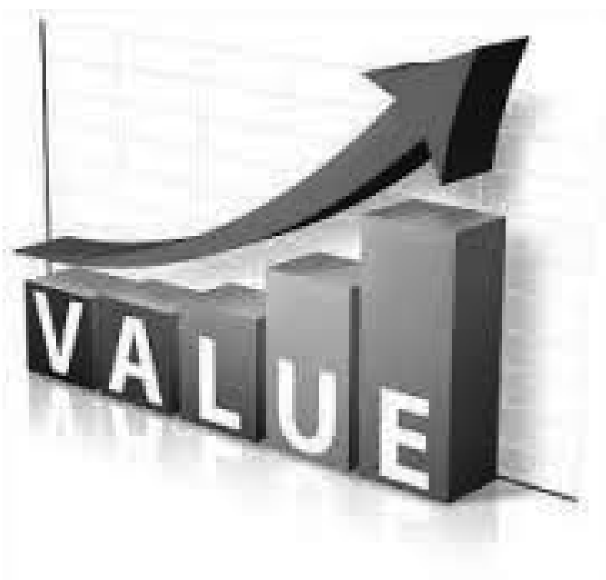
Maximizing Finance Operations

By: Christopher Rios
Group Leader – Finance Operations
Dun & Bradstreet



The
Credit
Research
Foundation

MAXIMIZING FINANCE OPERATIONS

Over the last few years there has been a significant push for CFOs to play a larger role in the go to market strategy of their organizations. This pivot has also required the C-Level suite to put increased pressure on Finance Operations, Accounting and related functions to also contribute to growth and development, and to enable Sales. Historically, these operational or support functions (notoriously referred to as “back office” functions) have been relegated to cost center status and never an engine for change - and certainly not for revenue. This scenario played out in reality at Dun & Bradstreet. Four years ago the global CFO issued a directive to his leadership team, which included Finance Operations, and the message was simple:

“We need to change the perception, real or imagined, that finance is an impediment and barrier to sales growth, and we need to enable Sales!”

Operating in a heavily transactional and manual environment, it was very possible that the “perceived” barriers were real, but certainly unintentional. After considering how to address the directive issued, a methodology and systematic approach to transforming Finance Operations from a cost center to a Sales enabler was born. The success we’ve had on our journey to transforming and transitioning the Finance Operations role at Dun & Bradstreet has had global reach, both internally and externally, and over the next several sections I’d like to share the challenges and successes we’ve experienced.

“Those who are unaware of history are destined to repeat it.” ~ Georg Santayana

Simply stated, we needed to know where we were before we knew what needed to change, and accepting the fact that we had been managing a function essentially the same way for decades helped us develop our method of “Ask, Analyze, and Measure”.

As noted above, Finance leaders are constantly being asked to do more with less. So what if you could consolidate work streams, increase productivity, maximize efficiency and contribute to the top line?

We did it and think the strategy and methodology we followed could work for many organizations. Simply consider a four-step approach to creating a virtual shared service model to manage your Finance Operation functions. Whether you're a multi-national, global organization or a small domestic business with multiple locations, it's the process you employ that will help you deliver real results.

Step 1: Questionnaire

You don't know what you don't know! Before setting out to “change the world” it was critical to ensure we understood how our global markets were operating. What solutions they were using, how many resources they required, what policies and processes were implemented and whether those policies and processes were different from market to market. We didn’t overthink this step - we simply began developing a standard questionnaire. The questions were organized by function and covered all the basic tasks that finance operations teams typically perform. The questionnaire allowed us to obtain answers to core, foundational questions:

- Are your work streams decentralized with sub-optimal processes?
- Are you finding that you have limited automation across processes?

- Are you working in a fragmented manner with limited standardization?
- Are you operating above benchmark costs?

We asked ourselves and our business partners these basic questions, and when we reviewed the responses to the questionnaire, we were able to be blatantly honest and found our answer to the above questions was a resounding YES!

Step 2: Current State Analysis

You can't propose process changes without understanding the current process! Using the questionnaire as a baseline for our foundation, *we* developed a "straw man" of how processes are currently performed. The current state was then mapped back to internal best practices and benchmarks, as well as to more objective best practices as identified through user groups, forums, memberships and certainly Credit Research Foundation materials. This is a systematic way to ensure you're capturing the correct steps in the process, as well as capturing differences in similar finance operation processes. It’s not uncommon, particularly in a global setting, to encounter local or cultural differences in the way the business operates, which should be well received because as needed you can customize your approach to implementing standardized and centralized processes with much less difficulty.

The current state document serves more than just a running account of how things are being done. This document is the first step in ensuring accountability and oversight by keeping everyone honest and becomes a living document that can be shared with your business partners. It also demonstrates your willingness to partner with a particular market or group. Following this more inclusive approach will help keep your business partners engaged and you'll find that they will be more inclined to take an interest in what you're trying to accomplish because you're taking an interest in what they're doing.

Step 3: Executing Change

Concepts and ideas without a plan are just a dream! So we captured the current state, analyzed the information, and now it’s time to initiate and implement change. Initiating change, particularly if it impacts people resources, can be very challenging. Likewise, convincing and gaining alignment of others in your organization that these “changes” will result in process improvement can be challenging. In order to continue on this journey of maximizing finance operations we needed to establish governance around change management. We first sought to identify key stakeholders in the impacted processes; we reiterated our point of departure (POD) and shared our expected point of arrival (POA). While it may seem redundant to constantly go back to the current state document and to enroll business partners, it is this level of transparency that ensures success. Communication is critical, and to some degree over-communicating is imperative. So whether you establish periodic conference calls, email updates or in-person site visits (developing a process of communicating and allowing for feedback), alignment becomes easier, and with that you can begin implementing your changes and adopting best practices.

Step 4: Finalizing Process Review

Don't make the mistake of measuring yourself against yourself! Too many times companies measure their success based on their own results from a previous quarter or year. Utilizing objective perspectives to determine how you're performing will help you maximize your organization. Start this journey to realize organizational optimization, execute on your financial strategy and help enable your sales organization. This final step will help you streamline similar transactional functions across all markets; identify and address system related drag; establish the infrastructure of a scalable finance operations team; and provide growth and development opportunities for the people talent.

The Dun & Bradstreet "Ask, Analyze, and Measure" review led us down the path of establishing a shared services model to address our organizational needs. While we realize a shared services model is not necessarily for every organization, there are takeaways to consider, such as creating Center(s) of Excellence to introduce scalability, consistency and efficiency. The unfortunate reality is that many companies explore a shared services option during financially challenging times. Reducing costs and outsourcing operational functions are often the only drivers for considering a shared service model. The reality is businesses can realize operational efficiencies, increased productivity and better employee morale as well, with resulting cost savings being a byproduct of a shared services initiative. The following sections explore and reiterate the steps to take as you consider a shared services model.

INFRASTRUCTURE = THE BASIC SYSTEMS AND SERVICES A COMPANY NEEDS TO WORK EFFECTIVELY.

To leverage a shared service model, you have to understand the "basics" of your organizational infrastructure. These basics include people, systems and objectives. Performing market evaluations will help you determine the maturity level of your organization across various work streams. More importantly, the results will help you plot out the "roadmap" for designing your shared services model. One key component of this infrastructure review is the establishment of a governance model. The governance model will help you redesign, re-tweak or set up your infrastructure to:

– Address organizational deficiencies
– Establish a central point of control
– Create synergy among business partners

Strive for executive oversight, accountability across work streams, and clearly defined service level agreements (SLAs) in evaluating and/or establishing your infrastructure. Ensure that you begin your engagement by actually gaining an understanding of your organization through market evaluations. These don't have to be overbearing, onerous, time-consuming initiatives. Simply begin by sending out a questionnaire to your respective markets. Place a time-regulator on the responses (I've found that 2 weeks is generally sufficient). Through my experiences the questionnaire responses are more likely to be what your offices think you "want to hear" as opposed to what may be actually happening. This isn't a negative, but reinforces the second point in performing due diligence in your market evaluation, which is performing site visits.

The benefits of a site visit are two-fold. It first demonstrates "Corporate" interest in gaining a better understanding of how operations are performed. Secondly, a site visit will also help create a more positive perception around why you may be inquiring about local business policies, processes and practices. Keep in mind, however, that whenever you begin questioning how and why a particular process or processes are performed a certain way, it's very easy and natural for defense mechanisms to kick into place. Therefore, it's highly recommended that upon arriving at a particular site or in a market (especially if it's an international market) you preface your visit by engaging local human resources, local senior leadership, and any other leaders you feel might be interested or concerned about your interest in their business. Reassuring your fellow colleagues that the site visit is to partner and engage in discussions to deliver on more efficient processes and to capture best practices throughout the organization will most certainly place you in a more favorable light, especially if there is immediate trepidation.

Now that you've hopefully been able to curb any negative concerns, you can begin performing your evaluation "hands-on" relative to the questionnaire responses you should have received and captured in your initial current state document. This is where you'll begin finding "gaps" in what is actually being done versus responses received per the questionnaire. Again, this is not a bad thing, but rather an opportunity to immediately perform fit/gap analysis. The idea of performing fit/gap analysis is to take what you captured as your baseline for performing a function and determining what, if any, best practices are being utilized or should be utilized in place of what you're encountering. Bridging the gaps between actual process and performance and best practices will help you establish desktop procedures which are "living" documents that should be used for training, follow-up and review in order to ensure everyone in your organization is managing expectations properly, but that you also begin capturing (in a more formal way) a repository of information about each individual work stream that may be considered in your shared services model. People resources are a significant part of an organization, but understanding the tools they are asked to utilize to perform their functions is equally important and can be detrimental to the success of those individuals and teams if you haven't captured what's needed from a system solution perspective.

SYSTEMS SHOULD INCLUDE PROCEDURES AND PROCESSES, AS WELL AS ENTERPRISE (OR NON-ENTERPRISE) SOLUTIONS THAT HELP YOUR FINANCE ORGANIZATION MEET ITS CONTROL, COMPLIANCE AND BUSINESS ENABLEMENT OBJECTIVES.

It's nearly impossible to avoid enterprise applications in the marketplace that can be used in your finance operation's organization. Unfortunately, many are challenged with legacy systems, different and multiple instances of a particular solution, and disparate processes and policies that impact operational efficiency. While it would be great for finance leaders to have the "keys to the safe" for funding system initiatives to make the process better, its likely to remain nothing more than a dream. Nonetheless, it is possible to drive efficiency without breaking the bank. It's not easy, nor will you solve all your needs, but strategic planning and tactical considerations can make a huge difference. Here are a few options:

1. Do nothing: It may seem ridiculous, but it can be a good first option when meeting with a leader and/or C-level executive who signs off on capital expenditure requests. Why? It points out the obvious: You can't "do" nothing and what you "need to do" will not be accomplished without some investment (typically time, people and cost). The manner in which you position your funding and/or resource requirements will be tantamount to your success.

2. Update policies and processes: Generally, this requires no cost to the business other than time and ensuring you have the right people in charge of the necessary "change management." In addition, market evaluation, current state and fit/gap analysis will assist in determining what policies and processes need to be updated. More importantly, you can develop more global policies that can bridge gaps across business segments, units, markets and regions. Inevitably you will find, particularly in a global setting, that your respective offices, leaders and team members may be responsible for the same functions, but each may be performing a process slightly differently. Hence the

importance of the market evaluation and current state analysis previously discussed. Hold webinars and training sessions on best practices. Be sure to ask why someone or some group may be performing a function slightly differently than the noted best practices, and be sure to listen to their responses. You want to ensure you're capturing the many statutory and regulatory requirements local governments may require which could be creating inefficiency within a particular process. A few examples would be: 1) Billing processes in Latin America whereby several countries are required to process billing and invoicing through third party government platforms; 2) Privacy legislation which can be particularly extensive in Australia, China and India; and 3) equally, if not more important, employment laws which in Europe should be completely understood if you're considering doing business within a particular market or moving work outside of a market into a completely different jurisdiction. As you can imagine, to properly evaluate policies and processes requires a time commitment and should be managed as if it were a project within the broader project of considering a shared service model to meet your organizational strategy.

3. Make the investment: It's not about pouring $10 million into a completely new enterprise solution. Rather, take a good look at your QTC process. Identify what systems are being utilized in the process. For example, you may have a customer relationship management (CRM) system, configure-pricing-quoting (CPQ) solution, financial platform (general ledger and related sub-ledgers), collection management solution, enterprise data management (EDM) solution, and business intelligence (BI) tool for reporting. Perhaps you have more than one of each of these solutions, or perhaps you have none. Get back to basics and document your enterprise solutions. Do so in an "Order of Operations". Meaning, assume you have a customer who is placing an order or making a purchase from your business. Follow the process from beginning to end and document accordingly. I've seen too many investment requests fail because they focus on a particular part of the end-to-end process only to realize they need more funding due to lack of evaluating the end-to-end process. Equally disastrous could be settling on a "temporary" fix which inevitably becomes the final fix because there's both no appetite for the larger investment downstream or there are organizational changes or challenging times, so funding is cut or eliminated. Start by asking a few questions:

   a. Where are the deficiencies in the process?

   Don't assume you know where a deficiency lies. This is why systematically reviewing your end-to-end processes is important. Once you've identified a deficiency you have to ensure you understand if it's the system or if its legacy solutions, feeder systems, or lack of enterprise processes contributing to the deficiency. You may also find that the deficiency is within your people resources which may not require any additional funding other than training or organizational shifting of resources. I've seen plenty of systems that truly work, but the manner in which they've been developed, set-up and utilized by individuals is what's truly inefficient. When I have found the system to be the culprit in deficiencies and inefficiencies, it's generally been because of the approach taken by companies to stick with the "Vanilla" or "Out of the Box" solution. That's nonsense because every system requires development to ensure it works for you and your business. The trick is to distinguish, sooner than later, between development and customization. Customization in my experience carries with it a lot of additional funding requirements. Whereas, development really only requires that at the time of implementation or updating, etc. the right individuals are on the project team asking the right questions and providing the right set of requirements.

b. What area(s) is the deficiency impacting most greatly?

This will help you prioritize your effort. Just ensure that as you prioritize your effort you're considering all the inputs and outputs impacted by a particular system. This will be beneficial when developing your vision and scope document, which will allow you to properly size the effort.

c. Are your systems integrated?

Sometimes deficiencies abound when systems don't "talk" to each other through some integration, whether it be modules within an enterprise application or utilizing more modern web interfaces to keep the amount of manual, human intervention to a minimum. One of the biggest contributors I see impacting sales cycle time is exception management and, more importantly, having to manage exceptions manually. Ensuring whatever system or solution you're utilizing has workflow management capabilities is extremely important. Being able to simply have work move seamlessly from one user to another is critical to efficient time management. Some of this may require you to build out functionality within an existing solution and not necessarily require huge investment in new applications. The point is that understanding how your solutions interact with one another will also help you call out gaps and deficiencies, and provide you with greater opportunity to streamline your recommendations and hopefully limit the amount of customization required.

d. What would my investment requirement be to "fix" the problem?

You won't know the investment requirement until you've done your due diligence. Keep in mind that going "vanilla" or "out of the box" may be fine initially, but I would suggest you have a thorough list of requirements, including "wish list" items. Make your vendor earn your business by providing you with options. Don't settle for "vanilla" because anything else will be cost prohibitive. Your business may require "pistachio" and that doesn't mean the cost should be multiplied three or five times. Develop solutions to meet your business's needs. Save customizations for smaller initiatives like reporting requirements. "You can't boil the ocean" so don't try. Focus on meaningful wins for your finance organization (not low hanging fruit!). There isn't a silver bullet solution in the marketplace. You can implement an enterprise CRM, ERP, EDM, etc., and still need middleware, APIs, Web-services and tactical solutions to address specific needs.

The most important takeaway is that every step described above is critical to organizational success. You can't be successful without understanding what you have today, the resources you have performing the work, and the tools necessary to do the work efficiently and productively. I can attest that, by following these relatively simple steps and recommendations, you will create synergy with business partners across your organization, you will become more efficient, and you will realize cost savings. It's inevitable provided you invest the time in performing the due diligence. At Dun & Bradstreet we've been on this journey for 2 years and I fully expect it to take one more year to complete our shared services journey.

Maximizing Finance Operations: Sales Enablement

I've shared and explored the Dun & Bradstreet journey in the previous sections related to current state analysis of people resources, policies, processes and systems. The aforementioned is critical in helping organizations measure their performance, execute on strategy to realize operational efficiencies, and utilize shared-service models to evolve the finance organization from a cost center to a growth driver. Additionally, the finance organization is uniquely positioned to enable sales and contribute to top line growth, even if impacting the top line means coming at the problem from "the bottom line".

The Finance Organization is More than a Cost Center

The first key to sales enablement is to educate your finance professionals on how to move beyond the notion of "cost center." Traditionally, the back office finance operation was thought of as an expense-heavy institution that tended to erect more barriers than it tore down. Today, everything a finance professional does should specifically tie back to the organization's vision. There is an inherent relationship between finance and sales, but it breaks down when both fail to capture what each is contributing to meeting the organization's vision and align on that collective objective.

At Dun & Bradstreet we've endeavored to educate our sales organization on exactly what the finance organization does in order to loosen the significant tension across various business units within our organization. We initiated presentations with leaders of various work streams (product, sales and marketing) and focused on the areas of finance operations most critical to their respective processes. In order to move beyond this outdated perception of finance as a cost center, it was important to educate the rest of the company on exactly what we do. Likewise, I wanted my finance teams to gain a better understanding of the roles and responsibilities of each of these respective business units, most importantly sales.

In short order, we were able to create new synergies between finance and sales. By simply inviting our sales colleagues and opening our doors to educate them about the multitude of ways finance supports them, sales leaders began to view finance as an indispensable tool for valuable information. That translated into an opportunity to provide cost-avoidance techniques, cross-sell and up-sell opportunities, and to help reduce sales cycle time. This new-found synergy between finance and sales helped improve customer relationships and allowed us to become a sales enabler leading to organizational growth.

Identify the Tools and Information You Have

As finance professionals we have a mountain of data. So what data do we comb through routinely? How are we using data in reports? Most importantly, how can those reports be repurposed?

By asking yourself such questions, you begin to refine how you deliver information to your sales organization, which in turn helps it target and prospect more effectively.

Finance leaders are seemingly relegated to reactive techniques as it relates to reporting on customers and customer data. We react to customer risk in our portfolio. We react to emails and calls that come in from sales teams and other parts of the company. But the reactive approach won't enable your sales organization to do its job better. At Dun & Bradstreet we decided to look at our own data in a different way. We didn't change the information we were gathering, but rather began reporting certain aspects of that information proactively to our sales organization. We accomplished this primarily through the use of compliance reporting.

It works like this: We provide compliance reports to sales channel leaders at the beginning of every new period. These reports include severely delinquent customers and customers who could potentially be written off as bad debt and/or canceled. By delivering these reports a month in advance of any action finance might take in regard to a particular customer, it allowed us to more effectively resolve issues without resorting to reactionary or defensive approaches to problems.

In this way, finance is proactively equipping sales with information to resolve issues before they become customer-facing. Having an opportunity to partner with sales on potential issues allows for healthier dialogue and insight into our customers' behavior and risk. That hopefully leads to improved handling of the relationship. This concept of "first-touch" resolution allows finance *and* sales to address issues more quickly and provide better customer service.

Engage Sales

It's not typical for a sales leader to reach out to finance for assistance. Nevertheless, over the last two years our finance organization has been on more customer calls and site visits with sales leaders than in the previous 17 years of my career. The simple fact is that finance leaders can work to consult with customers on how they can maximize their own finance operations.

Site visits are a great way for finance professionals to more effectively engage with their sales colleagues. It certainly looks different to a prospect when a sales person arrives with a finance leader. When you insert yourself into the sales cycle, you essentially open the door to better communication, feedback, training and engagement across your own organization. Sales leaders want to close deals, so finance professionals have to get comfortable with inserting themselves into the sales cycle.

There's a lot to be said for keeping things simple. Sales enablement takes time. First, set realistic expectations. You can make it happen, but it might take three, six, nine, or even twelve months. Second, frame your sales enablement endeavors as a project initiative specifically designed to help support sales. Identify a project manager and approach the project systematically like you would any major initiative. By keeping it simple and staying within this project framework, your finance organization will be able to develop a roadmap to successfully arm your sales colleagues with the information they need to more consistently close deals.

At the end of the day, Finance and its related functions do serve primarily as control and compliance areas. However, we have the opportunity to begin leveraging this expertise in a way that creates more synergy across business segments and brings business partners together. We have the fiduciary responsibility inherent to our function, but the myriad of information that crosses our desks enables us to be gatekeeper, peacemaker, bridge-builder, and certainly an enabler of organizational strategy to deliver on top line growth. If there's only one point to drive home, it's that we have to be mindful of the "current state" and point of departure to ensure we meet our goals and objectives, and deliver on realizing our point of arrival.

Credit Research Foundation

RESOURCES

Visit the Credit Research Foundation website for additional resources

http://www.crfonline.org

Credit Research Foundation
1812 Baltimore Blvd. Suite H
Westminster, MD 21157

443-821-3000