



Agile Enterprise Solutions Required to Meet CFO's Needs

Today's top enterprise solutions are not agile, not well integrated, and constrain CFOs and other senior executives from satisfactorily forecasting and responding to rapidly changing business and market needs. When enterprise resource planning (ERP) packages first burst onto the market, they integrated information for business executives and gave the executives an operational advantage they never had before. However, most of these packages today are remnants of an early decade when the vast majority of IT architects assumed that all software changes related to business change (i.e. the consequences of a reorganization, a merger, an acquisition, a new compliancy rule,...) had to be done by a competent IT staff. In today's rapidly changing world, CFOs need self-service tools that enable them to analyze events and options and remain ahead of competition. RFG offers the following business and market assessment and suggests C-level executives find solutions that enable them to achieve the level of agility required to outperform the competition.

Observations and Recommendations

75 percent of CEOs and two-thirds of CFOs believe agility is very important to the success of their organization. Yet, only 40 percent of the CEOs and a similar number of CFOs feel they can react quickly enough to meet the changing market requirements. This gap is causing a fair amount of dissatisfaction amongst CFOs and other C-level executives.

There are a few underlying reasons for this dissatisfaction. According to the 2010 IBM Global CFO Study, CFOs and their finance departments struggle with structural complexity due to issues related to automation and standards. Additionally, the majority of enterprises are not able to effectively deliver timely business insights because modifying the complex enterprise packages to reflect new business needs takes an extended period of time.

Furthermore, according to the 2009 IDC Business Disruption Survey, there are nine major negative impacts that result from the complexity and lack of agility. The impacts, in descending order, are as follows:

- Decreased stock price
- Missed or delayed opportunities
- Drop in customer satisfaction
- Payments of fines for non-compliance
- Lost market share
- Delayed product launch
- Decreased operational efficiency
- Decreased decision-making efficiency
- Delayed cost reduction plans

In other words, yesterday's innovation advances are today's inhibitors to growth, innovation, operational efficiency, and/or regulatory non-compliance.

That does not mean that the adoption of ERP packages was a mistake; on the contrary. It means that most ERP vendors do not choose to improve their systems such that the packages enable their customers to address business change independently in the most simple, quick and cost-effective manner. This gap constrains C-level executives from running their organization effectively without having to deal with significant delays, high cost of change and the huge cost of business disruption as a consequence of it.

The Challenges

One would think that finance could operate efficiently with all the IT automation, forecasting and reporting tools in existence today. Unfortunately, for most companies that is not the case. The Global CFO Study finds more than 50 percent of enterprises manually produce their operational metrics while almost 40 percent generate their financial metrics manually. Therefore, finance departments spend more than half their time doing transactional activities rather than solving business problems.

The problem is that large enterprises, especially multi-nationals, and companies that are living with constant changes tend to employ more than one vendor's analytics, ERP, and other financial tools. In many cases, in fact, when all packages do come from a single vendor source, it turns out that the software programs do not integrate well and act as though they came from multiple sources. This potpourri of programs leaves users without integrated solutions where a single end-user change is propagated everywhere; instead, users end up with the constant need to manually bring all the elements together to generate the final analysis and reports.

This exposes the enterprises to basic human errors, time delays, and a misapplication of data that had different definitions or dissimilar time windows. The sum of these shortcomings means CFOs cannot respond to business changes quickly enough. It also means that business opportunities will be lost or delayed, which will also result in impaired financials across multiple quarters.

As a result of the above factors and the increased business pressures that will

occur over the next three years, about 60 percent of finance organizations believe they must make major changes to respond to the business needs. Therefore, IT must provide end users with agile enterprise solutions that enable them to modify the system in response to changing business needs.

The ERP Conundrum

When most ERP solutions were developed, it was common for IT architects, designers, and developers to construct code so that all of the key parameters were imbedded in the code structure. Thus, every time there is a change in the corporate organizational structure or organizations face a regulatory compliancy change, for example, the source code has to be modified, recompiled and tested. For most non-trivial changes it takes a set of highly skilled IT professionals in excess of 90 days – i.e., multiple fiscal quarters – to do the work and verify that the revised software was perfected for business usage. For a multitude of organizations this occurs multiple times per year and leads to major disruptions. Or, in some cases, the business executives decide the resource and/or time costs exceed their parameters and miss or delay pursuing the opportunity.

Vendors do not consider this a problem. Instead, they find it was a good source of ongoing consulting, maintenance, and support income. In fact, the top tier ERP providers make more money annually on non-license revenues than they do selling the software. It is a money stream that is viewed as a valuable annuity. Thus, there is no incentive for them to correct the problem in the foreseeable future.

Recent developments have changed the perception of ERP solutions. More advanced packages from providers such as UNIT4 with its tightly architected Agresso Business World and flexible CODA Financials offerings and the arrival of cloud computing have made users understand that there are alternative solutions to inflexible systems that lock them in. For example, the UNIT4 solutions provide two capabilities not found in the legacy ERP packages. These offerings are designed in such a way so that the users can make the changes to respond to business change, whether it is related to new or modified business processes, financial management driven changes, mergers or acquisitions (M&As), organizational restructuring or regulatory changes. (See Figure 1.) Agresso's Vita architecture suits organizations that prefer an ERP approach, where Coda Financials offers this level of relief for organizations that prefer a best-in-class approach.

Figure 1. Mode of Change Comparisons

Primary mode for types of changes	Agresso Business World/ CODA	Oracle ERP	SAP ERP
Business processes	GUI/ User	App	App
Financial Management	GUI/ User	App	App
M&A	GUI/ User	App	App
Reorganization	GUI/ User	App	App
Regulations	GUI/ User	App	App

In addition, and just as important, the packages integrate together all of the software components so that a change in one place is propagated to all the other functional areas. These packages are user-centric and almost make the IT software organization obsolete.

The Solution

CFOs and C-level executives that want to outperform the competition must become more agile and innovative while containing costs. Thus, they require business analytics, ERP and/or financial packages that enable them to respond to business changes immediately as well as see the impacts of different planning scenarios without waiting for IT to go through its time-honored development/ enhancement cycle. This means financial packages must allow the user to make his own business modifications and for these changes to be propagated across all the applications and databases within their enterprise financial systems instantaneously.

CFOs that build their financials on flexible, well-integrated enterprise-wide ERP solutions along with common globally mandated processes and standards will become value integrators, thereby enabling their firms to outperform the market. On the other hand, CFOs that remain constrained by the traditional ERP packages will be unable to function at peak levels, respond rapidly, and cause their company to lose a competitive edge.

Summary

While there are no guaranteed assurances of what lies ahead, odds are the business world will continue to be hit with economic shocks from deeper and/or faster cycles, greater risk exposures, and more uncertainty. Moreover, it is likely that it will also get more complex and business and regulatory structures will be in flux.

CFOs and C-level executives need solutions, irrespective of them being deployed on-site or in the cloud, that can



solve their business problems today and provide the ongoing flexibility after implementation needed to allow rapid adaptation to tomorrow's ever-changing business and economic environment.

History proves this is not a given and many a successful company has fallen by the wayside because it was unable to recognize the changing business landscape and

respond quickly enough. These are turbulent times, which are expected to continue for most of this decade. Successful CFOs must be prepared to meet the challenge and part of that preparation is the construction of enterprise-wide financial solutions that provide the underlying agility needed for financial transformations that lie ahead.

The Bottom Line: The business environment will undergo massive competitive, economic, financial, regulatory and technological changes over the next decade. CFOs and C-level executives need to be proactive -- and not just reactive -- to the transformations that are occurring at all levels. This will require all their financial systems to be agile and integrated or a potential loss of competitive posture is possible as well as potential lost opportunities. Executives living in change need systems designed for change, and if their current platforms fail to provide the baseline required, executives should be moving now to solutions that will give them the competitive edge needed to meet strategic and tactical objectives.