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BUSINESS GUIDE

# Gearing Up for Growth? CFO, CIO Alignment Drives Success

Collaboration delivers benefits for customers, employees, and the business

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# Gearing Up for Growth?
# CFO, CIO Alignment
# Drives Success

## Collaboration delivers benefits for customers, employees, and the business

A recent CFO.com/NetSuite survey shows most businesses with less than $250 million in annual revenue expect to see growth in 2023. These leaders have largely cut discretionary spending and have contingency plans in place for various scenarios.

Now, respondents say, it's time to strategize on how to delight customers, get a handle on new technologies, and beat the competition in 2024.
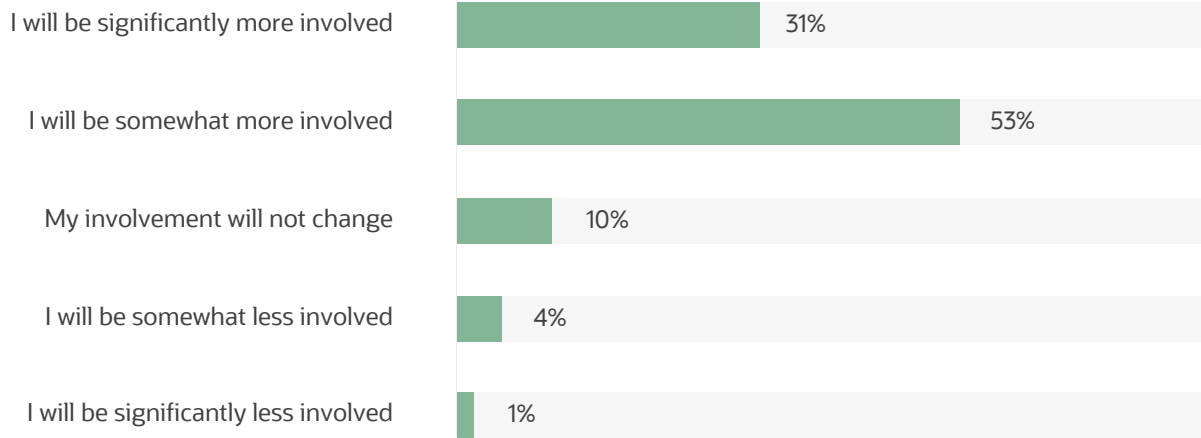
For CFOs crafting growth plans, there's no better partner than the CIO. We've discussed what CEOs want from their CFOs. Top differentiators are insights into today's funding landscape and an ability to tell the company's story in numbers. For CIOs, an ideal finance peer is open to smartly investing in technology and strategizing on how adoption should go and understands that it's more important to buy systems that work together than it is to have any particular bell or whistle. Vendors like Shopify, Salesforce, and NetSuite get that, and they focus on integration ability as much as they do on new features.

CIOs also want a partner who won't get sucked into a discussion of features alone and instead considers how each purchase fits in the company's big technology picture. Digital sales channels are for the CEO and sales team to decide. How to make ecommerce work efficiently is where the CIO excels.

The good news is that CFOs plan to be more involved with technology decisions in 2023. So said 84% of finance chiefs in the CFO.com survey.

Interest in technology on the part of finance leaders is even higher for those working at smaller companies, defined in the survey as businesses with less than $50 million in annual revenue. The survey also found that while virtually every company is looking to or has already trimmed costs, most currently plan to spend more on technology this year.

## CFO's Role in Developing a Technology Strategy in 2023

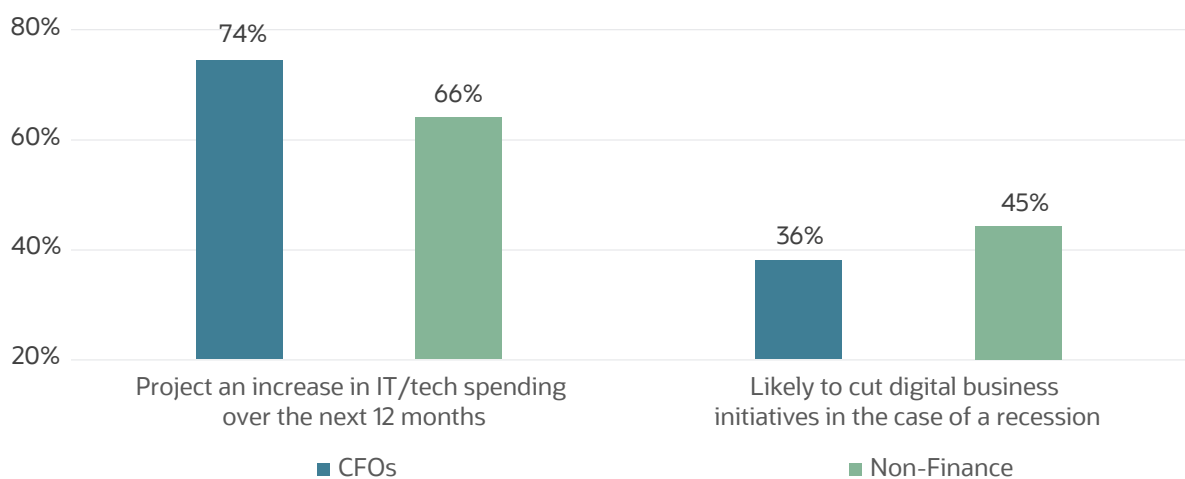| | |
|---|---|
| I will be significantly more involved | 31% |
| I will be somewhat more involved | 53% |
| My involvement will not change | 10% |
| I will be somewhat less involved | 4% |
| I will be significantly less involved | 1% |

A key reason CFOs want to get more involved with technology selection is that, given their bird's-eye view of the business, they realize that not all investments are contributing to a cohesive system that they recognize as conveying a competitive advantage. That disconnect happens when departments purchase point products designed to be very good at solving exactly one problem.

## CFO as Technology Champion

Finance vs Non-Finance

| | CFOs | Non-Finance |
|---|---|---|
| Project an increase in IT/tech spending over the next 12 months | 74% | 66% |
| Likely to cut digital business initiatives in the case of a recession | 36% | 45% |

■ CFOs　　　　■ Non-Finance

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# Three Problems With Islands of Functionality

Over the past decade and particularly through the pandemic, budgetary trends have moved technology buying decisions out of IT's sole control, giving department heads more autonomy. In 2013, CIOs controlled about 60% of technology spend. By 2020, that split was more like 50/50. The pandemic, remote work, and a few "growth at all costs" years accelerated the shift from grousing about shadow IT to decentralization that was supposed to let departments be more agile and innovative.

CFOs, by and large, approved.

However, when each new business problem is solved in a vacuum by a new business system, you end up with islands of functionality, overspending, compliance issues — a whole new set of problems that can stifle growth.

1. Vendor overload. First, when technology is purchased from many different vendors, the tech stack becomes expensive to maintain, both financially and in terms of IT and expert user resources dedicated to each unique system. There may also be duplicative spending — do you pay for WebEx, Zoom, Teams, and Slack? Do you need all four, or even three of the above?

   While business apps delivered from the cloud are easier for IT to maintain, there's still a curve to climb in becoming experts in how each vendor's system works. Pruning down the number of vendors can eliminate redundancy and simplify the job of maintaining and optimizing the use of each application.

2. Inaccessible, inaccurate data. Second, the data streams best-of-breed solutions produce may not easily combine to form a consolidated picture of operations. Without that view, it's all but impossible to know if you're achieving the efficient growth you're seeking.

For example, cash flow forecasting requires data on the sales pipeline, orders booked, work in progress, and inventory on hand and to be shipped. In a company with a standalone CRM, manufacturing process management system, inventory management system, and accounting system, CFOs will need to collect data from all four to understand incoming cash flow. You'll have a similar challenge in tracking accounts payable and other metrics. Getting data from all those systems and integrating it takes time and effort — so much so that you'll do it less often than you should and trust the results less than you would like.

3. A poor customer and employee experience. Third, unconnected systems provide a less-than-optimal experience for customers and employees. Customers may appreciate your ecommerce site, but if it doesn't accurately show available inventory and projected delivery times, it'll seem lacking compared with their experience with other sellers' sites. Your sales team may have similar complaints if the CRM is not integrated with inventory and financial management systems.

Making all those connections can be a nightmare for the IT team, usually involving manual workarounds to sync up data from systems that were never intended to communicate.

As CFOs and CIOs gaze out over a field of past tech purchases, hoping to find data flowing between them, they instead see a crop of expensive standalone systems that solve exactly one problem each.

That realization is disturbing to finance and technology leaders alike — especially given the cost of getting to this point.

# Enough Frustration to Go Around

Technology is simply intrinsic to how business happens now. But CFOs and CIOs should make clear that new systems must be easy to own, easy to configure, easy to use, and easy to integrate.

If these haphazardly acquired systems are integrated at all, it's thanks to the work of your IT pros. Newer systems may easily communicate with one another, but others maintain brittle connections that require constant attention.

If there are legacy or homegrown on-premises systems in the mix, all bets are off. Data sharing can mean downloading and uploading spreadsheets or CSV files. If your IT staff is intrepid enough, you might achieve data synchronization once or twice a day — less often if data normalization is required. That's often the case, since each system may demand data in a specific format, and it's not likely that other systems will spit out their data in exactly the right way.

The process to cope with that is known as "extract, transform, load," or ETL, and it can be time-consuming and error-prone. In any case, it should be obvious that the process will go easier if the providers of the various systems have agreed to support data sharing or most of the systems come from the same vendor.

Whether data can be centralized is often a question that didn't get asked when a P.O. was being generated, particularly if IT leaders were consulted late in the process — or not at all.

We're not advocating going back to the days of full centralized control over IT spending.

Delivering business insights, enabling automated workflows, and giving customers a first-class experience should be all the requirements. Assessing whether proposed and currently running systems do all of the above requires the expertise of IT leaders.

CFOs and other department heads will likely recognize when the tech stack isn't delivering what it could. CIOs will understand why and what it will take to fix it. If systems aren't eliminating at least some manual tasks and making others easier, it's reasonable to ask why not.

The concept of IT spending rationalization is a favorite of consulting firms, and there's no shortage of advice on how to go about it. What's key is for the CFO to buy into the idea that the problem is big enough that it warrants the cost of dumping some existing systems and bringing in new ones that will integrate easily, provide cleaner and more accessible data, and deliver a better user experience and simplified, more efficient management.

You know ... the digital business you originally envisioned.

# Rethink Processes, Stress Efficiency

Spontaneous tech stack development comes with one other glaring problem: In most cases, best-of-breed systems purchased in the heat of the moment didn't trigger the process refreshes they should have. Particularly at the height of the pandemic, it felt chaotic enough to rapidly make the changes required to keep business moving. No one was inclined to launch a business process re-engineering and optimization effort.

Now it's time to rethink and optimize processes to fully leverage the value of the technology you've added. And again, if a system is an impediment to process optimization, it needs to be replaced.

## Inventory management to support a new ecommerce initiative is a great example of a process that many companies didn't rethink.

Prior to ecommerce, once inventory hit a store's loading dock, it was that store's to sell. In rare cases, associates might check with other locations for a customer, but mostly, stock was localized. As ecommerce enters the picture, it's time to rethink the wisdom of localized inventory management.

Henry Bear's Park is a prime example. The Boston-based toy retailer has eight stores and a growing ecommerce site and works with about 500 vendors to stock some 5,000 SKUs. A disconnected point-of-sale system meant it often took two hours to write one purchase order. The process to figure out which stores were low on which items, and how many of those items to order and when, was completely manual. The team would pull up a sales report and an inventory report, then go through each location and inventory item line by line.

After all that, the vendor for, say, toy trucks might have a $10,000 order minimum, but a Henry Bear's store only needed $5,000 worth of inventory. The team would either go back into its line-by-line analysis or scrap the order altogether.

Capable inventory management technology will let you manage product availability holistically, but that solves only half the problem. The other half is solved by a process change such that every store can fulfill ecommerce sales, as Henry Bear's now does. The idea is simple: If there are no stuffed dinos in the downtown store or warehouse, but there are a few in Cambridge, get the customer the item by fulfilling an order from that store.

Other process improvements that should come with inventory management software include widespread use of handheld devices for scanning products and immediately updating available inventory and the ability to do inventory counts without ceasing sales.

For larger operations, the right inventory management software can make a huge difference in fulfillment efficiency. Picking in waves or zones as determined by software can mean fewer trips across the warehouse and quicker order assembly and shipping.

And, if the warehouse management software is connected to your financial and ecommerce systems, customer and financial records can be updated automatically as items are shipped, and customers can be notified of the delivery date.

These benefits might not accrue if there isn't thought given to process change.

## When Rethinking Processes, Start With OKRs

Whether you decide to review processes internally or enlist the help of a BPO consultant, these are the sorts of business functions that should be evaluated now with an eye toward an improved economy coming in the next year to 18 months.

Looking at every business process is likely not practical. One way to focus is for management to establish OKRs.

Objectives and key results are high-level companywide goals that set the stage for more targeted processes.

One possible OKR might be to generate a 20% increase in revenue while achieving a 30% bump in net earnings. Another might be to increase revenue from existing customers by 30%. Yet another might address staffing: Achieve the above goals without new hiring. Starting there, a team might be formed to identify where the new revenue will come from, and another team looking at how it can be achieved without a linear ramp up on costs or staff.

### Got Goals? This Metrics Framework Gets You There

An objectives and key results — OKR — framework breaks high-level company goals into concrete, achievable steps. It empowers employees, managers, and teams to keep moving in the right direction and provides tools to define and measure success. Learn More

# Assess Customer Needs

You've gotten the memo about the importance of tracking customer satisfaction. From dentists to fast food restaurants, banks to grocery stores, everyone wants to know how buyers feel about their goods and services, and they've got a poll to find out.

But depending on what you sell, consumer sentiment surveys can leave you awash in a sea of data that CFOs and CIOs should team up to collect, analyze, and understand.

For consumer goods and services companies: Analyzing survey results alongside buying trends can offer important clues about what really delights customers. There's also a lot of value in simply talking to clients. However you collect insights, compiling data and talking to customers about their individual experiences is a critical step in understanding how you'll set your business up for growth and how you can rise above competitors.

For B2B companies: A quarterly business review process is the perfect time to understand what customers like and what they would change about your products and services. Beyond that, it's useful for C-suite officers in your company to spend time talking to counterparts at your best customers.

> **Learn More**
>
> **Quarterly and Annual Business Reviews: Why They Can Make or Break Your Success.** The business review is one of the most underrated tools in a services company's arsenal. They allow you to discover new ways to help clients achieve their goals, uncover risks and opportunities, and ensure customer leadership sees you as critical to growth. If you already do regular reviews with clients, you know how valuable they are. If not, here's how to start.

CFOs at your top customers will have different perspectives from other officers. And when the CIO talks to peers at those top customers, they'll both better understand how tech systems can be made to work together. In the B2B world, everyone has suppliers and is a supplier to others. Providing the level of data transparency you like from suppliers to your customers is incredibly helpful to them. It lets your customers depend on you more because they can understand more about your product availability, delivery schedules, and more.

# Let Your People Grow

Part of today's new business reality is an end to affordable, abundant labor. With at least two openings for every jobseeker, it's important to consider worker satisfaction.

In truly digital businesses, rote, repetitive tasks are done by technology. Taking human error out of the equation and letting information workers actually analyze information is going to be a clear win.

Since the present goal is to set the business up for growth as the economy improves, now is the time to look at what would have helped the business perform better in the recent past and work with the CIO on improvements.

Maybe projects consistently take longer or cost more to execute than expected. How can estimates be improved? Conversely, were delays and budget overruns caused by

the same issues from one project to the next? Perhaps COGS crept up and you didn't have the data in real time to know it was happening and what was causing it.

As a CFO/CIO team, you can still view this process as understanding what customers need, but in this case, your customers are the functional business teams, CEO, board of directors, and major stakeholders. They're the ones who will either do the work to meet those OKRs or assess whether they're met.

In both cases, they will need data to show how the company is performing.

The right KPIs and dashboards help all employees have confidence that they're doing their parts to meet OKRs or other goals as set by leadership.

# The Case for ERP

It's hard to imagine a successful, highly efficient, tech-forward business that runs on simple accounting software. As the business grows, the month-end close becomes harder, data isn't centralized, business insights take too long to generate, and manual processes are increasingly error-prone. Not automating accounts receivable and accounts payable is a sure way to lose the interest of workers as they drone on writing and cashing hundreds of checks a month and manually reconciling accounts.

## When a business grows to include subsidiaries or operate in multiple countries or tax zones, basic accounting software becomes a clear liability.

These are the sort of pain points that get CFOs to move to something better — with input from the CIO.

The ERP journey usually starts with finance, and then naturally expands to a few adjacent functions, like planning and budgeting and procurement, once the team is comfortable that it's made the right choice. When evaluating ERP systems, prioritize determining whether each integrates well with other technology that's critical to the business.

Perhaps your sales team has come to depend on Salesforce and has customized it to fit the business. Maybe you manage thousands of SKUs on your Shopify store. Then ERP is the new kid in town, and it better play well with those critical systems.



**13 ERP Modules**

1. Finance
2. Procurement
3. Manufacturing
4. Inventory Management
5. Order Management
6. Warehouse Management
7. Supply Chain Management
8. Customer Relationship Management (CRM)
9. Project Service Resource Management (Project Management)
10. Workforce Management
11. Human Resources Management
12. Ecommerce
13. Marketing Automation

For other parts of the business, ask the vendor or integration partner about modules offered by the ERP provider to see if they provide the functionality needed to make your operations substantially more efficient. Why start with an assessment of ERP modules? Because a modular approach makes the data integration issues we've discussed moot.

In addition, your IT team and expert users will be well versed in how to manage the system. That consolidated view of the business that executives crave is easier to deliver when the ERP handles more and more of your business functions.

Your conclusion may not always be that the ERP module is the best way to go, but starting there and asking, "Why not expand the system we're using?" makes sense. When the available ERP modules won't do, the CIO will help determine which solutions will fit within your new, well-oiled tech stack, while other business leaders enter the selection process with process re-engineering and OKRs in mind.

And, the CFO and CIO can be confident that they're making the business more efficient while simultaneously improving the employee and customer experience.