data, customer support information, and so on. This hairball of systems not only perpetuates siloed data but also makes it difficult to get an

accurate, timely view of the business, especially when the company isn't reconciling all of the information.

Given the prevalence of disparate systems across organizations, it shouldn't come as a surprise that only 17% of respondents claimed to work in data-driven cultures at their respective businesses (see Figure 3). Without integrated systems and processes in place, you and your peers would have difficulty getting access to the information necessary for making key business decisions, thereby making it even more difficult to be an advocate for a data-driven culture. And without a data-driven culture in place, companies will continue to do what they're required to do rather than use information to realize their full potential for success.

A cloud-based business management application may address the problem of access, allowing data to be accessible from anywhere, anytime across the business without divisions between existing systems tying them down. Ideally, you would standardize the business on one complete system that can handle as many processes and as much of each process as possible and store this information in a centralized database. One system painlessly provides a consolidated view of your business across divisions, departments, and geographic locations to make it easier to use information to guide business decision making.

## Champion Real-Time Information

The evolution of finance responsibilities requires you to develop even stronger relationships with business partners (such as nonfinance managers). The company no longer evaluates you on meeting accounting-related and management reporting requirements but by how much value you produce and how effectively you influence the company's direction. In a data-driven culture where information is accessible on demand that any decision maker can use, you can foster a culture of collaboration and transparency by having productive business discussions with anyone relying on information that's always available and consistent. But if responsibilities for strategic decision making increase without a reduction in your current workload, a collaborative, transparent environment becomes difficult to cultivate if you don't have the means to deliver effective financial analysis and data to your business partners.

According to the study, 85% said nonfinance managers in their companies don't understand the company's overall financial position as well as they should (see Figure 4). Given that 52% mention nonfinance managers are more often asking for financial information, it would appear

### Figure 3: What Drives Your Company?



People-driven 26%
Compliance-driven 25%
Policy-driven 19%
Data-driven 17%
Tools-driven 13%
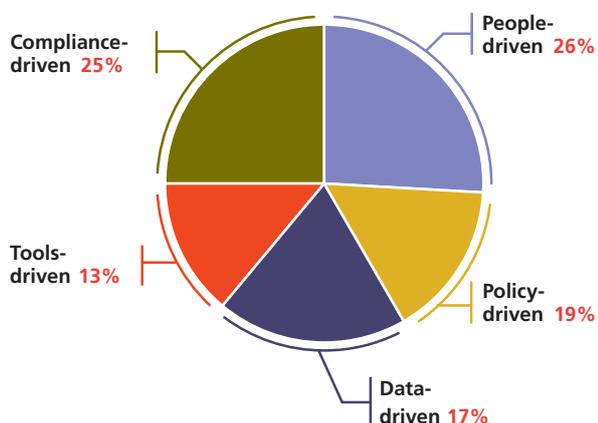
*Source: Loudhouse Research Study: The Strategic Finance Gap, August 2013.*

**THE CLOUD ALSO FOSTERS A CULTURE OF AVAILABILITY. YOU WANT TO BE MOBILE, ESPECIALLY IF YOU WORK IN A DISTRIBUTED ORGANIZATION WITH DISTRIBUTED PROCESSES.**

that information isn't flowing between the finance function and the rest of the business as smoothly as it should be. To be more effective business partners, finance professionals recognize the importance of systems that can render real-time information for everyone. Real-time information is such a priority that, according to the study, 52% of respondents reported that they would incur additional costs if the financial management system could improve real-time visibility into business performance.

Real-time visibility, however, isn't a new, groundbreaking concept and has actually been around in theory for quite some time. So why isn't information readily available all the time across every company? Often, a vision for a business system to deliver real-time information has been in place, but on-premise systems cause limitations that prevent the vision from becoming

a reality. First of all, when it comes to traditional on-premise system implementations, they tend to take a very long time to complete because implementations rarely start with the act of implementing software. Instead, an implementation project starts with the purchase of a rack and then the machines, operating system, and security software installation, all without even talking about the features and functions you saw during the sales demo or read about in the brochure. When you need to make a custom change to your system because of a new business requirement, the amount of time and resources spent in meetings and with professional services prolongs the implementation and turns into a momentum killer. The pace of on-premise system implementations simply isn't ideal to keep up with the pace of business change.

A cloud-based system, however, provides access at any time from anywhere and enables real-time information across the company. With the cloud, you wouldn't have to incur the high start-up costs associated with the implementation of an on-premise system, and you wouldn't need to install additional software on workstations since a Web browser is all that's necessary to access information. Once your company goes live on a cloud-based system, finance will always be in a position to make custom changes based on evolving business needs so that the real-time information is constantly current and relevant.

## Figure 4: The Strategic Challenge for Finance

**85%** People in nonfinance functions such as operations, sales, or service don't always understand the general financial position of the company as well as they should.

**79%** Managers in nonfinance functions such as operations, sales, or marketing don't understand their team's contribution to the company bottom line as well as they should.

**73%** The ideas that drive growth and profitability in our company come from outside of finance.

**71%** The finance function spends too much time at close period managing the closing process itself.

**68%** The finance team at my business spends so much time and resources on tactical processes that we have little ability to innovate.

*Source: Loudhouse Research Study: The Strategic Finance Gap, August 2013.*

Finance managers would like to send more data outside the finance department: 59% want to give nonfinancial managers more access to financial and budget data. Moreover, 46% would like their nonfinancial managers to have access to self-service reporting, suggesting that easier access to information would be a win-win scenario for all stakeholders. Nonfinance managers can have improved accountability to run their departments and understand their contributions to the bottom line. At the same time, finance managers can free up bandwidth to fulfill strategic duties by not having to allocate time to perform time-consuming repetitive tasks, such as ensuring data accuracy and distributing reports.

## The Ideal Situation

Your organization doesn't stand still while you generate reports and deal with regulatory changes. It would be ideal to have one holistic business management system to handle as many of your core processes and data needs as possible. When companies expand their offerings, buy subsidiaries, open offices around the world, and conduct business in multiple types of currencies and languages, it would be ideal to have one system across as many locations as possible. Imagine rolling up your financials across distributed offices (for example, California, Mexico, and London) knowing that everyone uses the same data model and follows the same processes. This gives you peace of mind that processes are working the same way across all locations. As time passes, you also want this system to stay current as the latest updates and features become available and to scale with your company—even as it opens new subsidiaries, acquires companies, and evolves the business.

## Realize Value with Cloud Technology

Given that on-premise systems aren't ideal tools for enabling finance professionals to perform their strategic decision-making responsibilities in addition to managing their existing financial management ones, there are several attributes about cloud technology that are worth considering. For one thing, the cloud fits with your business values. You want to know things now, and the cloud enables you to display business and financial metrics through real-time dashboards, reports, and searches with just a Web browser. The cloud also fosters a culture of availability. You want to be mobile, especially if you work in a distributed organization with distributed processes. Imagine a process where a transaction originates in Europe, moves to the United States for approval, to Asia

for additional processing, and back to the U.S. for review or final audit. With the cloud, regardless of location, anyone can pick up the transaction and stay within the system the entire time. What used to be possible only when people sat side by side can now take place anywhere.

In addition, the cloud renders a lower cost of ownership. You pay as you go, don't incur significant up-front IT-related expenditures, and receive automatic upgrades to the latest version. You're essentially subscribing to a professional technology service that's cheaper in terms of hardware and software, always lets you run on the latest version, makes it easier to manage and maintain the system, and is practical to deploy and implement. For example, imagine a traditional on-premise implementation that would start in the U.S. and then progress into Europe. By the time it gets to Asia, it probably wouldn't be worth the trouble to continue. With the cloud, it's cheap enough that you'll actually do it and finish it.

## Realize Value with a Suite in the Cloud

If you're currently on one system that everyone has used for a long time, then most likely you have a fairly customized system. With a suite in the cloud, a company can perform all of its core processes in one place, which enables everyone in the organization to stay on the same system. As a result, you can make customizations within a suite in a way that helps you manage growth as the company changes while staying on the same underlying system. For example, when you open a new subsidiary using a cloud ERP suite, customization of systems for that new acquisition is fairly painless. You don't have to reinvent or rebuild the customization because it's already there in your system. You can make the modifications you need with a very efficient set of scarce resources and have it be effective immediately; you don't have to do a multimonth rollout for all your subsidiaries to institute the change you need. A cloud suite also gives you a 360-degree view of the customer. If you conduct all of your processes from a single database, you'll have a single source of truth that's available to everyone, including your coworkers, customers, vendors, and partners. **SF**

*Benjamin Kang, CPA, is a senior product marketing manager at NetSuite, a San Mateo, Calif.-based provider of cloud ERP solutions. His career spans the software industry and public accounting. You can reach Ben at bkang@netsuite.com.*