

The CFO and ERP Solutions

A White Paper for Manufacturers and Distributors Focusing on the CFOs Perspective

A changing combination of global supply chain sources, e-commerce orders and complex regulatory/compliance/risk factors has forever changed the classic set of responsibilities of CFOs in manufacturing and distribution companies. Specifically, the role of the chief finance function has evolved from a more myopic financially-centric (only) viewpoint, to providing strategic visionary leadership alongside of the CEO. Financial tools that once worked are now falling short for meeting these evolving needs, which now include deeper insight into business intelligence, metrics, reporting, and analytics. Sound investment and selection of the right enterprise resource planning (ERP) solution is a game changer for this new brand of strategic CFO, providing that person with a powerful way to gain sharper insights that drive both the company's growth and bottom-line agenda.



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Background

Since financial health provides the heartbeat of every sound manufacturing and distribution company, CFOs are emerging in many organizations as a pivotal figure in the selection of ERP systems. No longer willing to delegate this critical decision solely to their technology peers, today's financial heads are increasingly aware that their effectiveness is compromised without a comprehensive and highly-integrated set of technology tools at their disposal.

Factors that previously made U.S. manufacturers and distributors rise to the top – innovation, hard work, challenging the status quo with risk taking, and classic supply-and-demand principles – are simply not enough anymore. Without real-time access to pertinent business data and without the means to act/react quickly and make decisions from this operational visibility, CFOs cannot help their companies win. Conversely, those CFOs who have the ability to spot either opportunities or potential trouble through the benefits of the right ERP solution become transformational and critically important.

A few of the benefits that accrue from having an ERP solution that is right for your business include:

- **End-to-End Company Visibility** – Of all key fundamentals: financials, inventory, operations, sourcing/supplies, service/support obligations and statuses, etc.
- **Decision-Making Support** – Access to data, metrics and reporting provides the ability to act on all of this critical information quickly and with favorable profit and cost ramifications.
- **Customer/Market Responsiveness** – Trends, issues and/or sales or service opportunities are quickly identified and made actionable.
- **Business Process Automation** – Removing manual processes and inserting standardized alerts on key performance indicators can be the difference between running in the black or the red.
- **Auditable Compliance** with Government/Industry/Financial/Customer/Partner Regulations – This can range from legal regulatory reporting to product recalls and adherence to contract terms.

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When Current Technology is NOT Supporting the Strategic CFO

10 Reasons to Consider a New ERP Solution

- 1. ANY Type of Revenue-Related Change** – Financial governance/accounting/taxation has changed dramatically in recent years, and with manufacturers and distributors the global supply chain and ecommerce ordering systems make this even more complex.
- 2. Industry Regulatory Change** – A number of manufacturers and distributors, such as those in food, healthcare, children's toys, cookware, furniture, etc., are facing increasing legislation tied to both parts/ingredient tracing and production/shipping tracking.
- 3. Evolving Security Risks** – Years ago, the dominant security and financial risk of companies centered primarily on issues related to natural disasters, employee theft, or geopolitical factors affecting offshore plants. Today, add the potential cyber theft of sensitive private and financial data, intellectual property, all of which can be far more devastating and put a company out of business almost overnight.
- 4. Single-Source, Consolidated Financial Needs** – As businesses grow or change in any capacity – product/distribution lines, ownership, mergers, plant consolidations – many companies have disparate data and technology sources that inhibit the CFO's ability to get a single accurate (and fast!) version of the truth.
- 5. Expensive and Inefficient Resource Drains** – Subtle cost shifts in any operational area can quickly change a profit to a loss, particularly in small-margin, high-volume businesses. The same is true in reverse, and the strategic CFO needs timely information to make profit-increasing recommendations as well.
- 6. Aging or Inefficient Technology** – Businesses evolve, but for many manufacturing and distributing companies the cost to update existing systems to handle those changes (or perhaps even an inability), can lead to a cycle of needless spend and missed opportunities.
- 7. Business Intelligence Shortfalls** – Many CFOs are struggling to keep up with the new massive amounts of internal and external data that may be available, but aren't receiving it in a digestible or useful format.
- 8. Increased Silos** – Poor technology inhibits collaboration, negatively impacting business activities.
- 9. Diminishing Workflow and Processes** – Manual data entry tasks are costly and increasingly unnecessary.
- 10. New Capacity Utilization** – Out-of-the-box thinking is a by-product of manufacturing CFOs leveraging the newest analytics to suggest game-changing action plans.

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Why CFOs are Actively Involved in ERP Selection and Deployment

The role that CFOs are playing in today's modern business environment has made them, by necessity, an active participant in the ERP identification, selection and deployment process. With so much at stake tied to technology solutions and with clear historical examples of manufacturing or distribution environments that have paid dearly for poor selections, there are significant tangible benefits for the CFO to become informed on the pros and cons of available choices. Further support of this argument are the examples of cases when emerging small and mid-sized businesses have bested their competitors by using better technology.

Today's modern, strategic CFO is now becoming a full business partner operationally and has become a true transformational figure well beyond the finance function, providing leadership in these four areas:

- The Deliverer of Financial Insights Tied to Corporate Vision – Whereas the CEO has the top responsibility for the business vision and culture, it is the role of the CFO to identify and recognize key actions and the financial ramifications that can help to make that vision a reality. Gone are the days when CFOs simply reported past financial performance and predicted the next quarter based on someone else's data.
- Support for Boardroom-Level Decision Making – For years, siloed data has prevented management teams and boards from being able to act as quickly as they'd like in areas such as mergers/acquisitions, resource adjustments, plant consolidations, etc. By ensuring that the ERP choice can quickly consolidate and deliver this information, the CFO increases their value exponentially to Boards.
- The Analyzer of the Long Term Impacts of IT/ERP Choices – Too often, ERP vendors push their solutions from a self-serving premise. A great example here would be on technologies that limit choice/customization, deployment options, provide limited integration capabilities and/or require extensive training or fat maintenance contracts. Informed, strategic CFOs make it their business to ask the "what if" questions that can have major top and bottom-line impact financially and affect the business's ability to scale down or up.
- Compliance Gatekeeper – Perhaps the greatest unknown to today's modern strategic CFO is what regulatory/accounting/tax mandates could totally shift the company's business model. Insisting that flexibility is a relatively low-cost component of any new ERP solution being evaluated may make the difference between a company that is in business today or one that is out of business following a major legal change.

Conclusion

At the onset, evaluating the areas of greatest financial and operational pain to the organization is time well spent. Possible areas of evaluation (beyond the more typical financial areas like GL, AR, AP type improvements) include the impact of inconsistent or questionable data from various business units, costly manual data entry systems, high inventory/overstock, lengthy inventory/financial reconciliations, errors/delays in order entry and shipment systems and evaluation of repetitious customer service issues. Harder areas to benchmark are instances of missed opportunity. However, most organizations have a good sense of what those are/were.

Overcoming these types of issues to take your manufacturing or distribution organization to the next level of growth requires a strong, integrated technology foundation that is a well-matched ERP solution from a trusted vendor. The strategic CFO's role in manufacturing and distribution organizations is to help their organizations find IT solutions with capabilities that save time, money, resources, and that scale cost-effectively.

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The ERP Trajectory to Success – CFO's Responsibilities

Selection> Deployment> Launch

Track benefits accruing from the new solution, which are useful for future IT decisions.

Provide continuous insights via the improved capabilities and make recommendations.



Help CEO to facilitate that cultural and process changes accompany use of the system.



Establish controls and clearly communicate the financial/business consequences of missed deadlines and deployment over-runs.



Communicate Financial implications of the (pre-ERP) pain points targeted for improvement.

Your Global ERP Partner

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.

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