

WHAT CFOs (AND FINANCE LEADERS) NEED TO KNOW ABOUT REALIZING *LOST DOLLARS* IN THEIR ORGANIZATIONS



AND WHY THEY NEED TO ACT TODAY

info@ca.syspro.com | 1 (888) 259-6666 | www.syspro.com/ca



INTRODUCTION



The role of the modern Chief Financial Officer (CFO) has changed dramatically in recent decades.

As margin pressure continues to rise, CFOs are increasingly relied upon to reduce costs and contribute more to cost-efficient business processes. As a result, CFOs are now playing an integral part in making high-impact strategic decisions at the boardroom level—any of which can either break or make a business.

MANY CFOs STRUGGLE DAILY WITH ENSURING THAT FINANCES ARE WELL-ALIGNED WITH STRATEGIC SHIFTS AND CHANGES TO CORPORATE BUSINESS MODELS.

INTRODUCTION



It is not surprising then that businesses may be losing up to two per cent of revenue per year in lost sales and missed opportunities to reduce costs.

To prevent this loss from continuing, CFOs must identify opportunities to minimize risk, maximize growth, and restructure money-losing operations.

They can do this best by addressing the following three questions:

- **What are the opportunity costs of not identifying and addressing hidden costs?**
- **What are the key challenges of addressing the status quo?**
- **How can business processes be improved in order to boost cost-savings?**



This eBook provides a no-nonsense guide for CFOs (and Finance Leaders) who are willing to examine their business processes and uncover areas for improvement.

It includes a brief outline of the challenges faced by CFOs, including the key difficulties they face when implementing change. It also provides an overview of the DMAIC model for CFOs to consider when creating a roadmap for improving business strategies and processes.

THE COST OF STATUS QUO



For CFOs today, the need to ensure that their organizations have a strong financial foundation is paramount.

High performing CFOs are able to maintain day-to-day operations, implement effective cash management strategies to help with predictable cash flow, avoid unnecessary risk, and ensure the proper funding of core business activities.

AND THAT'S NOT ALL. IN AN INCREASINGLY COMPETITIVE MARKETPLACE, CFOs CAN NO LONGER RELY ON COST CUTTING ALONE.

While cost cutting allows for more immediate results, sustainable business success will come from creating value through the identification of unprofitable processes and ineffective operations.

As such, CFOs must now examine how every part of a business can offer value for less, including identifying the many hidden and not-so-hidden costs of "business as usual," including waste as a result of operational inefficiency, redundancy and reduced capacity, and revenue leakage across the supply chain. These are the costs that most CFOs take for granted when it comes to building, operating, and monitoring businesses. Yet, it is these same costs that will end up drowning many businesses in a rapidly evolving market.

THE COST OF STATUS QUO



ACCORDING TO THE 2015 MANUFACTURER'S OUTLOOK REPORT PUBLISHED BY PLANT, a leading publication advancing Canadian Manufacturing, which surveyed over four hundred senior manufacturing executives throughout Canada, 95% of respondents said productivity is key to business growth and 45% are pursuing a formal productivity improvement strategy while 20% are in the processes of developing one.



The Cost of Cash Collection: A Not-so-Hypothetical Scenario

Order-To-Cash Business Process



**ENSURE
CORRECT
ORDER
PRICING**



**INVOICE
CREATION
AND
DELAYS***



**SHIP
GOODS**



**DEAL
WITH SLOW
PAYING
CUSTOMERS**



**BECOME
REACTIVE,
LOSE SIGHT
OF BUSINESS**

*The creation of invoices can be an onerous activity, from printing, faxing, emailing, or mailing out and prone to errors.

For those executives that are aware of the cost of the status quo, they often struggle to pinpoint the source and breadth of the waste in their organizations. Even when they are able to identify and quantify the hidden cost of the status quo, the process of implementing change can often be a mammoth task.

TACKLING THE STATUS QUO



Challenges to tackling the status quo

While the opportunity cost of addressing the status quo can seem like an impossible task (especially when it comes to costs related to purchasing, inventory, and sales), failing to do so will either stifle business potential or drive it into the ground.

THERE ARE THREE KEY CHALLENGES WHEN IT COMES TO IMPLEMENTING CHANGE:



POOR COMMUNICATION:

Can lead to organizational-wide anxiety and resistance to change if communication channels are not opened up.



LACK OF STAKEHOLDER ALIGNMENT:

Meaningful change can only occur when all stakeholders, both internal and external, are aware of the goals of the change.



LACK OF CULTURAL SYNERGY:

Every business has key people of different backgrounds that are in departments across the world, each of which may be subject to different legislation and business practices.

Most organizations do not spend time on building a focused strategy around cultural synergy—creating a shared environment—and that can be a serious challenge when it comes to tackling the opportunity cost of the status quo.

TACKLING THE STATUS QUO



Benefits of creating value through strategic change:

Despite these challenges, there are several benefits when it comes to addressing the cost of the status quo:

- Reduced operational costs through the identification of revenue leakage
- Increased capacity through the reduction of redundancy
- Increased consistency by providing predictable, reliable results to customers or clients
- Improved staff and customer satisfaction, which in turn, boosts brand trust and reputation

Key Considerations:

Prior to launching a business process improvement project, however, there are several key questions for CFOs to consider.

- Does the business have enough money to see this process improvement through from start to finish?
- Is there enough capacity to ensure sustained change?
- Is the business ready and open to improving current processes?
- Is the business ready for this level of innovation?

CREATING A ROADMAP FOR SUCCESS

Business process innovation is the best option for creating a roadmap for sustainable success.

The pace at which CFOs recognize the need to enable such business process innovation will have a direct impact on implementation success. Often, it is better to solicit an external party to conduct an assessment of existing business strategies and operations in order to find possible cost efficiencies that might otherwise be missed.

Here, we do not define innovation as a means of reinventing processes. Instead, innovation refers to building and improving existing systems and processes, including taking into account technology needs to help streamline operations and avoid wastage.

THE MOST STRAIGHTFORWARD AND EFFECTIVE METHOD OF SPEARHEADING BUSINESS PROCESS INNOVATION IS THE DMAIC METHOD:



DEFINE

MEASURE

ANALYZE

IMPROVE

CONTROL

CREATING A ROADMAP FOR SUCCESS



DEFINE

MEASURE

ANALYZE

IMPROVE

CONTROL

“Define” is the first step of the DMAIC method.

CFOs should use this step to prime their teams and the organization, as a whole for success. This includes:

- 1. Getting Board-level approval for the project**
- 2. Determining the appropriate project scope and outlining a project charter**
- 3. Identifying key stakeholders and team members**
- 4. Establishing team ground rules and responsibilities**

Additionally, it is imperative that the CFO in conjunction with other members of senior management and the external assessment team (if relevant) conduct a successful kick-off meeting. As part of this meeting, the project leaders should spell out expectations, including project goals and timelines. They should also outline the plan of attack, specific deliverables that must be achieved, as well as, the resources available to carry out the project. In doing so, the team is better prepared to identify and tackle any problematic steps in the process.

Action Items

- Secure approval and budget for the process improvement initiative
- Plan and conduct a kick-off meeting with all relevant stakeholders, outlining project goals, vision, and timelines
- Create “as-is” process maps to help the team get on the same page and provide an overview of current operations
- Identify and communicate possible risks to relevant stakeholders and identify any “what-if” scenarios that could hinder the project along the way, and provide opportunities for the team to speak up if there are any such issues
- Provide training for employees on the DMAIC process to help create a sustainable culture of innovation



CREATING A ROADMAP FOR SUCCESS



The next step in this method is “Measure” and it is, arguably, the most important step of this entire process.

In this part of the process, the CFO should help establish current baselines in order to boost evidence-based decision-making, including:

- 1. Developing a data collection plan**
- 2. Establishing key metrics for collection**
- 3. Conducting a measurement system analysis to verify data accuracy**
- 4. Creating baseline charts and graphs to distribute to the team**

The best way to establish measures is to focus on three key areas: people, processes, and technology. In doing so, leadership has greater visibility in understanding the kind of progress that is being made to better understand business objectives. Focusing on technology without understanding the business model or strategies, will not yield in the implementation of a system that will realize its full potential.

That being said, it is important to develop a plan to continually examine collected data, in order to better understand the root causes of any hidden costs that are impacting the business.



Action Items

- Develop a plan to collect data, including sources for data collection, how much data to collect, and the team members who will be involved in the process
- Create, verify, and examine detailed process maps throughout the life of the initiative
- Incorporate results of the collected data on an ongoing basis in cause-and-effect diagrams
- Update project charter based on results of the measurement process and communicate the updates to stakeholders

CREATING A ROADMAP FOR SUCCESS



The “Analyze” step is often linked to the “Measure” phase and is the core component that is focused on identifying the root causes of waste.

In doing so, this step helps leadership move beyond treating the symptoms of business problems. They do this by:

- 1. Performing Process Analysis**
- 2. Set up brainstorming meetings to collectively determine root causes of waste**
- 3. Verify the proposed root causes of the problems**

The process of verification is absolutely essential in ensuring that decisions are made based on fact and data, and not on intuition alone.



Action Items

- Perform a Process Analysis including a Time Analysis to boost productivity, a Value-Added Analysis to help uncover the cost of doing business, and a Value Stream Mapping to help identify where waste can best be removed
- Create charts and graphs to visually examine the data collected
- Plan and implement regular brainstorming sessions to help with the root cause analysis and data verification process
- Update project charter based on the results of the analysis process and communicate the updates to all stakeholders

CREATING A ROADMAP FOR SUCCESS



Once teams are satisfied that the collection of additional data analysis will not improve their understanding of the problems faced, they begin the “Improve” phase of the DMAIC model.

In this stage, the team uses what they have understood from the Define, Measure, and Analyze steps to problem solve and create solutions that can be developed and tested using a variety of techniques. Steps in this phase include:

- 1. Implementing brainstorming sessions to identify and test ideas for improvement**
- 2. Use tools to determine the most appropriate solutions to implement**
- 3. Select and implement the solution**
- 4. Test and measure the solution**

While it is more than likely that the team has been collecting improvement ideas throughout the project life cycle thus far, skipping this phase is not recommended. CFOs play a key role in providing stakeholders with a structured environment within which to implement, test and measure solutions designed for targeted improvement.



Action Items

- Plan and schedule brainstorming sessions with a focus on generating quality ideas for improvement
- Develop a Weighted Criteria Matrix to help teams pick between a list of process improvements to test
- Develop maps to help guide the team’s efforts toward the chosen solutions in this phase
- Employ mini testing cycles to determine what ideas should be implemented
- Verify and validate recommendations based on the evidence of what “does” work versus what people “know” may work

CREATING A ROADMAP FOR SUCCESS



DEFINE

MEASURE

ANALYZE

IMPROVE

CONTROL

Everything comes together in this final “Control” phase of the process.

A lot of work has been done up to this point to collect, drive, and test processes aimed at improving business operations. This phase is designed to ensure a successful implementation of the team’s recommendations by cementing any new methods as standard operating procedures. Steps include:

- 1. Identifying the various steps of value in tackling waste**
- 2. Implement procedures to tackle the hidden costs of the status quo**
- 3. Optimize these procedures by tracking the outcomes of these methods and addressing concerns as soon as they arise**
- 4. Transfer responsibilities and establish plans for long-term process control**

Communicating project success is integral at this stage as it boosts a culture of change within the business. Elements of the project results can be transferred, adapted, and shared ‘to and within’ other departments. Finally, in order to be truly sustainable, it is imperative that solutions are placed within the context of the organization’s future in order to be widely adopted.

Action Items

- Identify the key measurements for ongoing monitoring and evaluation of process performance
- Develop a response plan to indicate the optimal levels of operation, including how to respond to any change in these process levels
- Document how to pass the newly defined operational standards onto employees and clients who work within the process. This includes updating any checklists, cheat sheets, process maps and diagrams, as needed
- Create and implement communication strategies for knowledge transfer

CONCLUSION



Improving upon business strategies and processes often calls for a certain degree of cultural change in organizations.

While this process can take some time, the DMAIC model will enable CFOs to create action plans to begin reducing waste almost immediately. The model allows CFOs to raise awareness about the potential inefficiencies of current operations and sets them on a path to better quantify the waste experienced. Such quantification allows the team to better address the hidden costs of the status quo.

While CFOs certainly have the expertise to carry out business process initiatives, it may be worthwhile to bring in external assessment teams to aid in the process. These teams are able to break down the CFOs vision, including identifying, validating, and selecting measures for elimination in a more objective manner. They are also able to better enforce, allocate and monitor any remedial actions without meeting as much internal resistance.

CFOs who have already identified the costly nature of the status quo are well on their way to beginning a process of creating sustained business value. By using the strategies outlined in this eBook, CFOs (and Finance Leaders) are able to make better decisions for themselves and their teams, as well as, for the future of their businesses.

ABOUT SYSPRO



SYSPRO software is an award-winning, best-of-breed Enterprise Resource Planning (ERP) software solution for cost-effective on-premise and cloud-based utilization.

Industry analysts rank SYSPRO software among the finest, best-in-class enterprise-resource planning solutions in the world. SYSPRO software's powerful features, simplicity of use, scalability, information visibility, analytic/reporting capabilities, business process and rapid deployment methodology are unmatched in its sector.

SYSPRO, formed in 1978, has earned the trust of thousands of companies globally. SYSPRO's ability to grow with its customers and its adherence to developing technology, based on the needs of customers, is why SYSPRO enjoys one of the highest customer retention rates in the industry.

FOR MORE INFORMATION, VISIT: www.syspro.com/ca or call 1 (888) 259-6666