



Future Finance: The Heart of Tomorrow's Business

How to build a truly modern finance function,
and why it's critical that you do so.

Contents

Introduction	3
Part 1: Defining the Modern Finance Function	5
Key Features	6
Key Roles and Skills	10
Measuring Return on Investment	11
Best Practice Case Study: Solarcentury	14
Part 1: Conclusion	16
Part 2: Roadmap to Modern Finance	17
Barriers to Progress	19
Where Are You Now? Self-Assessment Questionnaire	21
Next Steps for Your Organisation	23
Best Practice Case Study: Swan Mill	24
Part 2: Conclusion	27
Next Steps	27

Published by:

Prophix Software Inc.

Copyright Notice:

Copyright Prophix Software Inc. © 2015. All rights reserved. No part of this document may be copied without the express written permission of Prophix Software Inc.



Introduction

The business world is accelerating. The proliferation of high-powered, low-cost technologies and global communications platforms is driving increased competition and more rapid change than ever before. The turnover of companies on the stock market has never been more rapid*. Patent applications are at an all-time high, and the rate of increase continues to rise**. International barriers have fallen, opening every geographic market to cheaper international competition. Just to survive companies are having to compete harder and optimise further. To truly succeed they are having to constantly re-invent with never-before-seen levels of agility.

The tools of performance in this digital age are data-based. IDG reports that a third of IT budgets are now allocated to 'edge' technologies associated with customer data: Social, Mobile, Analytics and Cloud***. Though this emphasis has placed greater control of corporate data in the hands of IT and marketing, its natural home is the office of numbers. The office of finance.

To secure its role at the heart of tomorrow's agile organisation the modern finance function has to evolve. It has to be hyper-efficient at collecting and reporting the information that matters across the organisation. It has to provide foresight for the leadership, enabling smart, informed decision-making about future strategy. And it has to be robust, protecting the organisation from regulatory challenges with a smart approach to compliance.

Achieving a truly modern finance function isn't a purely technological challenge. There's no system that can be bought off the shelf to deliver advancement. It's about the understanding of the leadership, the training of the staff, and the design and implementation of strong processes.

This two-part paper outlines some of the key factors in delivering the modern finance function. Part 1 defines the characteristics of a modern finance function, whilst Part 2 sets out the roadmap to building one.

We also include a 'roadmap' because the transition to a truly modern finance function is without doubt a journey, and the destination for that journey may change en route. What you learn as the organisation develops will undoubtedly influence how you select and prioritise further changes.

What you can do however is establish your starting point. Most organisations are somewhere between level 1 and level 2 on Gartner's model, yet to realise the benefits of smart compliance, operational intelligence and foresight. So don't worry if you think this is your organisation today: you're a long way from the cutting edge but not necessarily that far behind your peers. But there are key areas of operation where some behaviours are becoming clearly outdated.

Addressing these issues first ensures that your journey to a modern finance function will be based on strong foundations.

Part 1: Defining the Modern Finance Function

Most departments within a large organisation are only charged with looking in one direction. Sales and marketing look forward: 'where's the next success coming from?' Production and distribution look forward: 'how do we make the right number of the right things and get them to the right places?' Support and customer service look backwards: *'how can we support the sales we've already made?'*

There might be brief periods where their attention switches (*'why didn't we close that sale?'*, *'how can we avoid that mistake next time?'*) but for the vast majority of the time, their attention is wholly focused in one direction.

Finance is the exception to this rule. Finance is charged with looking backwards and forwards, always expected to take account of prior performance when forecasting the future.

Of all departments, finance has the best perspective on the company's progress as measured through time. It also has the broadest reach across the company in terms of connections. Ultimately almost everything a company does is routed through finance at some point.

Perhaps it is this breadth of reach and perspective that has started to change the perception of the finance function within the business. Just a few years ago finance remained the dull, functional but vital department that did the necessary number-crunching. Today, the finance department is increasingly a driver of strategy and leadership, not just a support function.

Evidence for this shift comes from many sources. For example, the increasing propensity for CFOs to go on and take the CEO role. A 2014 BearingPoint study of Global Fortune 500 CFOs found that over the preceding 10 year period, 26% had transitioned to CEO, either in their own or another business.

Perhaps the finance function has ridden the digitalisation wave? Finance was where the IT department started in many companies and it remains under the reporting line of the finance director/CFO in a significant proportion. As IT has become an increasingly core part of every business, so finance's role has been more visible.

Finance always becomes more important in times of uncertainty - something borne out by the BearingPoint study, which showed that financial uncertainty always boosted the CFO's case for the top job. Though the post-crash years have been difficult, you can argue that we are now entering a period of unparalleled uncertainty - not just financial but existential. The accelerating pace of change in world business means that companies will be more reliant than ever on the ability of the finance function to look forwards and back, and to link the disparate functions of the company in to a coherent and comprehensible whole.

This is what we mean by the modern finance function and this is why its development in all organisations that want to survive and thrive is vital.

Key Features

Lots of organisations have tried to define the modern finance function, using a variety of different terminologies and approaches.

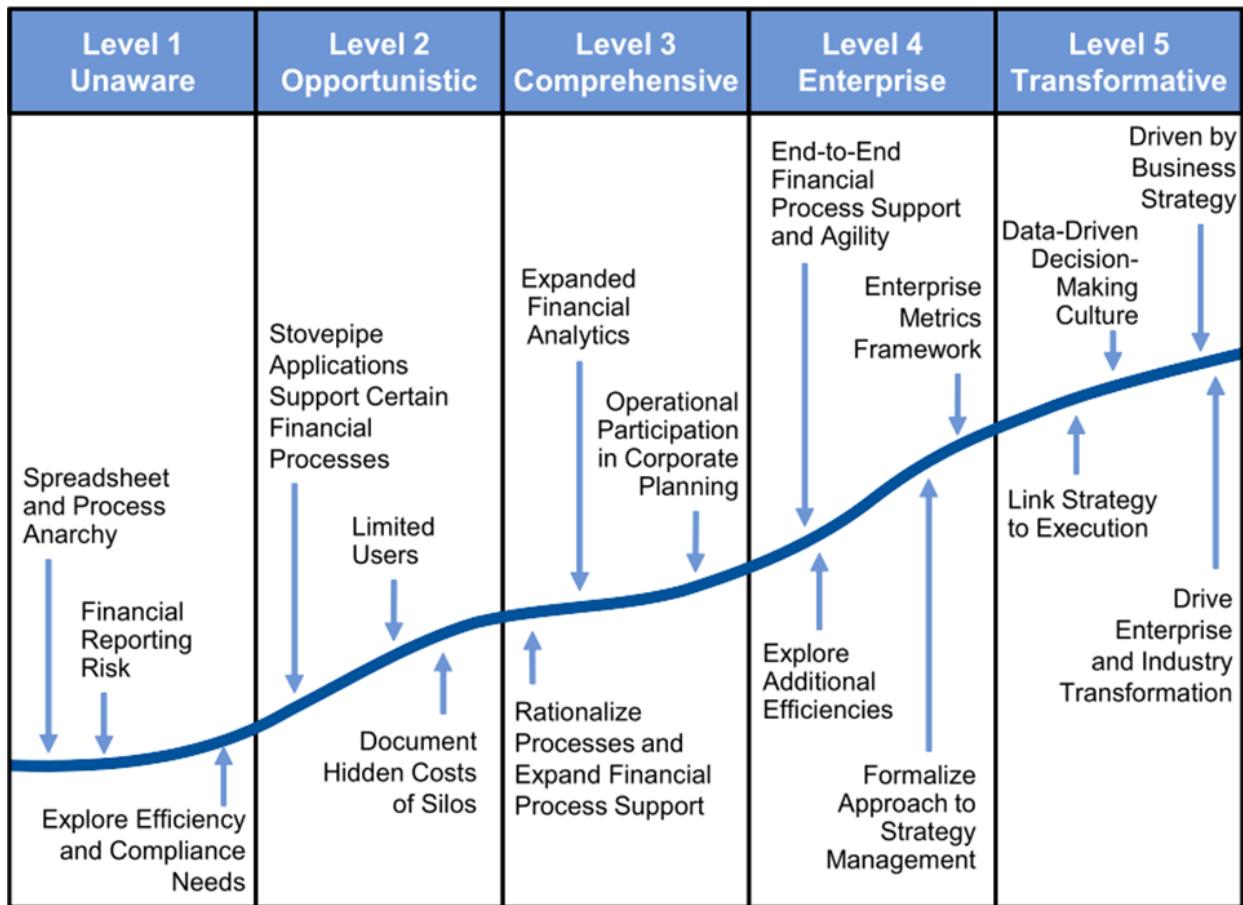
Gartner Maturity Model

Perhaps most famous is Gartner's Maturity Model for Corporate Performance Management. This breaks the transformation from a 'traditional' finance function through to modernity across five steps.

- **Level 1** describes an organisation performing CPM processes in a highly inefficient manner. This level typically involves the use of only spreadsheets or a combination of spreadsheets and homegrown or outdated products to consolidate financial results, manage the budgeting process and provide rudimentary financial analytics. Finance personnel are accustomed to producing analytics themselves using spreadsheets.
- **Level 2** describes an organisation that has implemented one or more CPM applications to address the following tasks:
 - » [Consolidation and close](#)
 - » [Financial reporting](#)
 - » [Budgeting](#)
 - » [Planning and forecasting](#)

Efficiency and accuracy have increased as a result of implementing these applications; however they largely support siloed processes.

- **Level 3** describes an organisation that has implemented several CPM modules that continue to capture additional efficiencies within finance and create business value through greater operational insight, collaboration and organisational agility. CPM is no longer seen as a set of applications exclusively used within corporate finance.
- **Level 4** describes an organisation with a comprehensive CPM approach that is moving toward a performance management and data-driven analytic culture. Financial planning processes are dynamic; they can be conducted as frequently as changing business conditions require, having been compressed by improved application ease of use and performance.
- **Level 5** describes an organisation operating at the pinnacle of CPM maturity. It portrays a comprehensive CPM approach that supports a culture driven by performance management. Although achieving this is rare, and the climb to this level is fraught with cultural and technical barriers, it serves as a model that espouses superior practices, some of which are not yet fully supported by available CPM solutions.



"Reaching Level 5 means the organisation uses key information to link strategy through to operational decisions. It requires multiple sources of information inside and outside the business. I've come across very few organisations working at this level. The finance department is a key part of achieving this, but only if they change their culture. Historic internal information is easier to find and thus suits accountants who like certainty, but doesn't directly focus on decisions. Accountants need to ensure they're looking forward for decisions not back."

Dara Ingoldsby
Head of Professional Services – Prophix Software



The EPM Market Landscape Responds To The Growth Agenda And Digital Disruption, April 2015, Forrester Research.

Forrester's Five Keys

In the April 2015 report, 'The EPM Market Landscape Responds To The Growth Agenda And Digital Disruption,' analyst firm Forrester Research expresses many of the same ideas in a slightly different fashion, it refers to 'Five Keys To Next-Generation Planning And Enterprise Performance'.

1. Dynamic planning: iterate models continuously.
2. Integrate planning and performance across lines of business.
3. Predictive planning and analytics: build predictive models.
4. Collaboration: interact with colleagues to improve performance.
5. Align with growth (focus on customer business value).

Modern finance expert and [CEO of FSN Gary Simon](#) offers his own recipe for success, incorporating some key human aspects of development, notably '*better business partnering*', and a '*commitment to talent management*'. He too stresses the importance of data-driven decision-making, and a '*commitment to process standardisation and automation*' as key components.

As we can see, there are some clear, common themes here. The modern finance function can perhaps be defined by key characteristics. It is the custodian of data within an organisation but the reach of this data, in terms of both collection and communication is broad. Finance is partnered with every aspect of the business to help measure performance and support strategic decision making. Supporting this capability is a high degree of automation, reducing manual effort and minimising risk.

Three Core Functions

Perhaps most simply the modern finance function can be defined by comparing it to the past in three core areas of capability: compliance, reporting and planning (budgeting and forecasting).

In the modern finance function, compliance, an often manual and burdensome task becomes 'smart' through advanced automation. This increases clarity, cutting risk of failure and releasing resource for high value activities focused on developing the business, not just protecting it.

Reporting stops being about yesterday and becomes increasingly focused on today. By delivering valuable 'operational intelligence' across the business in a timely fashion, the modern finance function becomes a key ally of all operations departments.

Instead of an annual trudge through probable expenditure, planning becomes a process of acquiring and qualifying strategically valuable foresight. An exercise that delivers educated insight into likely performance and alternative possibilities, respected and valued by the executive leadership.



A Framework for Success

Breaking the development challenge down into these core finance functions makes it easier to tackle and gives a framework for recognising returns on your investment - both quick wins and long term strategic value. Over the course of the two parts of this paper, we will refer back to these three core functions and make recommendations about how to assess your progress and make the next steps in developing them.

Key Roles and Skills

The modern finance function stretches the skill set of the finance team and its leadership. New technical skills are required alongside a 'softer' set of skills for communication and collaboration, since the modern finance function must reach beyond its own walls and achieve partnership with many aspects of the business in order to maximise value.

Perhaps the greatest personal challenge in the modern finance function is to the leadership. This transformation presents great hurdles in the development of skills and technology across the department, but it also presents a personal opportunity. A successfully completed transformation arguably opens up the path from the CFO's office to the CEO's office.

Three key skill areas have increasing value across the finance team. To some extent all members of the team are likely to need these skills, though some may be more focused in particular roles.



Communication

Partnering across the business to collect, share and analyse data means building relationships and communicating effectively. This is not always a skill that has been held in depth in the finance department, where an affinity for numbers was perhaps prized ahead of an affinity for people. Formalising the training and evaluation of networking, information gathering and presentation should become a core part of talent development.

Systems Thinking

Automating functions requires a very different skill set to manually processing them each time. The ability to understand basic tenets of programming, such as loops and functions, variables, inputs and outputs, will be enormously prized in future finance teams, especially where combined with strong financial literacy. Training in hybrid finance/IT skill sets is likely to be a growing demand, and one that universities are yet to meet.

Planning and Analysis

The finance function will spend an increasing proportion of its time on forward-looking activities as retrospective functions can increasingly be automated. This ability to offer foresight and intelligence to drive better decision-making isn't yet widely held. Understanding both the principles and the broad business context, and having the skills to manipulate data using the relevant tools will be a valued combination.

Measuring Return on Investment

Transforming the finance function to achieve smart compliance, and deliver operational intelligence and foresight, requires investment of both financial and political capital. Change is never easy so there has to be really strong evidence that this effort is going to deliver a return. Fortunately there is strong anecdotal evidence from companies who are on the road to total transformation, and the analyst firms are clear about the opportunities.

If that is true, and we strongly believe that it is, then transformation is not optional. The returns are more than potential gains, they might be about survival if competitors gain greater agility through this change.



Let's explore some of the specific returns more directly. Speaking to some of Prophix's customers, these are some of the benefits they have seen as they move along the road to a truly modern finance function. You can read their stories later in this document.

"The overall economy is now in a growth mode and many businesses see growth opportunities as a result of changing business paradigms in the digital age. These growth opportunities highlight the need for speed, flexibility, and insight from planning and performance processes."*

[Forrester's report](#)

From 'Compliance' to 'Smart Compliance'

In an ideal world compliance is a state not a process: at any time regulators could take a snapshot of the organisation and see all of the evidence they need without additional work. This 'state' approach has additional benefits: the organisation is always in a state of readiness for corporate activity: M&A, due diligence etc are all much smaller jobs of work, speeding execution.

Key returns:

- **Released human capital:** the investment in automation software is offset by the release in human capital. This may be an opportunity for cuts but in reality the growing demands on finance as outlined above mean this is most likely a chance to reallocate resource to high-value tasks like operational intelligence and foresight.
- **Reduced risk:** Better to know you are always compliant than to know there is a large job of work to be completed in order to check.
- **Greater transparency:** Companies confident in their compliance can afford to be more open, increasing trust with partners, customers and shareholders.
- **Operational readiness:** A constant state of preparedness enables greater agility in the executive team, speeding mergers and acquisitions, and other corporate activity.



From 'Reporting' to 'Operational Intelligence'

The key transition here is from backward-looking to present-day. The systems and tools exist to enable near-real-time feedback from finance to the rest of the organisation. And the benefits are numerous in terms of operational agility, insight and cohesion.

"It's a huge quantum leap for the business. It allows quicker decision making and it allows the executive to feel that they are making more informed decisions."

Tony Crawte,
Group Financial Controller at Solarcentury

- **Informed decision-making:** Current data in a compelling form should drive better decision-making around products and markets, purchasing and supplies, and enable sales and operations to recognise opportunities and efficiencies. For example, live profitability analyses of different products and markets can shape investment during the financial year.
- **Streamline international operations:** As organisations grow, both organically and through acquisition, reporting becomes increasingly problematic. A truly modern finance function extracts meaning from international data and reports it with clarity, enabling greater insight into operations.
- **Real-time customer insight:** The numbers can sometimes tell what the customer won't. Companies on their way to developing a modern finance function report data from finance driving customer interactions.

Planning to Foresight

Planning is such a limited exercise, one that most in an organisation see as a chore not an opportunity. Instead it should be a collaborative business planning exercise that exposes hidden truths and creates an opportunity to look beyond the next 12 months.

- **Increased accuracy:** Forecasts should indicate contribution margins by customer, by product category, by region and more
- **Multidimensional modelling:** Not just one budget but a detailed array of scenarios, easily tweaked to answer multiple 'What if' questions
- **Resource capacity aligned to sales expectations:** Match supply and demand, whether it be manufacturing or services
- **Reconciliation of cross-functional planning:** Logistics, Sales, Product Development and Finance all may have a view of the world that require alignment to release the synergy of the whole team pulling in the same direction.

Much of this value is about the power of data outside the finance function. That's why there is a good chance that it won't be the finance function that initially pushes for some of the investment required to deliver this transformation.

The growth in business intelligence and marketing analytics has fuelled a hunger for data across the enterprise. Developments in technology mean that the solutions that deliver the answers the organisation seeks are no longer deeply technical. Unless the finance function and its leadership take ownership of the development and distribution of this data, it may be overtaken and excluded, rather than being a leader.



Best Practice Case Study: Solarcentury

Solarcentury faced the same problems that all companies do when they rely on spreadsheets for their financial processes: broken links and formulas, inaccuracy, version control and wasted time. Having learned about the benefits of using Corporate Performance Management (CPM) software, however, the company sought to do more than automate reporting and budgeting; the finance team recognised that by building out the detailed analysis of their company's information, they could make better business decisions and effectively revamp their long term strategic planning. They set out to build a modern finance function.

Solarcentury now uses multidimensional business modelling to track and analyse the company's performance. These models allow Prophix users to evaluate financial and non-financial information together, and the cubes interface with each other.

Rather than simply determine what has happened in the past, Solarcentury can use the number-crunching power of its cubes to predict future performance, providing foresight and operational intelligence to C-level stakeholders in order to support important decisions.



The Value of Sales Analysis

Solarcentury uses its revenue planning cube to outline the profitability of its primary channels, including solar farms and rooftop solar installations, across geographical locations. As such, the leadership can precisely analyse sales and potential sales in the UK, the Netherlands, Kenya, Ghana, South Africa, Mexico, Panama and Chile. This operational intelligence is central to deciding where and how to focus their business.

When Solarcentury's employees login to the software, they can see their margins in the cube and conduct margin analysis by project type, country, salesperson, customer, month, or order, slicing and dicing their information using simple drop-down menus to weigh an infinite number of scenarios.

At the leadership level, Solarcentury conducts internal management reviews to see which customers are spending what—deciding why that is and what it means. Their sales reports also show where the sales reps stand in relation to their targets and in relation to each other. In effect, this ensures that the sales reports—and the decisions that management makes based on this ongoing reporting—drive the behaviours of the sales team.

Financial Consolidation and Reporting

Today, Solarcentury has fully consolidated global financial reporting with a clear audit trail. Members of the finance team can easily build their own reports (or even additional cubes) to meet new reporting requirements.

Solarcentury's users can see the company's updated debtor, creditor and stock information changing in hours not days. The company automatically generates a daily cash report with balances and currencies across countries, outlining free cash and available cash, cash by bank (with percentages), which countries they have cash in, and which currency types they own. The CFO reviews this information every day. Other team members view the data to ensure that they keep their payments up to date.



Future Plans

Solarcentury recently began using Prophix for the entirety of the planning process, with almost all of the senior management team either inputting into Prophix templates/schedules directly or via offline templates.

The finance team also plan to further develop an overhead allocation process that will enable them to forecast the net profit of a country or division. Currently, this data outputs from historical actuals and the budget, but not from a rolling forecast. Leveraging a rolling forecast will offer them clearer, more accurate updates of their performance and with this foresight they can make better business decisions.

Over the coming year, Solarcentury will have more of their business departments use the software, which will help the monthly forecasting to become a collaborative process.



Part 1: Conclusion

The modern finance function is a response to a number of challenges facing today's enterprises of all sizes. The pace of market change is accelerating, and organisations need an accurate and rapid feed of information from the front line to management across all functions in order to respond. The only department with a single view of the 'truth' as it will ultimately be represented to a company's stakeholders is finance. But too often the finance department has been focused on the past not the future, dealing with data about the past quarter, when what the organisation needs is intelligence about today and tomorrow, or even the quarter and year to come.

In order to deliver this, finance departments need to evolve, automating crucial but base functions in order to reallocate resource to more current and forward looking.



Achieving this transformation requires investment in technology. But it is arguably as important, if not more, to invest in skills both soft and hard. Either existing teams need to be trained or new members recruited, with planning and analysis, and hybrid IT/finance capabilities. Across the function, communications skills need to be enhanced to facilitate a richer, two-way relationship with the rest of the organisation.

Most important of all is that the function is led with vision. A clear vision that recognises what the organisation needs, and how to deliver it.

In Part two we will elaborate further on practical steps you can take today to get on the journey to building a modern finance function and how to overcome the barriers that may well appear along the way.

Part 2: Roadmap to Modern Finance

Compliance

Manual vs automatic – The outputs required of the finance department in order to achieve compliance with various regulatory requirements are well defined. So it seems strange that many companies still hand-crank these outputs each year.

Total automation is a longer term goal, but ensuring that the production of key, regular reports is automated should be achievable.

Process vs state – The natural conclusion of automating compliance is that compliance no longer becomes an annual process but rather a constant state. No need to schedule in large jobs of work against upcoming deadlines. Instead the process takes care of itself.

This is about a shift in thinking. As long as members of the team treat compliance as a series of tasks, progress will be retarded.

Spreadsheets vs systems – For all the wonder that can be weaved by a true spreadsheet wizard, spreadsheets are an inherently brittle way of handling data. All it takes for the process to fail is a single human error, or worse for the creator of the sheet (and often the only person who understands it) to leave. Modern finance functions run on shared processes rather than relying on brilliant individuals.

Examine the finance function for examples of reliance on spreadsheets and particularly individuals with strong manipulation skills. Wherever found these should be translated into systems at best and shared processes at worst.



Reporting

Retrospective vs real-time – The time it takes for information to travel from the edge of an organisation to its centre is a key measure of agility. Without the fast flow of information, a company cannot react quickly to changing market conditions. Real-time information is the ambition for all modern enterprises.

Don't expect to achieve this quickly, but from day one it is important that everyone in the function shares the ambition for a real-time flow of data, not retrospective reporting.

Focused upwards vs focused outwards –

'Management reporting' carries the clear implication that the flow of information from the finance department should only be upwards. But this attitude is distinctly limiting. The finance function should be sharing information across the organisation to add insight and intelligence to all operations.

Start the conversations today that connect the finance function with other teams, not in traditional roles but as a collaborator in progress.

Financial vs operational – Just because a metric is counted in currency it doesn't mean its only value is financial. The flows of cash can inform all sorts of aspects of the business. A modern finance function requires broader thinking.

Open up access to existing financial data to other functions and have the conversation about what data points would add value.



Budgeting

Imposed vs shared – Too often budgets are handed down to departments and their leaders with little intelligence flowing in the other direction. A truly modern finance function takes a more collaborative approach, using systems to collect solid data on the future of different functions, products and services, and communicating with their owners to set realistic projections.

Even if your systems don't support a more dialogue-driven approach, start the budgeting conversation early and look to incorporate more views and better evidence for decisions.

Narrow vs range – Producing a single budget without modern tools is an onerous task. The idea of producing multiple scenarios would terrify some, yet much more flexible modelling is an inherent capability of modern finance systems. There will always be one budget but why shouldn't it be informed by the explanation of multiple 'what if' scenarios?

Ask the question of managers and other departmental leaders, "What key variables would you like to test in the budget?" You may not have the tools to answer the question today but the conversation will undoubtedly start valuable conversations.



Barriers to Progress

As we stated earlier, the journey to a truly modern finance function is unlikely to be a smooth one. Along the way there are doubtless going to be barriers. These are some of the common ones that we have identified.



Lack of capital for technology upgrades

Some companies subsist on spreadsheets as a primary financial tool because the capital simply hasn't been there for upgrades. Much of the time this has been because of a perception about the scale of the upgrade required. CPM tools require good data to operate so there is an assumption that major investment is needed in an ERP system to feed the data required. This isn't always the case. Though CPM may highlight weaknesses in data and feeds, it can increasingly operate as a repository in its own right rather than relying on external sources. The cost (and pain) of a basic CPM deployment may be a fraction of a large-scale ERP roll-out and is likely to deliver much quicker returns, which can be used to justify further investment.

Low buy-in to greater role for finance

The modern finance function can be seen as having an expanded role in the business, as its reach broadens to touch more departments and extends upwards towards the board. Though development of these capabilities should provide a platform for greater influence at the senior level, and perhaps a stairway for finance leaders to take the chief executive role, expansion should not necessarily be seen as the aim. The modern finance function is powered by partnerships with different units across the business. In many organisations those relationships have not been developed and instead the sales and marketing teams have grown their influence. The modern finance function can offer a great deal to these departments, in terms of insight and intelligence. The first step to enhancing finance's role is not to displace these other influences on the organisation, but to empower them, demonstrating finance's role and its value.

Poor relationship between finance and the rest of the business

Forrester notes that collaboration is a key component of success, but the traditional interactions between finance and the rest of the organisation don't exactly make for an easy, warm relationship. From budgeting through to expenses, finance is easily seen as more of a necessary evil than a valued partner - the infamous 'sales prevention department'.

Communicating added value is key to overturning these notions and that starts with understanding the challenges that other parts of the organisation are facing, that finance is uniquely equipped to solve. Addressing this may require development in the finance team as a first step: building relationships and learning to extract the right information in order to be able to define the problem is a specific skill set.

Lack of strategic focus

A truly modern finance function is closely aligned with the growth opportunities in the business, but not every organisation has a strong strategic focus against which to align. Finding tactical opportunities to highlight revenue opportunities, margin weakness, or customer issues can start to build a pattern, demonstrating the value of added insight. Once credibility is established, the finance leader may be able to make a case to own strategic development, and build out from there.

Where Are You Now? Self-Assessment Questionnaire

Based on the barriers above, and what you learn along the journey, the route to developing a modern finance function is hard to define in detail in advance. But the route you take will be strongly influenced by your current situation. Answer the questions below to help you develop an understanding of your current status and in the next section, define what the steps might be.

SMART COMPLIANCE

1) Financial data resides

- A. In our account system and a collection of spreadsheets
- B. In a mixture of spreadsheets and specialist applications
- C. In our ERP system/data warehouse

2) Statutory reporting is completed

- A. Manually using spreadsheets
- B. Manually using specialist tools and templates
- C. Automatically from pre-defined data feeds

3) Management reporting

- A. Is produced just before the close of the next period – a month out of date
- B. Distributed via spreadsheets and Word documents mid-month
- C. Arrives in standard form by working day 6 every month

4) Report maintenance

- A. Reports are produced on spreadsheets by one or two key finance staff
- B. Reports are specified to Analysts with a complex design/approval cycle
- C. Business advisers maintain and develop their own reports based on a common business model

Answers

Mostly A: Automation is your first challenge. Pick one or two of the most onerous or high-risk tasks and look for solutions that can automate the production of reports. Avoid specialist applications that might be a dead-end further down the line and choose general purpose CPM tools that can be configured to solve multiple problems in an integrated fashion.

Mostly B: Integration is the biggest issue here. Bringing together multiple functions in a single application will save time and money, and increase your capabilities.

Mostly C: You're well on the way to strong baseline for further development, with high-risk and high-cost tasks automated. Look for flaws in data quality feeds that could cause future issues, or redirect saved resource to more forward-looking challenges.

OPERATIONAL INTELLIGENCE

1) Your finance function produces reports that are primarily...

- A. About the previous month or longer
- B. About the previous week
- C. About the previous 24 hours

2) Who is the audience for your reporting?

- A. Primarily inside the finance function
- B. Management
- C. Sales, marketing and operations

3) Reporting is...

- A. A requirement
- B. A means to explain how the business is progressing
- C. Evidence for improved decision making, day-to-day

Answers

Mostly A: You're at the start of your journey. Discovery is probably the biggest step right now: look to build new relationships across the business and understand what it is other departments may value from a more outwardly-focused finance function.

Mostly B: Finance is a management tool today but it can be much more integrated across the business. Look to see how the data you're already producing could be of value to other functions and how it might be presented in order to deliver that value.

Mostly C: You are clearly a long way into your journey. The next steps are about optimisation: finding new insights from the available data through increased speed, improved presentation and new links. Can you use this data to begin to predict changes?

FORESIGHT

1) Budgeting is...

- A. A top-down process
- B. An uncomfortable dialogue
- C. A collaborative process

2) Finance offers insight into...

- A. Future revenue, costs and funding needs
- B. (A) plus future operational challenges
- C. (B) plus future market opportunities and customer behaviours

3) Finance's role in strategic discussions is to...

- A. Provide historical evidence of performance
- B. Validate plans based on current performance
- C. Define and model future scenarios

Answers

Mostly A: The finance function in your organisation today isn't an active partner in the company's development, but rather a resource for critical but non-strategic activities.

Mostly B: Finance clearly has a role to play in your organisation's development but it isn't a leadership role. Greater insight into the data at your disposal will allow you to define the conversation and support the decision making of a wide range of departmental leaders.

Mostly C: You have a leadership role in your organisation's development. The challenge is to ensure that your insights are robust and compelling. Look to how data is qualified and presented to ensure it tells the strongest story.

Next Steps for Your Organisation

Whatever point you find yourself on the journey there is always room for progression. Consider these five factors:

Skills – Do you have the key talents in the function to achieve the development you desire? As noted above these are skills of communication to build relationships with other departments, systems thinking to drive automation, and planning & analysis to provide foresight.

Technology – Do you have the appropriate systems to store and analyse data, and automate key functions? Historically a large-scale investment in ERP has been the starting point but modern CPM systems are capable of acting as the repository for much of the required data, as well as offering automation, analysis and presentation tools.

Relationships – Do you have connections at the appropriate levels with other functions across the organisation? Without collaboration it is impossible to fulfil the promise of the modern finance function.

Position – How is finance valued within the business? As a strategic partner or a functional resource? Going beyond the historical and financial to look at future trends is key to establishing greater value.

Process – Do you have the fundamentals automated to minimise risk and maximise available resource? Repeatable tasks shouldn't be using valuable creative minds that could be re-applied to planning and analysis.

The Mid-Market Opportunity

There is one segment of the market that undoubtedly has the most to gain from moving towards a modern finance function: the mid-market.

Above a certain size, companies are generally obliged to follow a fairly similar set of budgeting, forecasting and reporting procedures. Though if unlisted the compliance requirements may not be as onerous as for a large enterprise, there is still much work to be done on maintaining transparent probity.

But mid-market organisations are by their definition smaller. The gaps between departments and individuals shorter, the hierarchies flatter. These shorter lines of command and communication make it much easier to address some of the challenges of development. Consensus should be easier to establish. The required data may be accessed more easily. Leadership and control may be easier to exert.

This greater agility means that change can be made faster. And the greater proportion of staff freed up through automation means the return on investment is both larger and more visible.

Once a greater level of maturity is achieved, mid-market organisations can more rapidly adapt to the greater and more timely availability of accurate data. They can turn their smaller organisation to meet opportunities or avert disasters more easily, based on the newly available data.

Best Practice Case Study: Swan Mill

Swan Mill Paper Company is in the second phase of its journey to developing a modern finance function. Having already automated financial processes, Swan Mill began working with Prophix to leverage more significant value by addressing the unique needs of their company — particularly in the areas of revenue reporting and sales forecasting. Today the organisation boasts real operational intelligence: a detailed, constantly-updated view of sales performance in multiple currencies across its global operations. The insights provided by this information have enabled the leadership to make better business decisions.

Prophix provides Swan Mill with a single corporate performance management software solution that incorporates the deep functionality that they require without the need to purchase any additional modules as they build out their operational planning and continuously analyse new areas for the business. At the centre of this unified solution, all of Swan Mill's transactional information flows through their ERP, Microsoft Dynamics AX, and into Prophix, which functions as the finance department's central data receptacle.



Foresight: Budgeting and the rolling forecast

Swan Mill recently completed its second planning cycle with Prophix. To produce the budget, the company simply isolates the upcoming fiscal year, populated with three months of actuals plus nine months of budgeted/planned figures. Finance, sales, and the company's various department and division heads (directors) all work together to generate this remarkably accurate bottom-up forecast.

Automation and role-based security both serve important functions in Swan Mill's Prophix deployment. End users receive automated requests for their budget/forecast inputs, and once they have made their submissions these inputs feed back into the system, cascading across the financial spectrum.

The regional sales managers and division heads only see the relevant data for their own portfolios, based on the permission levels that finance has set in advance.



Intelligence: Revenue planning and sales forecasting

A full 80% of Swann Mill's CPM users are in sales, who use the system to access revenue planning and reporting in their local currency using a familiar format.

Marc Lev'y, Swan Mill's Head of Business Planning, Reporting & Analysis, explains: "Today our global sales team is more informed than ever. At any given moment, we can see how the organisation's performance is developing in real time. Our Sales Director regularly consults Prophix and is becoming more dependent on the information to drive analytical and insightful discussions within the sales team. He has — and we have — an extra level of transparency, a new means to understand what's happening and why it's happening."

The value of business modelling

Swan Mill's customer data lives in multidimensional models (or 'cubes'). These cubes form the building blocks of CPM software, constituting a major point of differentiation from the flat file, relational structure of spreadsheets. Prophix allows Swan Mill to evaluate data from more than one cube and to make comparisons between the data in order to contrast multiple perspectives on their financial and operational performance. Prophix's models allow for planning and reporting at the monthly or weekly levels, paving the way for precise budgeting and transparent analysis.



At Swan Mill, users can identify trends and patterns, drilling deep into the data if necessary, to answer questions like:

- What do our customers buy and when do they buy?
- Are they doing so based on seasonality in a way that we wouldn't expect?
- Who are our top performing customers?
- Which SKU categories have underperformed relative to projections?

Based on their formulations, Swan Mill's business leaders may decide to dig deeper into the numbers or simply have an account manager visit a customer to fully understand the customer's behaviours and needs: a great example of the value of data held by finance being shared across the organisation.



According to Lev'y, "Using Ad Hoc Analysis and clicking on a few buttons, we can see comparisons to historical performance to indicate contribution margins by customer, by product, by region, or any other denominator that matters. Essentially, we can review as wide a range of scenarios as we think we need, knowing that our information is accurate and able to provide us with a sound foundation for our business decisions."

Marc Lev'y and Swan Mill aim to focus on developing more driver-based budgeting, which will allow them to align their actuals with their plan data and more accurately measure their sales performance at the detailed level. This endeavour will likely lead to further tracking and analysis of the organisation's production demands and purchase requirements. For example, if a certain product suddenly appears like it will under-perform, expectations, production and procurement estimates should adjust accordingly.

Additionally, the company may also build out more industry specific KPIs, as well as a balanced scorecard that would enable them to view their performance at a glance.

"Napkins, each of which cost less than a penny, represent a significant proportion of our product portfolio. This results in a high volume of transactions. That means that we need to slice and dice into different areas, analysing our information at the detailed level and making business decisions based on what we see. Prophix gives us a familiar and easy to use platform to do that."

— Marc Lev'y

Head of Business Planning, Reporting & Analysis - Swan Mill Paper Company

Part 2: Conclusion

Building a truly modern finance function is a challenging exercise, with development needed in multiple dimensions.

The simple test we created for this paper will give you some idea of where you are today. From that point it is important to create a vision and from that, a realistic roadmap. There's no point in defining an ultimate destination in too much detail: best practice is advancing too fast. But from your vision you can define a direction of travel and know what to do first.

That initial response will likely be broken into five areas: skills, technology, relationships, position and process. Though skills, technology and processes can all be addressed inside the finance function, securing the budget and support for investment will be dependent on relationships with IT and management. If those relationships need to be developed first, then the starting point is to understand how finance is perceived in the organisation today.

As the example from Swan Mill shows, the returns are great. A modern finance function can be the foundation of a more dynamic, faster-growing and more sustainable organisation. Good luck on your journey.

Next Steps

We are here to help you on your way. Whether you would like to discuss any of the issues raised in this paper with one of our top finance experts or would simply like a demonstration of how Prophix can accelerate your path to building a modern finance function.

Visit [here](#) or contact us via phone: + 44 (0) 1256 641600 | email: masond@prophix.com.

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation and reporting — improving a company's profitability and minimising its risks. Thousands of forward-looking organisations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

Head Office

350 Burnhamthorpe Road W.
Suite 1000
Mississauga, Ontario
Canada • L5B 3J1

+1 (800) 387-5915
1-905-279-8711
info@prophix.com
www.prophix.com

United Kingdom

Davidson House
The Forbury
Reading
RG1 3EU

+44 (0) 118 900 1900
uk-info@prophix.com
www.prophix.co.uk

South America

São Paulo - SP - Brazil
Rua Guararapes 1855 - 1º
andar - Brooklin Novo
04561 - 004

+55 11 3583-1652

DACH Region

Messturm
60308 Frankfurt am Main
Germany

+49 69 509 565 605
dach-info@prophix.com
www.prophix.de

United States

707 SW Washington St.
Suite 1100
Portland, OR 97205

www.prophix.com

Europe

Sankt Knuds Vej 41
1903 Frederiksberg C
Denmark

+45 7023 2375
europa-info@prophix.com
www.prophix.com/dk

South America

Rio de Janeiro – RJ - Brazil
Av. Marechal Camara 160 sala
1612 – Centro
20.020-080

+55 21 3094-3904
egallindo@prophixsouthamerica.com
www.prophix.com/br