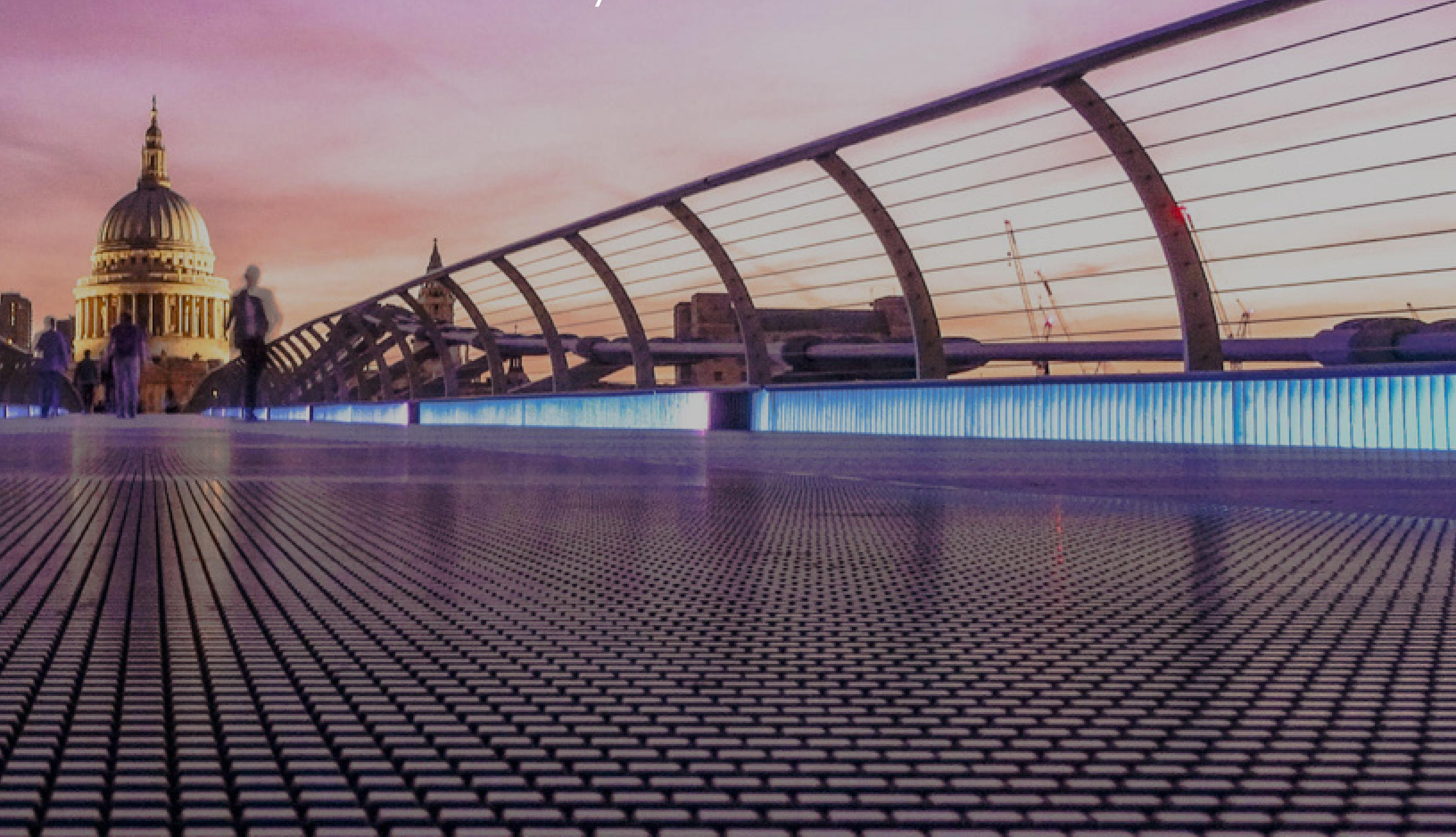
Remove the Back Office Bottleneck

How modernizing the back office can streamline order-to-cash and transform your business



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THE FINANCE LEADER'S GUIDE /

Finance departments are known as the back office, and they have traditionally taken a back seat in terms of influencing business growth and strategy.

But that's changing fast.

Primarily administrative, the finance team's responsibilities traditionally include accounting, billing, and compliance. At many companies, they represent the "office of no," the cautious money controllers who don't have time to explore new business initiatives because of limited back office processes and systems.

But that's changing fast. Armed with the right data and technologies, today's finance teams can do much more than manage compliance and risk. They can provide valuable strategic guidance to sales and marketing, advance new pricing models, and streamline the path from order to cash. The key is rethinking the back office function and demanding more from your staff and your technology.

A modern back office gives finance teams visibility into all revenue streams and helps unify all business-critical systems, including customer relationship management (CRM), configure-price-quote (CPQ), and revenue management tools. It allows finance teams to create forecasts and business analyses based on complete, company-wide data and to easily model what-if scenarios and new revenue and pricing strategies. It also automates and accelerates order-to-cash (O2C).

With a modern back office, finance teams achieve return on investment (ROI) by accelerating time-to-market for new products and services, adopting more profitable and compelling pricing models, and streamlining O2C. In fact, according to an analysis by MGI research, modernizing the O2C process alone typically delivers an ROI of 15–28 percent.[1]

This ebook makes the business case for modernizing your back office to empower your finance team and improve overall business performance.

1. MGI Research, Modernizing Quote to Cash Webinar, June 24, 2019.

Is your back office holding you back?

At many companies, the finance department lacks advanced automation that other parts of the organization may take for granted. In a recent survey of 378 CFOs conducted by Grant Thornton LLC & CFO Research, less than half said that their organizations have fully automated their core financial management and planning processes.[2]

2. 2019 CFO Survey Report, Grant Thornton LLC & CFO Research.

Your ERP may not support all your revenue models.
Finance teams often rely on Microsoft Excel because their ERP platforms are missing key features. For example, a growing number of businesses have introduced subscription-based and hybrid pricing models. But many popular ERPs do not support them, or they require clunky, bolt-on solutions. Finance leaders at companies with limited ERPs often find themselves in the position of either saying no to a new and potentially lucrative pricing strategy or committing to managing it with Excel.

Excel won't help you optimize O2C.
What's wrong with relying too heavily on Excel and similar tools? By nature, spreadsheets are not designed to synchronize with source data in real time, so the data they contain is often out-of-date. In addition, refreshing that data typically requires manually extracting and normalizing many different sets of data from multiple subsystems—an extremely time-consuming process. For example, creating a simple revenue forecast might require pipeline data, contract data, sales orders, billing terms, and more.

Also, spreadsheets are not designed for collaboration, and they are difficult to share. When any part of your O2C process relies on spreadsheets, it can get bogged down. In fact, according to a Genpact study, 7–12 percent of combined revenue in working capital is stuck somewhere in inefficient O2C processes at top global organizations.[3]

Moreover, the final phase of O2C—revenue recognition—is itself a complex process that has become even more challenging among new accounting standards and regulations. Building spreadsheets to accurately recognize revenues per ASC 606 guidelines, for instance, is a time-intensive exercise for finance teams and may require contracting third-party experts, increasing audit fees, or even hiring more staff. Maintaining these spreadsheets, scrubbing data, and running reports can fully occupy your finance team and take them away from strategic planning.

3. Smarter Order to Cash Processes, Genpact

According to PwC, many businesses that built complex spreadsheets in the rush to comply with ASC 606 now face long-term risks:

> "The crunch of meeting the adoption deadline may have necessitated a less than-optimal operational implementation for some companies. Brute force—an amalgam of people-managed processes, spreadsheets, and databases—was necessary to get some companies over the finish line in time. While these short-term solutions may still be holding up, the additional risk they can create and the extensive resources they typically require make them an unpalatable long-term solution."[4]

If your back office relies on legacy technology and spreadsheets as your primary reporting, data analysis, and collaboration tools, you will always be struggling with compliance issues and lagging O2C.

4. "Beyond 606 compliance Automate revenue recognition, improve operations, reduce risk and realize greater value," PwC, June 2018.

The evolution of pricing models

From single sales to everything-as-a-service

Not long ago, pricing for products and services was straightforward. Businesses would pay a set fee to own a product indefinitely, or they would pay time and materials. But the days of simple pricing are ending.

With the advent of the cloud, software companies began providing software-as-a-service, in which customers pay a fixed recurring fee. Quickly, this model spread to other markets such as hardware and IT consulting, and new pricing models evolved. Today, almost everything is available "as a service." Some of the most common pricing models include:

- **Standard subscription pricing**, in which customers pay the same fee over a consistent interval for a defined level of service
- **Usage-based pricing,** which is determined by the consumption of bandwidth, data, etc., and may fluctuate a great deal from month to month
- **Hybrid pricing,** which combines a flat recurring fee with a consumption fee if usage exceeds a predetermined level
- **Freemium pricing,** in which customers get base features for free and pay to unlock new functionality or services

Rather than being the "office of no," a modern finance team can be a valuable ally for growing the business.

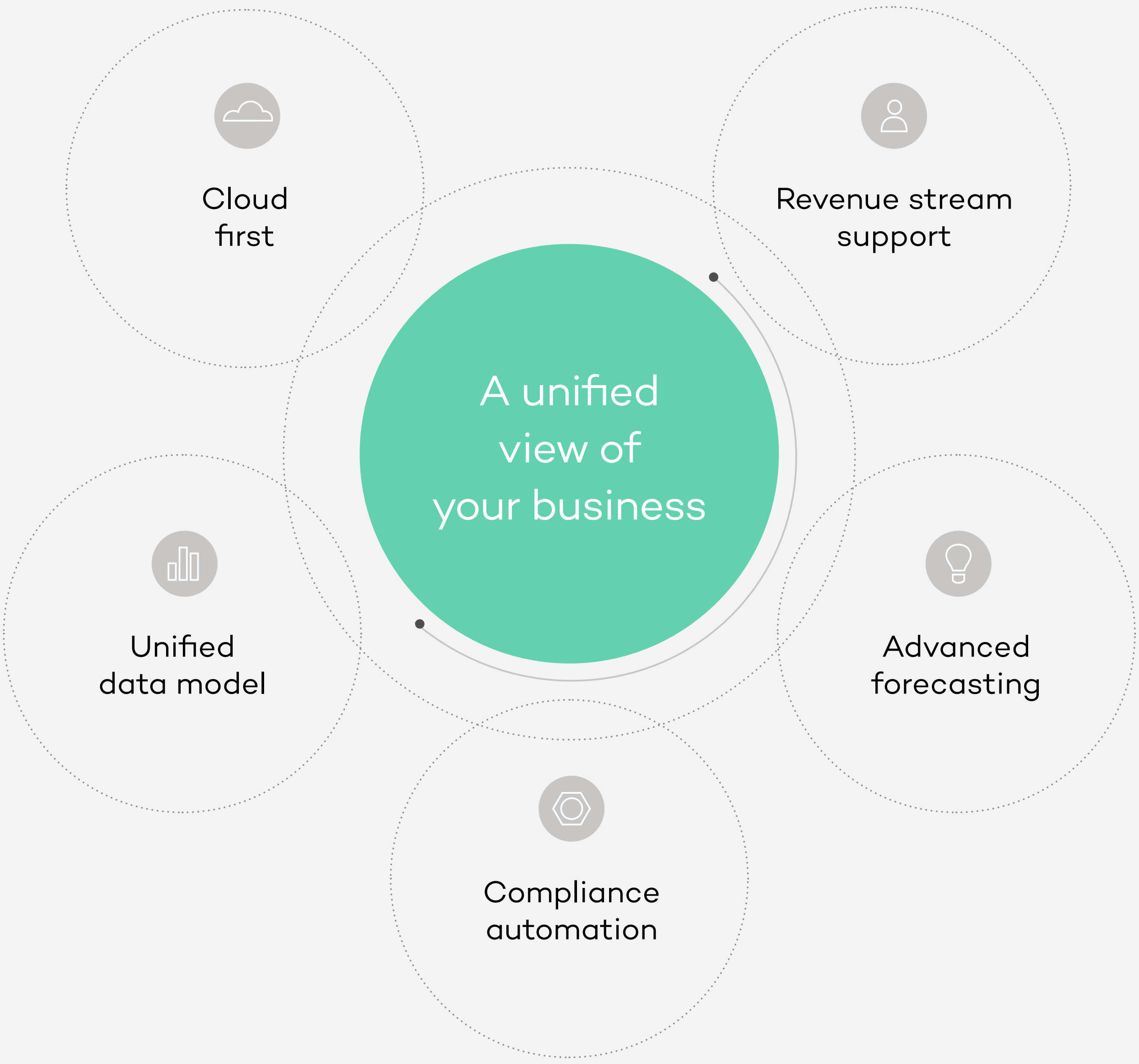
A new vision for a proactive, growth friendly back office

Today's increasingly complex business models have outgrown the old-school back office. The single revenue model—one product, one price, one time—is a dying strategy. Instead, businesses must offer flexible and personalized pricing, billing, and even monetization options. In this ultra-competitive environment, the ability to launch new models alongside traditional ones is key to sustainable growth.

While marketing and sales can propose new pricing, product, and service models, they can't do it alone. The finance team must be able to analyze new pricing strategies and predict their success or failure. They must also be able to evaluate the performance of existing offerings—and which deliver the highest margins—as well as the lifetime value of every customer.

A modern back office can also play a critical role in decreasing days sales outstanding (DSO) and improving the health of the balance sheet. By automating the flow of orders from sales and fulfillment to billing and revenue recognition, it can support healthy cash flows while allowing sales, marketing, order/service fulfillment, and finance teams to work together more effectively.

The modern back office at a glance



Requirements for a modern back office

A modern back office provides a unified view of your business. It must run from a single data source structured around a master customer record: This way you get a complete view of all your customers' projects and performance obligations at all stages from order and delivery to billing and revenue recognition. At a minimum, a modern back office platform should offer these features:

- **Cloud first:** Cloud (or SaaS) applications are more agile and easier to maintain and upgrade. Plus, they can be accessed by any user in your organization with a web browser and the right permissions. Just make sure your system is a cloud-first application that runs on a reputable, reliable cloud platform.

- **Support for any and all revenue streams:** A modern back office should be able to support any pricing model, from fee-for-product and fee-for-service to hybrid subscription models. It should also aggregate those revenue streams to give you a complete picture of your earnings and margins, while keeping billing simple for customers who have multiple contracts with your organization.

- **Unified data model:** A modern back office should be powered by a single data model. Ideally, this model should support at least 80 percent of your business processes out-of-the-box. This approach is very different from just integrating heterogeneous systems, which require data warehouses and a large IT staff to keep things running.

- **Advanced forecasting plus predictive analytics:** In addition to a unified data model, a modern back office should have the tools you need to make that data actionable, and help you assess what's already happened to better predict what will occur in the future. Advanced forecasting methods—such as predictive time series models and machine learning—can give you a highly accurate view of future cash flows.

- **Compliance automation:** Ensuring compliance with accounting standards like ASC 606 can be extremely time-consuming when you're working with spreadsheets or legacy accounting systems. A modern back office platform should help automate many of the processes and manual tasks required to comply with complex financial reporting and revenue recognition standards.

How a modern back office pays for itself

A modern back office is instrumental in transforming finance from a cost center to a value center. With the data available in a modern, unified platform, finance can provide valuable insights on pricing models, product and service performance, and customer behavior to increase deal size, margins, and renewal rates. Through workflow automation, finance can dramatically improve efficiencies, reducing O2C and DSO.

Once you've modernized your back office, measurable results come quickly. Here are examples of businesses that transitioned away from legacy platforms and spreadsheets to modern finance:

- **Seagate** was unable to report on the real-time performance of their business. Their legacy financial system did not integrate easily with Salesforce CRM and offered no visibility into invoices, payments, and overall customer service. By switching to FinancialForce solutions, natively built on the Salesforce Platform, Seagate reduced O2C from 42 to 14 days and period close from 11 to 5 days.

- **Motus** is a leader in mobile workforce management software. As a startup, they relied on QuickBooks for critical back office functions. As they grew, QuickBooks could not keep up. They supplemented QuickBooks with spreadsheets but it became increasingly painful and time-consuming to generate accurate reports. After replacing QuickBooks and spreadsheets with automation from FinancialForce, month-end reconciliation became 99 percent faster and month-end close improved from weeks to days.

- **10Fold** is a fast-paced, growing client services business that operates on a fixed-fee model and tight margins—where rich and timely data determine success. Like most emerging businesses, the company started managing financials with spreadsheets and special-purpose apps. As they grew, they found that not having a single, integrated system for finance and client projects was slowing down cash flows. With FinancialForce, 10Fold reduced DSO from 60 to 15 days in just two months.

Next steps

Eliminating back office bottlenecks—and transitioning to a modern back office—is one of the most important things you can do for your business. It empowers finance to go beyond compliance, to unlock new revenue models. It also delivers operational efficiencies that can reduce O2C and DSO. Overall, a modern back office delivers a high ROI that can improve your bottom line in just a few months.

Here are immediate next steps to help you on that path:

- Closely examine and document current O2C processes
- Pinpoint bottlenecks in the workflow and compliance process
- Outline goals for improvement mapped to organizational initiatives (new business models, acquisitions, growth strategy)
- Start documenting your requirements for a modern back office
- Research market-leading solutions that address all of the above

Transform your back office with the Salesforce Platform

Most businesses are familiar with Salesforce CRM. However, you may not be as familiar with the Salesforce Platform. This world-leading cloud platform provides a unified data model that acts as a single source of truth for your whole organization. It can power CRM as well as fully integrated back office functionality.

FinancialForce solutions, which include Accounting & Finance, Subscription & Usage Billing, and Revenue Recognition & Forecasting, are built on the Salesforce Platform. Because they are designed around a master customer record, you get a complete picture of customer touchpoints for your entire company. And because they natively integrate with CRM and other Salesforce applications, you can automate complex workflows and compliance reporting—and accelerate O2C.

If your back office technology isn't meeting your needs, consider FinancialForce, especially if you're already using Salesforce CRM.

LEARN MORE

How VFP Consulting reduced quote-to-cash

VFP Consulting helps companies find the right software solutions for their business strategies. Today, VFP runs their entire business on the Salesforce Platform, and they use FinancialForce to automate finances and project management.

Watch this webinar to see exactly how they use their new, unified platform to dramatically reduce quote-to-cash and grow business.

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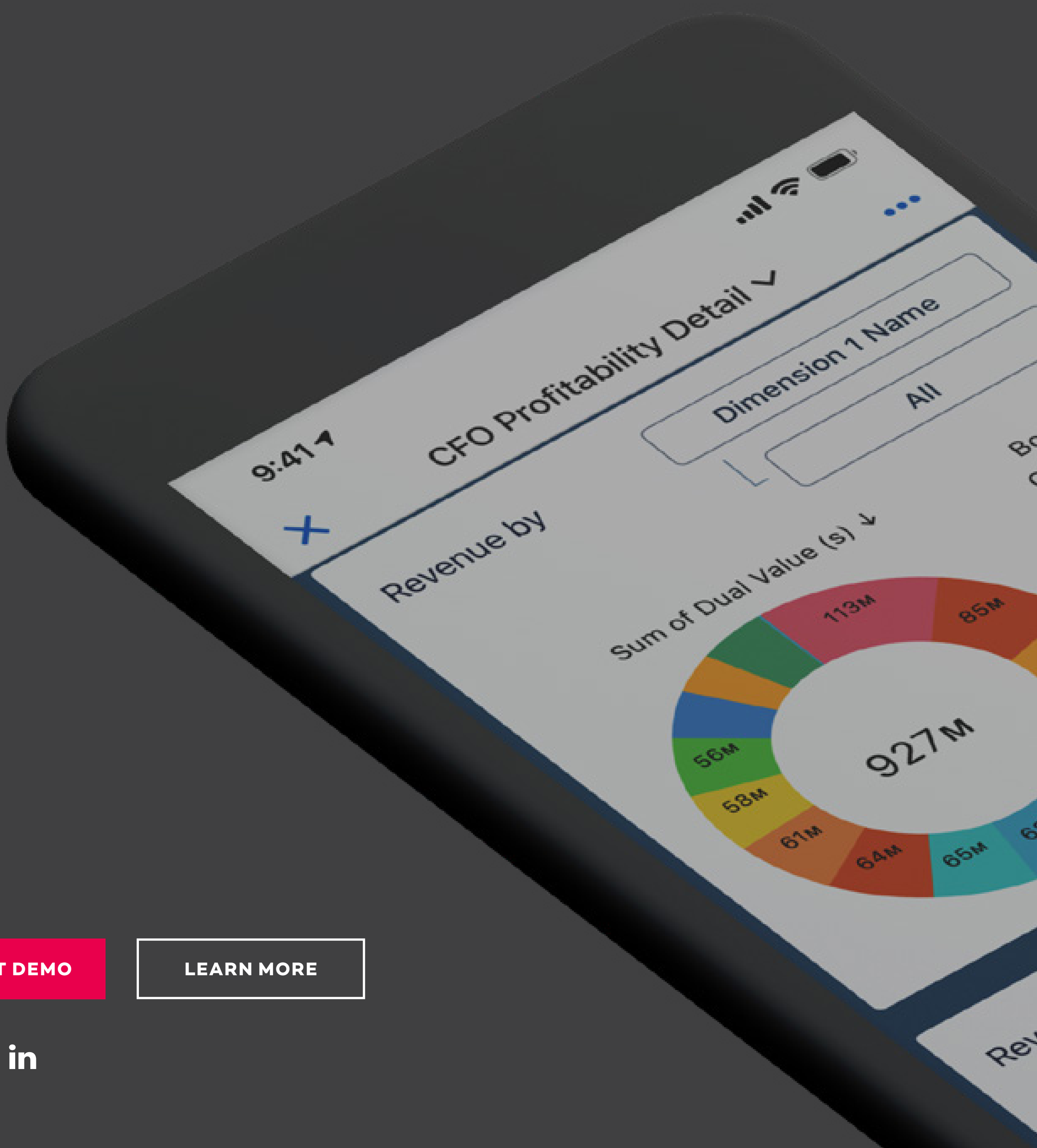
EXPERIENCE MODERN ERP

FinancialForce delivers the #1 professional services automation (PSA) and the only customer-centric ERP. We accelerate business value with comprehensive best practices and the most intelligent analytics—all on the leading business cloud platform from Salesforce.



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