



TOP TECHNOLOGY CHALLENGES OF THE MODERN CFO



 **Acumatica**
The Cloud ERP

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Introduction

The role of today's CFO has changed. In addition to the traditional responsibilities of managing the organization's finances, the CFO is expected to take a more prominent role as trusted advisor to the leadership team.

Companies have implemented enterprise resource planning (ERP) systems and other business applications to help increase the productivity of not just the financial team, but also the entire organization. But technology isn't beneficial unless it's used correctly. As they deal with larger volumes of data, ever-increasing competition, and greater demand on their expertise, resources, and time, it's imperative for CFOs to understand how to use technology to its fullest potential.

This eBook begins by discussing the challenges today's CFOs face. It then outlines their opportunities for leveraging existing business application technologies to meet audit and compliance obligations, communicate essential financial information to the leadership team, and help meet growth targets and other strategic goals set by the organization—all while keeping sensitive data secure.



KPIs and Reporting:

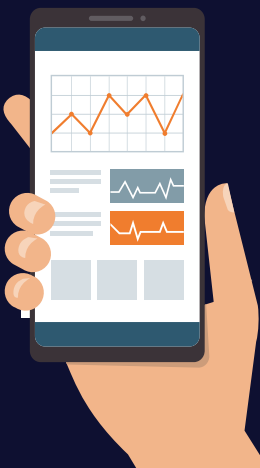
Getting the Data You Need When You Need It

Gone are the days when a weekly or monthly summary of sales or inventory was enough. Now more than ever, CFOs are expected to have real-time numbers at their fingertips and generate reports that offer insights on that data.

The ability to make rapid decisions and proactively address problem areas requires that businesses access and interpret their information quickly, easily, and in a format that works for them.

Look for an ERP system that:

- Offers easy access to data from anywhere in the system, so you can get the information you need without requiring a technical resource.
- Makes data available to multiple reporting applications, such as dashboards and BI tools, so you don't have to keep creating the same query every time you need the same data for a different purpose.
- Enforces system-wide access security, so sensitive data is not available to individuals without the proper authorization.
- Provides real-time access to data, so you know you're working with the most current data available.



KPIs: Reporting on the Health of the Company

All businesses are using key performance indicators (KPIs) to determine at a glance the health of their organizations. KPIs are useful in forecasting seasonal sales, avoiding inventory shortages, finding the most profitable price points, and a host of other business applications.

But it's not enough to know your company's KPIs. The real challenge is finding the right tools to track and report on those numbers in a way that's meaningful to the parties who need to know them.

Exposing the Data

When it comes to reporting, one problem most companies face is struggling with an ERP system that can't provide the data collection, analysis, and reporting features they need to understand their performance numbers.

Old legacy ERP systems—and even many newer cloud-based ERP systems—have a difficult time making data readily available to users. The hours your staff spends extracting data and performing analysis in Excel spreadsheets is time that could be better spent providing real value. Modern ERP systems and analysis tools can automate data extraction and analysis tasks, freeing up staff to provide real insight to decision-makers.

The key is to gain the flexibility to access data from your ERP database in whatever manner is most convenient to you—whether for export to an Excel file, as a graphical display on your dashboard, as part of a report, or even as data that will be passed to another application for deeper analysis.

Joining the Data

The real power of data analysis comes when you join the data from your ERP system with data from your other applications to support your business operations. This allows you to structure the information in ways that let you analyze every aspect of your operations and gain a holistic view of your business.

Look for an ERP system that:

- Allows users to collect information from your other business applications, such as Salesforce and Marketo, so you're not limited to the data your ERP can see.
- Gives you multiple ways to export and use the data—including dashboards, reporting, Excel, and business intelligence tools—so you can always use the right tools for the task.
- Lets you aggregate and visualize data, so information can be presented in reports and dashboards using graphs and tables.

Reporting the Data

Most KPIs indicate the financial health of the organization in four major areas: profitability, productivity, cash flow, and solvency. Financial professionals should not only be able to understand the reasons behind the numbers, but also predict future behavior. Regardless of the tool you use to analyze data—Excel, PowerBI, Looker, or Tableau—the goal is always to provide actionable information for decision-making.

Will these reports be for limited or broad distribution?

Who should have access to the reports?

What decisions can be made based on the information provided? How will the information be presented—graphically? Online?

Look for an ERP system that:

- Comes with out-of-the-box reports that you can customize for your unique business processes.
- Automates report generation, saving your staff time for more important tasks.
- Allows role-based dashboards, so key staff always have an at-a-glance view of the information they need.

The CFO's job is never easy. But armed with the right ERP system and analytical tools, you can get to your data and make sense of it, giving your organization the “actionable intelligence” it needs to not just survive, but thrive.



Achieving a High Level of Auditability

Auditors of financial statements dream of quick, easy, and uneventful audit engagements just as much as CFOs do. Auditability depends on a business's financial recording policies and procedures, effective internal controls, and the willingness of a company's executives to provide its external auditors with requested data and information.

- Invest in your ERP system
- Automate routine manual tasks
- Partner with other executives
- Provide insightful forecasts
- Manage risk effectively



Here are several suggestions for increasing your company's auditability:

Invest in your ERP System

The first step in achieving a high-level of auditability is having financial records that are complete and organized. Keep your system up to date with regular technology and functional enhancements from your ERP provider. For many businesses, a modern ERP system streamlines recording and organizing data, providing actionable information remotely, and allowing complete drilldown to the transactional level.

Automate Routine Manual Tasks

One of the primary advantages of a modern ERP system is the ability to eliminate manual data entry with automation. Automation helps enforce approval authority, ensures regulatory compliance, and provides a complete audit trail of all transactions.

Partner with Other Executives

Audits affect most, if not all, divisions and departments of a company. CFOs need to be in dialogue with the heads of all your business's departments to facilitate the audit process. With an ERP in place at your company, a CFO can more readily share information with other departments using a common ERP platform rather than multiple systems for each department. ERP-aided auditing can provide substantial benefits, but it can also create an added layer of complexity that requires training for executives and employees who are not familiar with the technology.

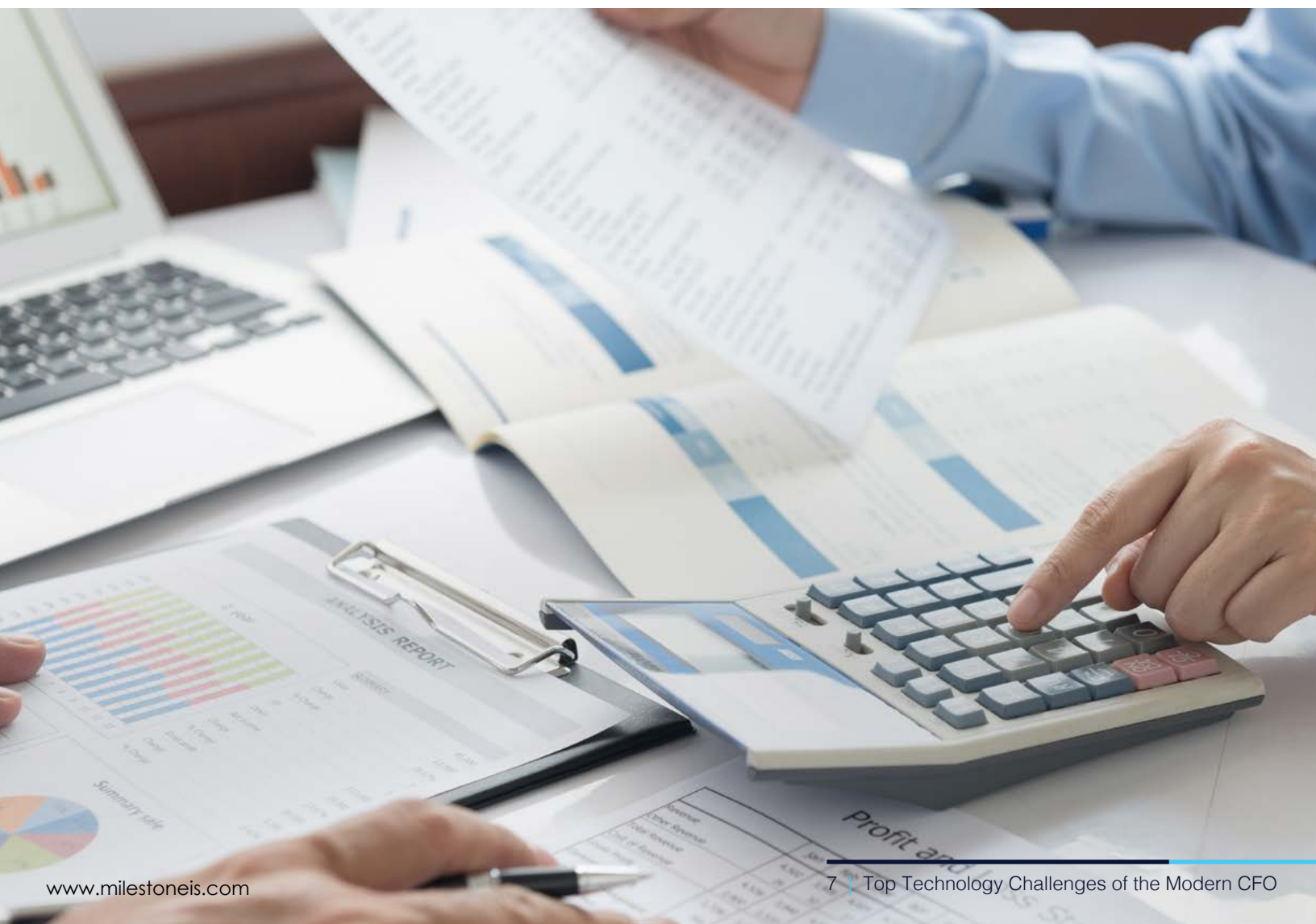
Provide Insightful Forecasts

More and more, auditors expect CFOs to take responsibility of accurate forecasting and guidance. Modern reporting and business intelligence tools make it easier for CFOs to provide accurate forward-looking performance, as well as identifying the factors that cause them.

Manage Risk Effectively

The modern CFO must be aware of and manage risk to the organization in many forms, not just financial risk or regulatory compliance. This requires the ability to see across the enterprise at once and identify deficient areas that require attention early. Modern ERP systems that provide a real-time view of the company's performance are a vital tool for mitigating risk.

Audits are never easy. But modern ERP systems can make the process faster and more accurate by automating repetitive tasks and ensuring compliance. This allows the CFO and finance staff more time to provide better insight into the company's operations and financial health.



How Mid-Sized Companies Handle Compliance

All companies must guard against the threats to their financial solvency due to violations of laws, regulations, and industry standards. Many business owners and executives have always viewed compliance obligations as a necessary evil, and it is usually left to the CFO to be responsible for an organization's compliance program.

- Effective Internal Controls
- Keeping Current with Statutes and Industry Standards
- Improve Accuracy
- Improve Efficiency



Effective Internal Controls

CFOs must ensure that the necessary infrastructure is in place to provide all stakeholders—including IT, HR, and C-level executives—the tools they need to meet compliance requirements and still perform their duties effectively.

The first step to ensuring companywide compliance is to establish effective internal controls. Many modern ERP systems now feature the capability to manage accounting policies and procedures, provide role-based security for all users of the system, and generate a complete audit trail of all transactions to mitigate the risks associated with legal action, financial loss, or damage to the company's reputation.

Keeping Current with Statutes and Industry Standards

It takes time and financial resources to properly train your employees to become proficient with the statutes that affect your business. Changes in revenue recognition, lease accounting standards, and SEC's pay-ratio rule are just a few of the rules and regulations that will require vigilant monitoring by your compliance staff.

Complications arising from changing laws and professional standards can also affect other areas of your compliance efforts. For example, a U.S. Supreme Court ruling in July 2018 paved the way for states to start collecting sales tax from online sales. In addition, the Affordable Care Act continues to change every year, with additional reporting requirements for businesses and professional service providers.

Many modern ERP systems now feature automatic updates when existing laws are updated or changed, making it easier to keep up with changing rules and statutes.

Improve Accuracy

Data entry errors can cost your company thousands of dollars in compliance costs. Incorrect audit information, errors and omissions on tax returns, or inaccurate employee information can expose you to potentially costly fines and penalties.

Automating data collection and reporting needed to file compliance reports helps your employees prevent these avoidable mistakes.

Improve Efficiency

Companies can also leverage the tools in modern ERP software to create internal controls and automate compliance efforts in ways that streamline their internal processes. This can lead to increased efficiency, improved operations, and reduced fraud and waste.

CFOs of mid-sized companies will always have to juggle their financial resources as they seek to support both accounting and compliance responsibilities. The right ERP can help CFOs and their staffs manage compliance tasks.



Keeping Your Company's Data Secure

Cyber-attacks are targeting businesses with regularity, with some attacks yielding vast amounts of confidential information. As the primary individual responsible for your company's financial and other sensitive data, you, the CFO, are on the front lines trying to fend off these malicious attacks.

Know Where Your Security Gaps Are

Every company faces a set of universal security challenges. It's important to identify the areas that can easily be controlled but also pose the greatest threats:

- **Access to sensitive data (from areas such as banking, HR, or ERP)** – It's essential to keep track of who has access to your sensitive data. Limiting access to business-critical applications, enforcing strong passwords, and changing passwords regularly when employees in key positions leave the company can help mitigate the risk of leaking sensitive company data to unauthorized individuals.
- **Access to sensitive reports** – Modern business applications are designed to enforce user- and role-based security measures, guaranteeing that only authorized individuals will have access to sensitive information. Even so, financial, engineering, and sales and marketing reports are often shared electronically with others within the company or printed for presentations and then carelessly discarded in wastebaskets. This exposes sensitive data to prying eyes within and outside the company. Develop and enforce procedures to ensure that sensitive reports and presentations will never be accessible to individuals without the proper access.
- **BYOD and mobile devices** – Mobile devices have helped increase productivity and job satisfaction for employees ranging from loading dock clerks to service representatives in the field. Mobile computers allow employees to stay productive on the road. But each device can invite cyber-attacks on your company. Enforcing strong security, discouraging the use of public WiFi hotspots, and limiting the level of access mobile devices have to your mission-critical applications will help reduce the threats posed by employees using mobile devices.
- **Phishing attacks** – Hackers who attempt to gain system access by impersonating a legitimate person looking for passwords, account numbers, or employee data can pose a grave threat to companies. You can reduce the chances your company will fall victim to a phishing attack by training all your employees how to look for and identify these risks.



Consequences of a Security Breach

Whether it involves bank access, customer data, or intellectual property, a data security breach can have severe consequences that affect a company for years.

- **Financial loss** – The most obvious financial impact is the loss of capital in the event of illegal access to the company's financial institution. But there can be other financial losses: legal costs, court ordered restitution of compromised customer data, employee fraud and theft, and the cost of reconstructing the company's data if the attack erased critical company information.
- **Legal implications** – A breach of customer data—including emails, passwords, and credit card information—can open a company to legal liabilities that not only affect the company's financial position, but also impact the company's stock price, reduce the ability to attract new investors, and bog down the company in legal actions for years to come.
- **Damage to company reputation** – The damage done to company's reputation as a result of a data breach can be severe. It will be difficult, and perhaps impossible, to rebuild your reputation following a cyber-attack.
- **Loss of intellectual property** – A data breach can also include access to the company's intellectual property, the most valuable asset in a company's portfolio. Having your competitor steal your new product ideas and beat you to market will definitely affect your top and bottom line.

Each of these consequences have cost companies millions of dollars. In some cases, data security breaches have forced companies to close their doors forever.



How to Reduce Data Security Risks

Your entire team, including upper management, should understand security risks and the financial investments they'll need to make to combat them. The following simple measures provide a good start to protecting your company's critical data:

- **Develop and support a company-wide security program** – Work with the head of IT and other key executives to develop a security policy and plan for the entire organization. This includes ensuring strong passwords, keeping software applications up to date, and making sure network access is secure.
- **Educate all employees of their role in keeping company assets safe from attack** – Develop a program to train all employees about the risks of a data breach and actions they can follow to reduce the risk of attacks.
- **Enforce user access rights and permissions** – Enforce strict limits on who can access sensitive data from the company's mission-critical systems.
- **Consider a cloud ERP** – If you haven't moved your ERP to the cloud yet, consider doing so soon. Hosting providers such as Amazon Web Services and Microsoft Azure have advanced security features and intrusion detection systems that most small- and mid-sized companies cannot otherwise afford. In most cases, your data will be more secure in the cloud than it could ever be in-house.
- **Keep your facility and employees secure** – Make sure your company is safe not only from computer-based attacks, but also from unauthorized entry to the building as well as to sensitive areas of the facility. In addition to network security measures, consider installing card readers at all entrances, installing security cameras throughout the building, providing well-lit parking areas, and implementing any other measures that will keep your company—and employees—safe.

Keeping your company's mission-critical applications and data secure is an important element of the modern CFO's growing list of responsibilities.

Understanding these risks and taking meaningful steps to mitigate them can help protect you, your company, and your employees and customers from crippling financial losses.



Artificial Intelligence, Machine Learning, and the Modern CFO

With the integration of artificial intelligence (AI) and machine learning (ML), CFOs can quickly analyze a wealth of data and information and offer more strategic guidance than ever before.

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- Access to sensitive data
- Access to sensitive reports
- BYOD and mobile devices
- Phishing attacks



Artificial Intelligence and Machine Learning: More Than Dashboards

AI harnesses the power of today's computer systems to perform tasks that normally require human intelligence. ML uses algorithms that allow software applications to learn by being trained to identify key patterns. Both have matured to the point where now they have become key technologies used by the modern CFO.

While most ERP systems feature dashboards that can provide real-time information on everything from inventory turnover to employee productivity, dashboards can't tell you when to re-order inventory or hire your next employee. This is where AI and ML can be essential tools.

AI can help automate complex processes, identify future trends based on historical data, and provide an unbiased view of performance. Using AI and ML, your ERP system can become more predictive, telling you during which weeks of the year you sell the most inventory or what types of inventory have the highest profit margins.

Finding the Hidden Story

While ERP systems can sift through and organize information into useful reports or alerts, it's still up to the CFO to extract the data needed to make important business decisions. ML can help CFOs identify patterns, trends, and disparate connections that a human eye might otherwise miss. This includes external data that can impact an organization's performance, such as weather patterns, natural disasters, and commodity prices.

AI and ML Are Already Here

Finance departments are already using AI and ML for the following tasks:

1

Analysis:

Imagine getting specific data from your ERP without constructing complex queries. AI coupled with voice recognition can be used to ask questions such as, “What was the company’s revenue in Q3?” or “How much product did this branch sell last year?”

2

Accounts Payable/Receivable:

AI systems can read invoices, automate the approval workflow, and streamline the payment process.

3

Procurement:

AI can track price changes among suppliers and identify the optimal provider at any time.

4

Audits:

AI can quickly gather journal entries and provide an audit trail of all transactions, automatically evaluating the numbers.

5

Monthly/Quarterly Close:

AI can gather data from multiple sources, consolidate the information, and aid in reconciliation.back over to the business. Make sure they’re aware of any differences in procedures or capabilities when using applications at the DR site.

The vast amount of data being generated in your company keeps growing and is getting more complex by the day. This overwhelming amount of information presents an opportunity for CFOs to gain more strategic insights by pairing their ERP systems with AI and ML.

Communicating Financial Information to Non-Financial People

There is tremendous pressure on accounting teams to deliver timely, relevant financial information to department leaders who depend on it as they make the quick decisions needed to survive in today's business world.

But after all of the accountants' time and effort, can department leaders actually connect their goals and activities with the company's financial results? Do they understand the information reflected on financial statements—and how their departments can influence those results?

- But does all this time and effort actually benefit the members of the organization that accountants serve?
- Are department leaders able to connect their goals and activities with the company's financial results?
- Do they understand the information reflected on financial statements and how to influence the results reflected on them?



A New Role for Financial Management Teams

It's the job of the accounting department and its leaders to not only create and verify financial information, but also make that information relevant and useful to the rest of the organization. Financial information should no longer be a foreign language spoken and understood only by accountants. Today's accountants must learn how to convey this information in a way that everyone can understand and apply.

This means that if today's financial professionals are to be valued contributors to organizational success, they must automate, educate, and communicate.

Automate

With the right ERP solution, many traditional accountant chores are already being streamlined or eliminated, freeing accountants to spend more time on education and communication.

The first step in improving communication across an organization is to have a centralized, consistent view of the information.

Area of Focus	Traditional Activity	Benefit of Automation
General Ledger	Create and enter manual journal entries each month	Create recurring journal entries each month
	Search for source transactions	Drill down to source transactions and keep critical documents attached to entries
Banking	Monthly bank reconciliations	Automated bank feeds keep transactions reconciled daily
	Trips to the bank to make bank deposits	Automated bank deposits by phone or desktop device
Accounts Payable	Purchase orders	Tracked and approved and then converted to vendor invoice, then emailed directly from the accounting application
	Invoice entry	Artificial Intelligence is applied to invoice scanning and entry tools. Original document is stored electronically with the system transaction
	Invoice approval	Set up automated workflows and approval limits within the application
	Check writing and mailing	Manage automated bill payments and ACH transfers from the ERP solution
	Manual review of cleared paper checks	Use positive pay to reduce the opportunity for check fraud
Accounts Receivable	Creating and mailing invoices to customers	Generate electronic invoices from inside your accounting application
	Collecting and monitoring past due accounts	Create automated reminders before bills are past due
	Depositing and applying customer payments	Accept and apply ACH and credit card payments
	Manually apply early payment discounts	Optimize the application of early payment discounts – weighing the cost/benefit over time
Customer Relationship Management	Compare sales results in the CRM system with different results in the accounting application and spend hours reconciling and explaining any differences	With integrated CRM and Accounting, all information resides in a single system and is accessible by everyone on the team (with no additional per user cost)
Reporting and Analysis	Managerial reporting in Excel	Generate pivot tables inside your accounting application so data is timely and controlled

Educate

As employees move up the organizational ladder, they're often expected to understand and interact with financial information in their new roles. But they're rarely provided with training in basic financial concepts—much less in specific financial considerations that are relevant to their company. It's impossible for these leaders to impact financial results they don't understand.

Consider the following training opportunities for your team:

Concept	Tools	Who should attend
Basics of Financial Statements	Create a book club and have attendees read and then discuss the information Have them start by reading "Managing by the Numbers" by Chuck Kremer	Accounting staff along with current and future leaders of each department
	Share this brief online slide presentation on Slideshare.net: Understanding Financial Statements	Anyone who impacts financial results
Key accounting concepts that impact your business	<p>Create 1-hour training classes (in plain English) to explain concepts that impact financial results like:</p> <ul style="list-style-type: none"> • Timing and Cut-Off • Matching Principal and How It Impacts Your Sales Commission • Revenue Recognition • Expense Reporting • Travel Expenses and Coding Under the New Tax Law • Accrual Versus Cash Accounting • When Is an Item an Expense, and When Is It an Asset? • Inventory Costing Policies • Capitalization Policy • Tax Considerations • Sales Tax • Internal Controls 	Management first, then their teams

Communicate

For most businesspeople, accounting is a foreign language. Few can speak or understand the language of GAAP: “accrual versus cash,” “asset versus expense,” or worse, what makes something a “debit versus a credit.” To remain relevant to their organizations, it is up to accountants and their leaders to shift their primary focus from back-office rule following to front-office communication.

Rather than spending all their time creating, entering, and reconciling repetitive, routine transactions, today’s accountants must be partners with department leaders in planning, analyzing, and interpreting results for better decision-making.

This requires new skills and new tools, as well as the support of an ERP system that can put relevant information at your fingertips in a controlled yet structured way.



Concept	Source of Information from your ERP system	Message
Profit versus Cash	Statement of cash flows	Walk everyone in your company through either a sample cash flow statement or your organization's if you are able
Financial Ratios	Key performance indicators	Work with department teams to help everyone create visible measures – both leading and lagging to help everyone understand the drivers of critical business results
	Dashboards	Create forecasts and analysis to uncover and display meaningful trends and patterns data in a way that resonates with other departments
Year over Year Customer results	Integrated, re-usable pivot tables built inside your ERP system	Share customer year-over-year data with sales teams to help them identify individual patterns
Budget versus Actual	Comparative financial statements for each department	Walk team leaders through key ratios that impact the bottom line; have leaders identify the critical success factors that influence a given problem result and then meet with their teams so that everyone can collaborate on actions to take
Collection Experience	Integrated CRM and accounting information in one system	Show sales teams how they can monitor credit holds and outstanding customer balances from their own customized screens

Making an Impact

As a finance department leader, you're fluent in the language of accounting. You know your way around a balance sheet and can create T-accounts in your sleep. You can make sense of Section 179 and FASB 157. You can create financial statements that balance and offer advice on the potential impact of pending transactions of every sort.

You have exceptional skills, but you also have a lot on your plate. With the help of the right automated system, you can eliminate some of the drudgery that keeps you from having an even greater impact on your organization. By taking the time to put yourself in the shoes of your non-accounting team members and helping them understand some of the information you create, you can help them improve the company's financial results and take ownership of the transactions they control. The result is a true partnership between accounting and every other department.



Planning for Growth

CFOs are increasingly being challenged to help grow their companies. Recent advances in financial software—with built-in data analytics, process automation, and artificial intelligence—offer new tools in the CFO's arsenal that can help drive the change necessary to affect top-line and bottom-line growth.

Acumatica The Cloud ERP

- Get an overview of Acumatica Financial Management
- Learn about our modern ERP Reporting, Dashboards, and Data Analysis Toolkit



Using Technology for Growth

Depending on the organization, “growth” might include one or more high-level goals that land squarely on the shoulders of the CFO: Driving increased sales. Exploring new markets. Expanding product lines. Better defining and controlling internal processes to support growth. And the list goes on.

As a CFO, finding the right solution that grows and evolves as your organization changes is imperative to helping you grow your business. New advances in financial products can help you uncover information that not only identifies past successes and losses, but also outlines proactive steps to improve your company's performance. Technology can also accelerate the tasks of gathering and processing information, giving you and your staff more time to provide higher-value insights and advice related to the data.

For the CFO, this all starts with a financial system that can provide the data you need to look deep into your company's operations. From there, you can identify your most profitable products and markets as well as the deficiencies and areas where costs can be reduced.

But it doesn't end there. Change is constant, and CFOs must continue to evaluate the business and improve processes in ways that drive efficiency and effectiveness.

Being Prepared for and Embracing Change

Don't be fooled: new technology isn't the brass ring and will not, on its own, guarantee you or your company greater success. Bringing in new technology but keeping the same inefficient processes will likely lead to failure.

There are two certainties about change in business: change will happen, and change is hard. CFOs need to be ready for it. Whether change is internal or external, you need to understand the impact it will have on your industry, your company, and your financial staff.

When you're introducing new technology—such as an ERP system—that dramatically changes how your company will function, everyone from the top down must embrace not only the technology, but also the changes the organization will likely go through. Companies that do so will be in a much better position to leverage the opportunities the technology offers. Companies that don't will be disappointed by their ROI.

Determine Your Path

Growth can take many forms in today's modern organization—all of which directly impact the CFO and his or her team. With a clear organizational focus, the CFO can help lead the company in implementing specific growth strategies that support shared goals. Clear goals help the CFO in prioritizing budgets, making investments in assets and people, and eliminating unnecessary expenses that don't contribute to the results everyone wants most.



About Milestone Information Solutions

Milestone IS has been helping distributors and manufacturers implement enterprise resource planning (ERP) systems to improve business processes and profitability for over 30 years. By combining our unique accounting expertise, dedication to customized support, and attention to detail, we are able to help businesses maximize their ERP systems and get the most out of their investments.

To learn more about how Milestone and Acumatica can streamline your business, visit www.milestoneis.com.