



The Strategic Evolution of Finance

It is a very exciting time to be a CFO. Over the last couple of years we are seeing an evolution in the role of finance at leading companies. CEOs, pressured by regulators and investors to provide more accurate guidance about the direction of their business, are seeking out finance's counsel. In the past the CFO reported on recent history, managed the balance sheet, and kept a lid on costs. Today, leading CFOs are also charged with helping to provide more accurate guidance about the future direction of the business.

Now, CFOs have to possess the traditional finance skills as well as offer deeper and more meaningful guidance on translating trends and key developments that will drive profitable growth. The CFOs main objectives are to provide leadership in setting strategy and manage the financial performance of the business.

Finance is Uniquely Positioned to Help Drive Strategy

Finance is the only department within a company that has a broad organizational reach, the rich understanding of the numbers behind the business, and the analytical training necessary to play a leading role in developing corporate strategy. However, reports indicate many finance organizations lack the systems and processes needed to obtain timely and accurate information about their organization's performance.¹ Without this information, making reliable forecasts and informed strategic decisions can be very difficult. For instance:

- ❑ Only 48% of finance executives are satisfied with the speed and accuracy of plan re-forecasts during the fiscal year
- ❑ 40% are satisfied with the amount of time it takes them to create an annual performance plan
- ❑ Just 31% are satisfied with their ability to model and test the impact of proposed changes

In addition, nearly 30% of respondents said their current performance management processes actually *stand in the way* of their ability to provide decision support to the business.

How BPM Systems Make a Difference

Business Performance Management (BPM), in its simplest form, is a management system for translating business strategy into action. The concepts of BPM are not radical. Establish the goals you want the business to achieve, formulate detailed plans to transform those goals into reality, allocate enough resources to do the job, and put in place a set of measures to monitor your progress toward the objective.

What's new and what brings BPM to life is the emergence of new database technology and analytical software – which were not available even a few years ago. Previously only the largest companies with the deepest pockets could afford to implement integrated BPM solutions. Now, for the first time, mid-



market companies have access to powerful, affordable systems to help them better manage the performance of their company in a proactive manner.

The Integrated BPM System

CFOs have been talking about the need to improve performance management for years. The individual elements of BPM have been around a while, but they were not tied together in an integrated manner. Forecasts, budgets, scorecards – mid-market CFO's couldn't see the complete picture because the underlying data was not integrated in an easy-to-use fashion.

The new integrated BPM systems plug the gap between the day-to-day operational and financial systems that run the business and the top-level strategic reviews that show whether it's on course. BPM adds value by delivering improved reporting and information analysis capabilities. Four characteristics are common with companies that incorporate an integrated BPM system:

1. Business objectives are expressed in the language of financial planning and budgeting
2. Factual assessment of operating processes, decisions, and results are conducted on a continual basis
3. Adjustments, when needed, can be quickly implemented to realign operating activity with strategic aims
4. The periodic refreshing of strategic assumptions incorporate insights gained in the field

A BPM systems' job is to provide information in a format that can be readily analyzed and controlled. Integrated BPM systems enable the CFO to reach out to the entire business and engage each department in the performance management cycle – planning, budgeting, forecasting, score-carding, analysis, and reporting. The end result is that all contributors understand the business goals, execute the plan to achieve them, and measure and manage actual performance.

Is BPM Working?

A recent report produced by CFO Research Services provided some notable findings about the effectiveness of an integrated BPM² system:

1. **80%** of survey respondents using integrated systems say they are well supported with the right technology, versus only 6% of respondents using spreadsheets and manual processes, 12% using ERP software, and 19% using stand-alone point solutions.
2. By a **3-to-1** margin, finance executives using integrated BPM systems are more confident in their ability to create plans to capitalize on organic growth opportunities, as compared to their peers who use spreadsheets.
3. By about a **2-to-1** margin, finance executives using integrated BPM systems are more confident they can implement plans and monitor their success.



4. Survey respondents who say they are supported by the right performance management system are **twice as likely** to serve primarily as a strategic advisor to their CEOs, as compared to those who say they need new technology.
5. More than a third of survey respondents using spreadsheets or ERP systems as their primary budgeting & planning tool say they often get bogged down in low-value, seemingly trivial tasks, as do 25% of those using point solutions – but **none** using integrated BPM systems.

The recent report highlights the fact that companies who have adopted integrated BPM solutions are more confident in their ability to provide the business with forward-looking guidance and decision support.

It's an exciting time to be a CFO. Finance is being asked to become a strategic partner to internal business units. CEOs want CFOs to play an increasingly important forward-looking role in formulating strategy and providing decision support. One point is certain, as finance continues to evolve the right technology plays an important role in helping finance executives gain a seat at the strategy table.



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Mr. McMann personally designed BizNet Software's core technology, BizNet Insight™, and has over 15 years experience in software development, implementation and consulting. Mr. McMann began his career as a CPA with Ernst & Young and has advised on and managed the implementation of software integration and financial auditing projects with Nortel Networks and Clarus Corporation within the financial, health, insurance and telecommunications sectors.

1. "What CFOs Want from Performance Management", CFO Research Services, March, 2003.
2. "Finance Seeks a Seat at the Strategy Table", CFO Research Services, July, 2004.