CASH IS KING – MONEY STORY

Overcoming the Seven Barriers to Business Success

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Overcoming the Seven Barriers to Business Success

Introduction

It has been said that "cash is king" and that money makes the world go 'round. So the question is, can you tell your organization's "money story"—how it generates revenue and profits, maximizes cash flow and steers clear of trouble? Not the practiced version that is supplied to the company's investors, but the actual per unit economics, the metrics indicating the financial viability of the organization, what is working well and what needs to be improved, and when to hit the brakes or pound the accelerator?

To be able to tell the money story, the CEO and CFO must have access to transparent, real-time performance data to analyze and compare to strategic plans. Business leaders must be able to take the pulse of KPIs and other measurements to accurately and confidently describe how much money the company is making today (or losing) and likely to generate tomorrow. Such descriptions also need to be both comprehensive *and* specific—full, deep-dive money story and the particular parts within this narrative like a product, market or geography.

Muting the ability to precisely tell these tales are what we are calling the *Seven Barriers to Positive Cash Flow*, which we introduce one by one in this report. Each barrier limits leadership's ability to know what is going on in the organization to make informed, insightful and assertive decisions that drive profitable business growth. The outcome is often dire—lost market share, slow growth and the inevitable crash that occurs when flying blind.

Certainly, given today's searing pace of business on the global landscape, CEOs and CFOs must have instant visibility into critical business data to direct the organization towards the most profitable business opportunities and steer clear of enterprise risks. Unfortunately, this is not the case for many companies, according to a study by The Hackett Group. As businesses expanded their scale and scope across the world, "they lost visibility across multiple performance categories," the report states.[1]

Without visibility, there is no money story, only generalized guesses that lack the rigor to assess actual performance. The solution is to rid the company of the Seven Barriers thwarting an honest-to-goodness truthful account.

The Seven Barriers to Positive Cash Flow!

1. **The Hairball**
2. **Waiting for Real-Time Information**
3. **Billing and Rev Rec: Necessary Bedfellows**
4. **Upgrades Equal Downgrades**
5. **Where's the Money?**
6. **Uncoupled Product and Service**
7. **Misalignment of Strategy and Execution**

[1] http://www.thehackettgroup.com/about/research-alerts-press-releases/2013/10172013-hackett-companies-globalization-flying-blind.jsp

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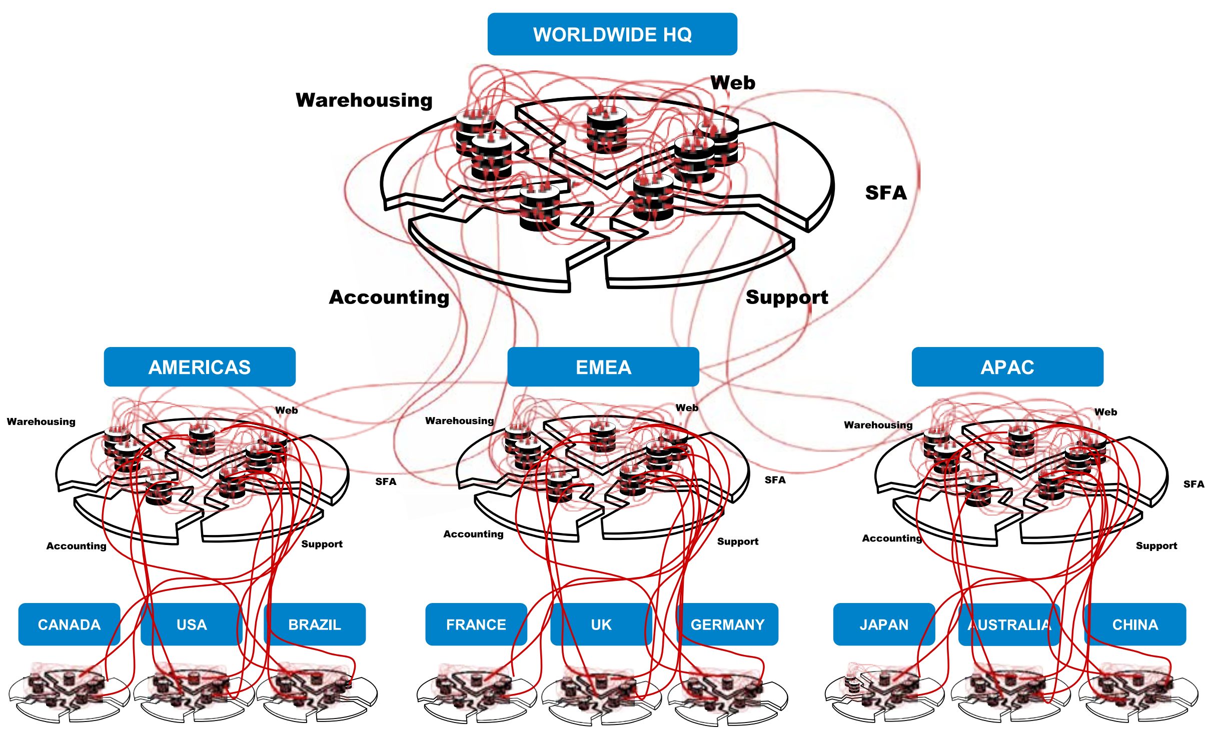
Barrier #**1**

THE HAIRBALL

The American cartoonist and inventor Rube Goldberg loved to draw over-engineered machines that looked like a massive hairball of wires, pipes, pumps, tubes and vacuums. These artful contraptions were designed to perform a single task, albeit in very complex fashion. Seem familiar? That's because they are a fair description of today's legacy business systems—untidily tied together not by a series of tubes but by complex and fragile data integrations.

Yet, these integrations are needed because without them, each system would require manual and duplicative entry of information. Stuck in this muck, bottlenecks are common, for instance the accounting system failing to connect fully and quickly to the CRM (Customer Relationship Management) system. There's just too much congestion in between the linkages impeding the goal of a 360-degree business view.



These pipeline problems compound line of business activities—billing not integrating neatly with CRM, business intelligence tentatively linking with sales, sales incentive compensation failing to mix with financial management and so on. While the various point solutions within the contraption may be on point, the lack of a seamless, smooth and satisfying integration takes a toll, the money story veering uncomfortably close to fiction. The solution—let go of disparate legacy systems and invest in “next ready” business technology.

Barrier #**2**

WAITING FOR REAL-TIME INFORMATION

Business waits for no one, and nowadays its patience is even thinner. Businesses are much closer to end customers, thanks to omnichannel modes of commerce. Globalization has erased time zones and mobile technology has unleashed the unfettered ability to conduct business anywhere, anytime on any device. Consequently, the continuous loop of real-time information changes by the minute. Waiting for insight when your competitors are already acting on it is a competitive blunder.

Organizations that cannot analyze business information because their disparate systems hairball are unable to keep pace with the real-time production of vital performance data will fail to see and seize opportunities and discern looming, near-term risks. The upshot: If the CEO and CFO can't perceive how the company is performing, they can't steer the business forward, much less assess the effectiveness of corporate strategy. You can only manage what you can measure.

Conversely, if you cannot measure performance as it is occurring, you cannot tell the money story. Take the case of a global company with multiple foreign subsidiaries. Being unable to gauge how just one of these subsidiaries is performing might seem a minor impediment. Yet, the realization of just how material this subsidiary's challenges were will hit home after the fact—the David bringing down the Goliath. To tell the money story requires telling it fully with access to seamless, accurate real-time information.

Barrier #**3**

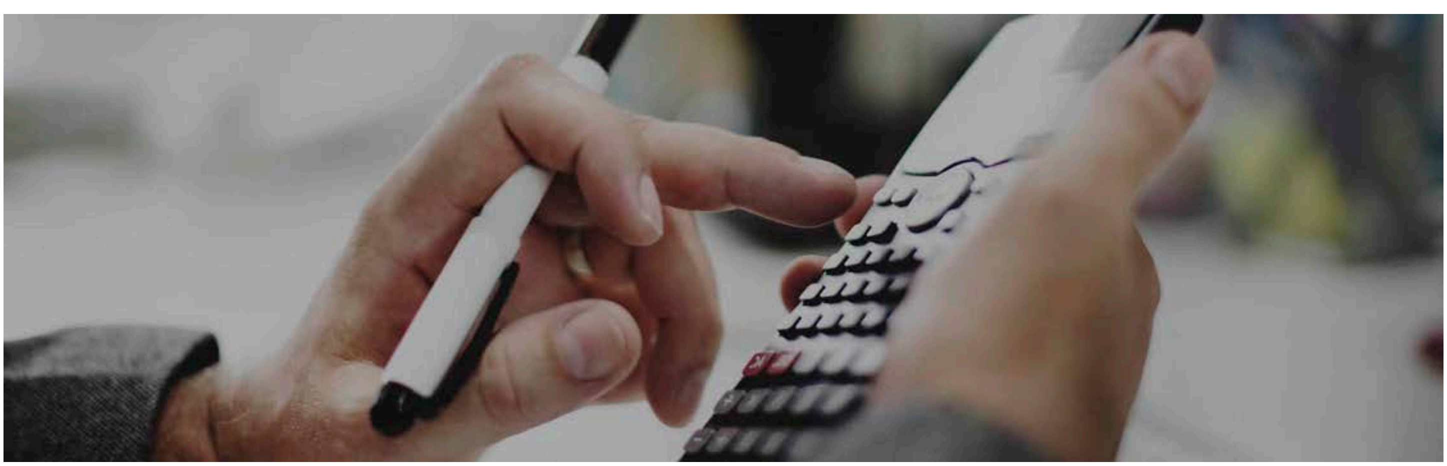
BILLING AND REVREC: NECESSARY BEDFELLOWS

Innovation is the engine driving many an enterprise. When a new or enhanced product or service is developed and introduced, the billing function must align with other systems recognizing and reporting revenue. Otherwise, the CFO cannot assess the financial outcomes for reporting purposes, which makes telling the money story to Wall Street and other stakeholders like investors, shareholders and boards an exercise in frustration.

With the new revenue management requirements under ASC 606, here is a soon to be common (but messy) scenario: The head of marketing or manufacturing cites the need for a new or upgraded product or service to bolster the company's competitive standing. The concept is green-lighted, priced and ultimately dispatched to the billing group. Now the goal is to translate the new offering into revenue projections, which is an extremely complex task for legacy systems, nonetheless a key requirement of ASC 606. Blame the gunk between the billing system and the financial system.

CFOs want a smooth continuum, in which a new offering is sold and billed in a certain way and the recognition of revenue is compliant with the new ASC 606 rules.

Disparate systems linked together in a hairball make this problematic, if not impossible. There are just too many split ends tangling the critical "quote-to-cash" process. Fixing the mess is untenable. The smart solution is to relinquish the antiquated for the new.



Barrier #**4**

UPGRADES EQUAL DOWNGRADES

Disparate systems with limited functionality and rigid integrations obfuscate what is truly going on in the business, dumbing down business intelligence into fingers-crossed guesstimates. Many providers are doing their best to upgrade their systems and features. Yet, in some cases, the buyer can't afford the immediate upgrade or a company's IT group simply takes too long to implement it.

The root of the problem is not the vendor of an on-premise legacy system—it's the upgrade of an on-premise legacy system that is the core issue. Each revamp slows down the business engine, requiring a constant game of catch-up. These disturbances end up exhausting time and money.

With a cloud-based, integrated solution, the upgrades happen effortlessly in the background, with scant if any IT involvement required. The business engine purrs as the company receives the latest and greatest functionality and management improves its ability to tell the money story.

Barrier #**5**

WHERE'S THE MONEY?

To effectively communicate a company's money story obviously requires knowing where global cash is. If the global view of cash is opaque, how can the CFO confidently allocate resources or trim them to profitable advantage? If the CFO or treasurer cannot quickly gauge global FX exposures or working capital requirements and changes, how can money be wisely spent or tucked away for the opportunities that rear in future? They can't!

A common concern among fast-growing global organizations is international cash management. Questions abound: Where is the business taking off geographically, and where is it stranded? Which parts of the company are providing the most income, and which are providing the least? Where is capital most needed now, and less needed elsewhere? What is consuming the working capital, hindering the ability to put this money to work? How can nimble adjustments be made to inventory, payables and sales to invest in opportunities as they appear? What impact is the global tax strategy having on access to cash in various countries or regions? Can management see its foreign liquidity and tax exposures in any currency?

Unable to answer these questions, the CFO cannot conclusively tell the CEO or the board the amount of FX exposure the company is bearing or the working capital requirements the business confronts. He or she can't tell the money story. To do this, of course, requires a new sheet of paper and modern financial management tools to tell the tale.

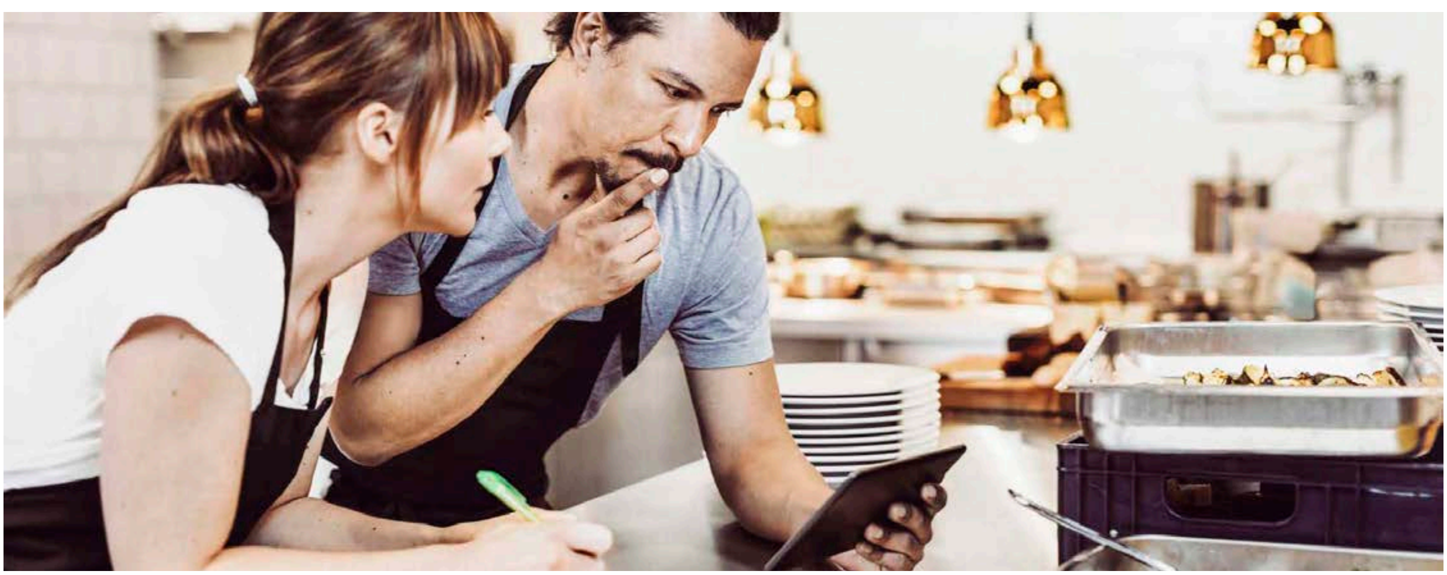
Barrier #**6**

UNCOUPLED PRODUCT AND SERVICE

Many organizations sell both products and services, yet their business systems fail to align these offerings. Consequently, it is difficult to discern how the two interact from a revenue recognition standpoint. Without visibility into both dimensions of business, finance cannot determine how the product lines are affecting the service business, and vice versa. The CFO is challenged to make informed decisions to determine if the appropriate resources are allocated to the right projects.

A fully integrated cloud-based suite eliminates this problem. The key word here is “integrated”. Clear visibility into both sides of the house is achieved. On the service side, for instance, the CFO can quickly and easily capture detailed timesheets, ensuring improved invoicing and billing. Most importantly, this insight guides superior resource allocation to the most critical projects and improves project profitability.

To tell the money story fluently, service and product organizations need to be tightly integrated in terms of both process and systems.



Barrier #**7**

MISALIGNMENT OF STRATEGY AND EXECUTION

The seventh barrier is perhaps the worst of the lot, the bane of every CEO and CFO. It's the inability to see and assess the tactical drivers of performance to determine whether or not they are aligned with the company's declared strategy. Unable to drill down into the details and potential variances, there is no way to discern how the business is performing and why this is the case. Thus, there is no way to compare actual performance to strategic plans to quickly alter course, hit the brakes or rev up the engine. The dashboard reveals nothing, or worse—the wrong information.

For example, public company investors want visibility into both in-quarter activity and performance versus expectations, as well as a view of how that short-term performance aligns with longer-term strategy.

Legacy, on-premise systems that have evolved into mammoth Rube Goldberg machines are composed of so many different modules that it is virtually impossible to assure a single source of truth. Cloud-based integrated business solutions, on the other hand, have one data source from a technology enablement perspective. That's right, one source of truth. In this completely accurate environment, finance and IT are aligned to deliver what the business needs, as opposed to constantly rebuilding systems, waiting for reports, hoping for added functionality and otherwise wasting time and money. As the business grows, exponentially in some cases, the system scales with that growth.

THE SUITE SPOT: TELLING OF THE MONEY STORY

There is a price to pay in ignoring the Seven Barriers—the inability to react quickly to business events as they occur. CFOs who cannot discern their company's performance might as well retreat to the back-offices of yesteryear, crunching the numbers of the previous quarter in their green eye-shades. To join the modern breed of strategic, predictive CFOs requires quickly accumulating comprehensive business intelligence from reliable, real-time performance data.

A single cloud-based, integrated suite offers this capability. Think of a suite as an integrated series of business solutions providing a 360-degree view of the enterprise, as opposed to seeing one's way through a confounding hairball. By capturing all the data in one place, a single source of truth is provided, equipping the CFO to tell the money story accurately and confidently.

A sales rep plotting an upsell strategy, for instance, can quickly peruse all interactions involving the customer—invoices that are outstanding, the status of customer support, recent emails involving the customer and even external news on the company, among other data. Resources are consequently conserved, information is turned into insight and informed actions guide revenue-producing decisions.

Now imagine this 360-degree view of the business extending across the enterprise globally, where the hairball takes on monstrous proportions. Each region's regulatory compliance differences, tax laws, cultural nuances and financial reporting, consolidating and other accounting rules overburden the circuitry, creating frustrations. Employees will only use technology that responds to their needs efficiently, effectively and easily, and does this in real-time. A cloud-based integrated suite is predicated first and foremost on the user's self-service experiences.

The CFOs who can confidently tell their company's money story know why hitting the suite spot is important—it guides smart ways to make more money, significantly improves the quality of decision-making and increases the company's value.

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