Bridging The Gap
The data deficit in the financial office

An eZine from Epicor
CFOs are struggling…

…and on the one hand, that’s nothing new.

Deadlines, decisions, dilemmas—these are all things CFOs and finance executives face daily as they strive to maintain growth and increase profit growth. But new research\(^1\) commissioned by Epicor Software and carried out by Redshift Research Ltd. has revealed more challenges for CFOs and the office of finance to contend with: ensuring that they have accurate data, and ensuring that their IT systems are able to effectively analyse that data to provide insight to support their decisions.

The research also highlighted that CFOs broadly adopt one of six leadership styles when it comes to driving their organisation forwards and influencing technology investments. Each of these leadership styles has its own strengths, and its own inherent risks that could threaten profit growth.

In this ezine, we’ve pulled together some of our most popular articles, analysis and discussions on these topics, to help CFOs and finance executives:

- Understand the scale of the challenges facing their contemporaries.
- Compare their situation with those of our survey respondents.
- Think about how technology can help them make smarter decisions, faster.

I hope you enjoy it!

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\(^1\) Source: Epicor Research, May 2015. See next page for full survey details.

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Martin Hill
Vice President, Marketing
Epicor Software Corporation

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About the survey

The 2015 research, commissioned by Epicor Software and conducted by Redshift Research Ltd., is based on interviews conducted with more than 1,500 finance business professionals in 11 countries. Respondents to the survey may or may not be using Epicor enterprise resource planning (ERP) solutions. Nearly two fifths of respondents worked in the manufacturing industry, with the same number coming from the service industry; the remaining 20 percent were involved in the retail and distribution industries. In terms of industry size, the largest number of respondents worked in organisations with more than 1,000 employees.
On the CFO agenda: data and IT

So much is happening in the worlds of technology and finance that presents both an opportunity and a challenge for organisations around the world. But are CFOs and finance executives rising to those challenges?

#TechnologyFail in the Office of the CFO and Finance Director

Chris Purcell, Product Marketing Manager, Epicor Software

Today, a new era of industry transformation is giving rise to digital supply networks, and Accenture Strategy\(^2\) predicts that this development may be even more disruptive than the changes brought about by globalisation.

Is the Office of Finance ready to address this new wave of supply chain evolution?

Not exactly. Our global research study revealed that despite significant changes in financial governance requirements (and the velocity and volume of data needed to fulfil those requirements), many organisations’ IT systems haven’t changed. An incredible 60 percent of CFOs and finance directors still rely on Excel spreadsheets to gain access to data—even those in businesses with over $1 billion in annual revenues.

In lieu of fast access to needed data, these decision-makers are increasingly reliant on “gut-feel”, which can delay decision-making and introduce errors. Even more concerning, the survey reveals this approach can also negatively impact profitability: finance executives that can access better data for decision-making as opposed to instinct alone were more likely to experience a profit increase.

Without tools that deliver the right data, to the right people, at the right time and in the right way, CFOs may find that their decisions hinder, not accelerate, growth and profitability.

Big Data in the office of the CFO is both a tremendous challenge and opportunity, providing the insights necessary to stay one step ahead of the business’ needs. Harnessing Big Data powers better planning and forecasting, helps minimise risk, and supports better financial modelling and variance analysis.

With that in mind, it’s a cause for concern that one quarter of respondents to our global study said their IT systems struggle to give them the information they need. 1 in 10 said they have “poor visibility” of financial information such as overall, business unit and product line performance and profitability; only around half surveyed felt they have “good visibility” in these areas.

If unresolved, this issue is only likely to get worse, as the pace and volume of information critical to financial decision-making continues to grow exponentially. 28 percent of financial executives polled cite Big Data as one of the top issues impacting the finance department in the next two to three years.

There’s no such thing as too much information; the key is being able to get that information quickly and analyse it to support smart, agile decision making. This is why analytics capabilities are so vital, but the reality is that CFOs are challenged via the lack of the right systems, tools and skill sets to make good on this promise. A tighter partnership between the CFO and CIO can help address this, bringing the critical competencies into the finance equation.

Data deficit puts office workers under stress

It’s not just CFOs who are struggling with data-deficient decision-making. View our presentation to see how a separate study revealed the impacts of making uninformed decisions on office workers’ stress levels and, in turn, company profit levels.
The way ahead: innovate and update

The challenges of getting accurate data and analytics threaten profit growth for CFOs and finance directors. How can they overcome these challenges to safeguard their organisations’ growth?

Malcolm Fox, Vice President, Product Marketing, Epicor Software

A ground-breaking PwC study\(^3\) shows a deep correlation between innovation and growth. Given today’s corporate growth imperative, it’s important for organisations to make smart investments to drive innovation in their organisations.

But how do CFOs know how much to invest in innovation?

Considering our global survey shows nearly 1 in 2 CFOs rely on “gut-feel” and instinct to make business decisions in lieu of fast access to accurate internal data, many are making educated guesses. Though the instincts of experienced financial decision-makers shouldn’t be ignored, it’s undeniable that data could make the decision of how much they should invest in innovation a better-informed one.

Without data, CFOs may arrive at a figure that’s either under or over par. While erring on the side of financial conservatism may put organisations at a competitive disadvantage, being over-zealous with innovation investments can cause organisations to miss market expectations, or even outspend revenues. A study from Bernstein Research found that tech companies spending more than 18 percent of revenue on R&D, they tend to underperform in the market compared to those that spend less.\(^4\)

Considering innovation is one of the keys to growth, it’s plain that designing innovative financial strategies can’t be like horseshoes and hand grenades—based on luck or a one-size-fits-all approach. To support smart financial strategies for innovation and growth, organisations must be able to access information and analyse it quickly. The way to do that is to have a modern financial IT infrastructure in place that delivers the right data to the right people at the right time in the right way.

\(^3\) Source: Gut & gigabytes: Capitalising on the art & science in decision making. 2014, PWC
The manufacturing sector is rife with tools and technologies, but our new survey results indicate it’s the sector with the most to gain by retooling to address the current challenges around financial decision-making.

Nearly two-fifths of respondents from our global survey worked in the manufacturing industry, and they were the most likely group of respondents to have a basic, or legacy, financial IT infrastructure and a high necessity to rely on instinct for decision-making—not an ideal combination for profit growth.

David Axson, Managing Director, Accenture, says: “Innovative technologies are reshaping the traditional relationship between finance and operations. The successful finance organisations that we’ve studied invest in tools and technologies that can help them to more accurately forecast performance, identify risk and opportunities, and then adjust their investment decision-making accordingly.”

At Epicor, we believe that integration of financial management with other key ERP capabilities is the best way to help deliver accurate data to CFOs, enabling them to plan their strategies based on more than just instinct.

An October 2014 Aberdeen report speaks to the challenges that face the modern manufacturing environment—such as unpredictable demand and complexity of data—and illustrates how leading manufacturers make ERP a foundation for efficiency, effectiveness, and growth. According to the report’s author, industry analyst Nick Castellina, “leaders use ERP to provide visibility, collaboration, and decision-making. There are a variety of capabilities enabled by ERP that help manufacturers to become more effective. For example, leaders are 208 percent more likely to be able to perform a mock or real recall.”

Continuous improvement is a key driver in the manufacturing sector. With that in mind, manufacturers who invest in new tools to collect and analyse accurate data from their organisation stand the best chance of maintaining their competitive edge.
Gearing up for the challenge

It’s clear that CFOs and other financial decision-makers need to address their IT systems, and the way they interact with them, in order to meet the challenges around obtaining and analysing data to improve decision-making. But where to start on those two objectives? First: investigate updating your ERP system. Second: understand the way they make decisions, and how that affects your use of financial IT systems.

7 reasons why modern ERP platforms can help CFOs and finance executives make better, faster decisions

Chris Purcell, Product Marketing Manager, Epicor Software

Growing numbers of data sources and channels; more numerous and complex business models, increased globalisation, and more reliance on external partners; innovations in mobile, social, and analytical technology.

These are the many faces of digital disruption. Combined with the challenge of big data—something that 28 percent of our survey respondents said would have the biggest impact on finance and accounting in their business—they create an environment where growth opportunities abound.

However, without the right tools this landscape can easily become overwhelming for many organisations. To support improved decision-making and action taking, modern ERP platforms give financial decision-makers the ability to analyse business conditions to develop improved business plans, monitor and measure progress and provide visibility into day-to-day operations. For anyone reviewing their IT system, these seven points demonstrate why they should consider their options seriously.

Read the full article here
Behind the numbers: how corporate IT investments can be influenced by individual leadership style

How and why financial decision-makers advocate technology investments to support business operations can vary according to their own personal leadership style. That’s one of the key findings in our global survey.

Based on survey respondents’ answers to a series of questions about their own personal decision-making style, the study found CFOs fall into six distinctive groups of financial decision makers: Politicians (27%), Revolutionaries (19%), Carers (19%), Conductors (16%), Traditionalists (9%) and Visionaries (9%).

Dr. Dimitrios Tsivrikos, Division of Psychology and Language Sciences, University College London commented on the research, “Psychological research [makes it possible] to link the leadership style of business leaders to business growth, profit and change. The preference for traditional CFOs to work within existing systems and disregard the need for change stems from a lack of flexibility and a high need to achieve, and [often] leads to a top-down decision-making process. This has implications for business change and innovation; new ideas that are suggested by employees are not likely to be taken on board and the business’ ability to change and adapt is reduced. CFOs need to take on new perspectives and be open to novel ways of doing things. This will allow them [and their businesses], to find optimal and creative solutions to problems, which will in turn foster innovation.”

“The time to update business systems is before the organisation outgrows them and before they start to erode the operational and financial health of an organisation,” said Malcolm Fox, Vice President, Product Marketing for Epicor. “To this end, it’s not surprising Traditionalists—who were the least likely of all the CFO personas to acknowledge any need for change when it comes to technology systems—also tended to lead companies that were experiencing less profit growth than other CFOs in their peer group.”
Learn more about improving financial decision-making in your organisation

The challenges of obtaining accurate data and extracting insight from it through deep analysis are a pressing concern for many finance executives to address. The solution is two-fold; they need to assess both their current IT landscape and their own leadership style, to ensure that they’re working with their IT system as opposed to around it.

Our ebook, Innovation meets insight, is a great place to learn more about the results of our survey, including the priorities CFOs have when it comes to their IT systems.

Our content hub is another place where CFOs and finance executives can access interviews, executive briefs, presentations and more, discussing the topics we’ve been talking about in this ezine.

Discover Epicor ERP
Epicor Software Corporation is a global leader delivering business software solutions to financial offices in the manufacturing, distribution, retail, and service industries. With more than 40 years of experience, Epicor has more than 20,000 customers in over 150 countries.

Epicor solutions enable finance executives to make better decisions faster to drive growth and improve profitability. With a history of innovation, industry expertise and passion for excellence, Epicor empowers customers to collaborate across their organisations, and access insights based on accurate data, to improve the financial office’s decision-making ability. For more information, visit www.epicor.com.
Epicor Software Corporation is a global leader delivering business software solutions to the manufacturing, distribution, retail, and service industries. With more than 40 years of experience, Epicor has more than 20,000 customers in over 150 countries. Epicor solutions enable companies to drive increased efficiency and improve profitability. With a history of innovation, industry expertise and passion for excellence, Epicor inspires customers to build lasting competitive advantage. Epicor provides the single point of accountability that local, regional, and global businesses demand. For more information, visit www.epicor.com.