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The Innovative CFO

Transforming your role to achieve organizational success

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Executive Summary

The professional service sector is increasingly pressed to do more with less. Competition is rife, the economy is still recovering, and both internal and external clients request immediate responses. Often times, it is a firm's Chief Financial Officer (CFO) who is sitting on the receiving end of these pressures. With a finger on the pulse of the business' financial operations, enabling complete control, visibility and efficiency are ongoing challenges that need to be addressed by a CFO to ensure the firm's profitability and growth. And to successfully achieve these objectives, a new breed of CFO is required – one with an innovative outlook, who can lead their firm to operational excellence.

As CFO, your traditional role of safeguarding financials and managing budgets is now expanding to include a myriad of additional responsibilities that enable you to lead your firm down a path of growth and profitability. Modern CFOs are seen as trusted advisors, skilled financial gurus, and strategic leaders. In order to take your firm to the next level, it's necessary to shift your focus to developing and executing successful business strategies.

This white paper explores how the CFO role must transform to keep up with the continuous environmental changes. You have to be flexible and adaptable to stay afloat with modern day business challenges. Improving back-office efficiencies, investing in technology and managing the demands of a global business environment will contribute to the transformation of your role. You have to become a strategic business partner, who positively impacts your firm and ultimately helps grow your business.

Shift the Focus from Operations to Strategy

The professional services industry is currently faced with the challenge of having to do more with less due to the recent recession and market changes. The struggle of how to accomplish more work, but with more competition and less resources, is a daunting task for any CFO. As a CFO, you must address these ongoing challenges in addition to maintaining business operations and enabling visibility to ensure your firm's profitability and growth. In order to successfully achieve these objectives, you need to transform your role into a proactive strategist.

Gone are the days where your primary focus is on the operational functions of your firm. It is time for you to start thinking of your business with a fresh perspective and possess an innovative attitude. But innovation, by its definition, requires change. You and your finance team can no longer devote all of your time to operational tasks such as paying invoices and chasing remittances—your firm needs more than that. It needs a strategic visionary to influence essential business decisions within your organization. As the CFO, you are not just the calculator for your company anymore; you are a strategic advisor who must drive change within your firm.

Your evolved role requires you to make use of all the essential skills you have acquired over the years—financial acumen, analytical thinking, and cost versus benefit analysis—to help navigate a wide array of added responsibilities. You still need to run the financial side of the business; managing the annual budget, reducing costs and producing auditable financial statements. But now, you must also consider how to streamline your internal processes, what new products and services your

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firm should offer, how to enter new markets, and how to drive organizational change within your firm.

For example, if your firm is looking at their latest sales forecast, you can leverage your strong financial and analytical skills to consider the business implications.

- What is the revenue recognition impact of bringing in these new deals?
- Should the contract terms be restructured to provide greater benefit to the balance sheet?
- How about the latest acquisition that is being targeted?
- How will the short-term hit to cash reserves be balanced against the long-term uplift to revenues coming from a larger portfolio?

Answering such questions equips you with the necessary insight to advise your entire firm to make better business decisions and ultimately helps your organisation grow.

As a modern CFO, you are a critical player in helping your company execute a successful business strategy. You are relied upon to deliver insight and guidance to the entire organization. You have to become a strategic business partner who focuses on growing your firm's revenue and increasing visibility into key business metrics, such as profit margin, billable utilization, and profitability per project.

Move from Operations to Strategy:

- **Apply the skills you already possess:** The combination of analysis and interpretation extend beyond the balance sheet
- **Think big:** Where else in your organization can you provide commercial benefit?
- **Become a partner:** Be the person the organization relies on to provide robust business intelligence

Improve Back-Office Efficiency

In the past few years, many firms have reduced costs and maintained margins by lowering headcount. As a result, there is additional pressure on businesses to deliver more with fewer resources. It is no secret that professional services firms' time is valuable, with every hour being critical to whether revenue is gained or lost. Implementing a business model that promotes faster, more functional internal business operations can dramatically improve productivity.

Improving productivity begins with analyzing each individual business process and determining what can be done better. Even the smallest adjustment can have flow-on effects that are ten-fold to the rest of your team. Transforming the back-office can get your day-to-day functions such as Accounts Payable (AP) and Accounts Receivable (AR) working like a well-oiled machine. This not only frees up time to help increase your staff's productivity, but will also enable you to shift your attention to the forementioned strategic initiatives to drive organizational goals for growth and improved profitability.

The use of technology, such as enterprise resource planning (ERP) systems, greatly increases the optimization of back-office efficiencies by automating business processes, easing administrative burdens and consolidating information and data. You can further maximize the efficiencies of your firm by implementing integrated back-office and front office systems. A fully integrated system provides the ability to manage the entire project lifecycle, not only giving you better resource planning, but also giving you more accurate revenue forecasts and better pipeline visibility.

People are the most valued resource in professional services organization. Therefore it is imperative to find ways to ease individual workloads so your resources they can focus on winning business for your firm. Utilizing systems to standardize and optimize core processes and

manage workflow helps increase their bandwidth so they can assist with strategic initiatives that will drive greater value to your business.

Improve Efficiencies

- **Analyze your processes:** Understand where improvements can be made
- **Standardize and optimize core processes**
- **People are your most valuable asset:** Free up their time to concentrate on value-add initiatives

ERP systems minimize the hours spent per week on administrative functions, allowing your billable resources to allocate their time to winning business for your firm.

Invest in Technology to Support Business Growth

Spending large amounts of money is typically not what CFOs are known for. It is your responsibility to scrutinize every pound spent—to analyze and justify where it is going and its impact on your business. One of the most costly expenditures a firm has to invest in is technology. But money spent on technology can be a very lucrative investment, as technology is instrumental to maximizing productivity.

A recent report from the analyst IDC, titled 'Successfully Managing a Consulting Business in Challenging Economic Times', addresses how project-based firms can benefit from adopting purpose-built technologies to help them meet business challenges such as increasing revenues and maximizing profits. The report discusses how a single consultant will average a loss of 6-10 hours of billable work per week due to unnecessary administration bought about by inefficient technology systems. Imagine the amount of profit-generating work that can be accomplished in 10 hours.

As previously mentioned, investing in technology systems such as ERP, brings a multitude of benefits to your firm. ERP systems minimize the hours spent per week on administrative functions, allowing your billable resources to allocate their time to winning business for your firm. Additionally, ERP systems provide real-time information, which gives better visibility into the business, allowing you to act fast and manage margins effectively. These systems give you the data you need to support more effective decision making and plan more strategically.

Although you may feel hesitant over the cost of purchasing new technology systems, once they are implemented, you will have the opportunity to deliver measurable ROI to your firm. Additional benefits from technology include streamlined financial management, accelerated billing, reduced IT costs from retiring disparate and disjointed systems, and much more. In order to reap these immense benefits, you must evaluate your current systems and invest in the right technology.

Invest in Technology

- **Maximize productivity:** Streamline processes with automation and standard processes afforded by ERP
- **Ease your pain:** Let the system do the heavy lifting by streamlining processes and easing administration
- **Consolidate:** Don't have disparate systems. You need the bigger picture and the ease of one version of the truth
- **Be quick:** Right now is not fast enough in today's world. Technology provides information in real time

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Go Global

- **Deploy a core model:** Standardize a global infrastructure but allow some flexibility for local GAAP and reporting requirements
- **Multi-company, multi-currency:** Ensure you have the systems and procedures in place to deal with business requirements
- **Aggregate:** Ensure you can consolidate and access a company-wide view of performance
- **Minimize risk** to help your firm’s global success

Expand and Manage Globally

Many firms are expanding their businesses globally these days. Chances are your competitors have already established a global presence, making it even more essential to explore the option of entering international markets.

While doing business internationally brings new opportunity, it also comes with a variety of new challenges, especially for the CFO. You have to deal with multiple currencies, differing taxes and regulations, new types of invoicing and payment terms, varying generally accepted accounting principles (GAAP), and local reporting requirements. As a strategic leader, you need to ensure that you have the appropriate systems in place to combat these challenges and allow your organization to seamlessly operate across borders

To ease the plethora of challenges that comes with expanding globally, you need to ensure that your core processes are streamlined and the necessary technology systems are in place. Standardize your infrastructure to

meet the demands of a global organization, but allow flexibility for local GAAP and reporting requirements as necessary. Implement an integrated ERP system that can provide a consolidated picture of your business as whole, which gives the insight and foresight to protect your business. Consolidating and standardizing your processes will help you gain economies of scales. Additionally, you must ensure your firm meets compliance standards and minimizes risk to help your global growth be successful.

Conclusion

As the economy continues to change, your role as the CFO needs to evolve to respond to the dynamic nature of the market. Becoming a strategic CFO is about finding ways to enable fast and accurate strategic decision making for the business as a whole. When you apply efficiencies to your firm’s operational processes, invest in technology to help maximize productivity, and manage your organization on a global level, you play a crucial role in your firm’s success and continued growth.

Become a Strategic Business Partner

- Apply efficiencies to your firm’s operational processes
- Invest in technology to maximize productivity
- Expand and manage globally

Source: Michael Fauscette, “Successfully Managing a Consulting Business in Challenging Economic Times,” • Deltek Publication (August, 2012)

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