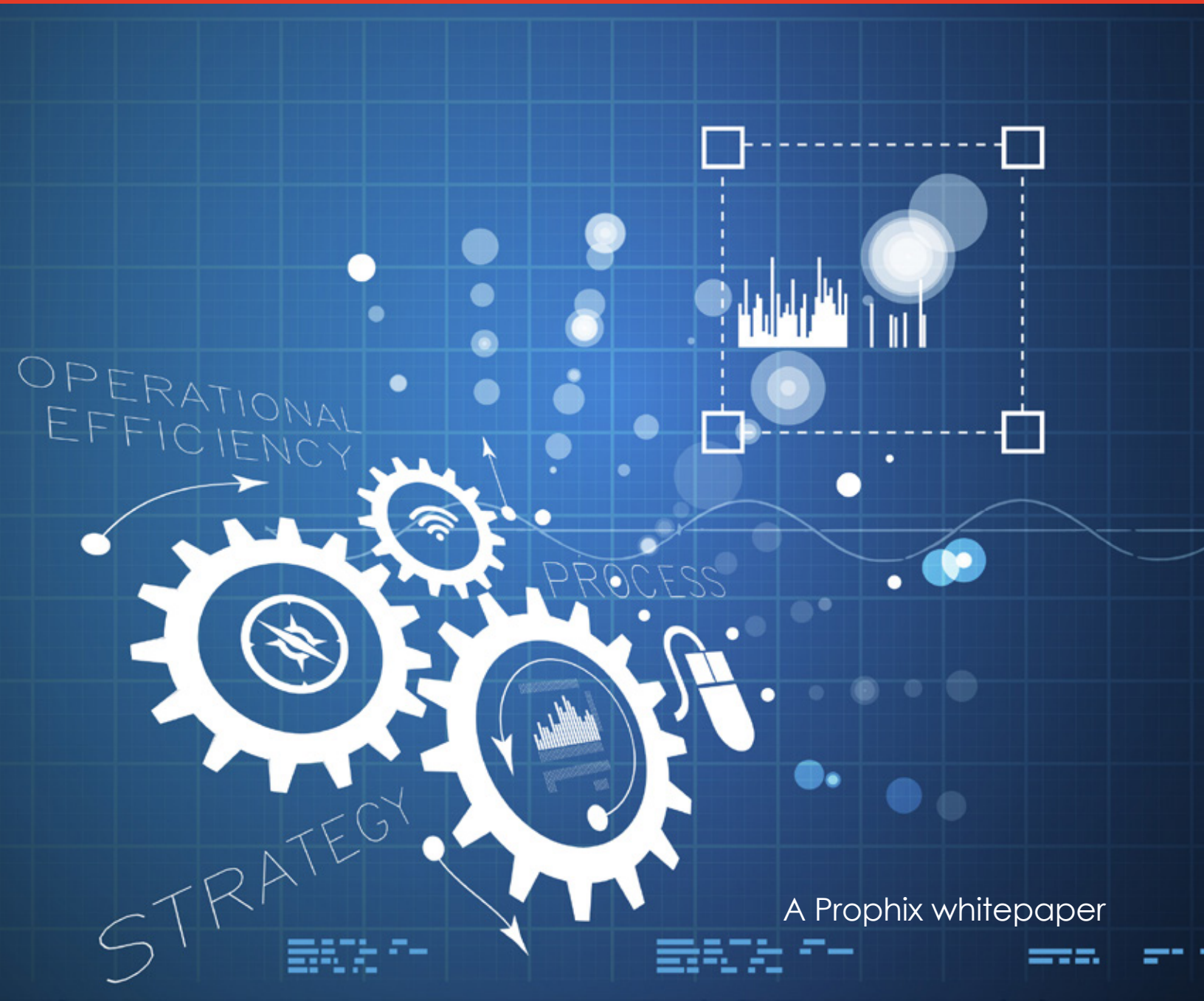


# Operational Intelligence

How finance connects company functions to drive smarter decision-making



# Inside this document

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<b>Introduction</b>	<b>3</b>
<b>Benefits of Operational Intelligence</b>	<b>4</b>
Better informed decision-making	4
Streamline international operations	4
Real-time customer insight	4
<b>Steps to Operational Intelligence</b>	<b>5</b>
Accelerate information flow	5
Grow collaboration	5
Diversify focus	5
<b>Challenges</b>	<b>6</b>
<b>Skill Mix</b>	<b>6</b>
Technical Skills	6
Soft Skills	6
<b>Internal Politics</b>	<b>7</b>
<b>Data, Processes, and Systems</b>	<b>7</b>
<b>Conclusion</b>	<b>8</b>

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**Published by:**

Prophix Software Inc.

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## Introduction

***“CFOs around the world increasingly recognize that the standards for their finance functions’ responsiveness and credibility are being raised, and that yesterday’s processes and solutions will no longer be able to deliver information that provides a competitive advantage.”***

***—CFO Magazine\*, following a survey of 300 senior finance leaders***

The message is clear: the modern finance function must move faster, sharing insight about what’s happening now, not what happened yesterday.

This is Operational Intelligence.

Finance is the natural home of key business data. The department that has always held most important numbers. Now those building a truly modern finance function are becoming connectors for the wider organization. A hub for collaborative relationships built around shared data. Data that drives better, faster decision-making.

This advancement is recognized in the analysis of thought leaders like Gartner and Forrester. Level 3 of Gartner’s Maturity Model for modern finance – what it calls ‘Comprehensive’ - suggests that finance has ‘operational participation in corporate planning’. Forrester’s analysts make ‘integrating planning and performance across lines of business’ one of its ‘Five Keys To Next-Generation Planning And Enterprise Performance’.

Of course, finance has always been involved in the planning process. What has changed is the level of collaboration, and the age of the data. The key transition here is from backward-looking to present-day, underpinned by the systems and tools to enable near-real-time feedback from finance to the rest of the organization. The benefits are numerous in terms of operational agility, insight, and cohesion.

***“It’s a huge quantum leap for the business. It allows quicker decision making, and it allows the executive to feel that they are making more informed business decisions for decades to come.”***

***—Tony Crawte  
Group Financial Controller  
Solar Century***

\* <http://ww2.cfo.com/strategy/2016/07/enabling-eureka/>

# Benefits of Operational Intelligence

The transformation from reporting to Operational Intelligence is motivated by huge potential benefits.



## 1. Better informed decision-making

In a fast-changing world, current data has incredible value. The ability to collate, analyze and present current data in a compelling form should drive better decision-making around products and markets, purchasing and supplies, and enable sales and operations to recognize opportunities and efficiencies.

For example, live profitability analyses of different products and markets can shape investment during the financial year.

## 2. Streamline international operations

With international business increasingly the norm, and organizations scaling to suit, reporting can become highly complex. Organic growth, acquisitions and international partnerships all bring new data formats, and greater volumes. A truly modern finance function extracts meaning from international data and reports it with clarity, enabling greater insight into operations.

## 3. Real-time customer insight

Customers aren't always forthcoming about their current happiness or future plans. The numbers can sometimes tell a business what the customer won't. A modern finance function provides insight into customer behaviour, extracting context and trends from transactions.

# Steps to Operational Intelligence

Transitioning from a backwards-looking reporting to a function focused on today's challenges requires a number of transformative steps.



## 1. Accelerate information flow

The time it takes for information to travel from the edge of an organization to its centre is a key measure of agility. Without the fast flow of information, a company cannot react quickly to changing market conditions. Real-time information is the ambition for all modern enterprises, though in reality it is not yet achievable for the majority. Taking this as the goal and working progressively closer to it is a sensible approach.

## 2. Grow collaboration

'Management reporting' carries the clear implication that the flow of information from the finance department should only be upwards. But this attitude is distinctly limiting. The finance function should be sharing information across the organization to add insight and intelligence to all operations.

The truly modern finance function is a hub not just for information but for collaboration, opening up access to its vital resources to other teams. It should work with those teams across shared tools and goals to help everyone better understand trends, customers and supply chains.

## 3. Diversify focus

Just because a metric is counted in currency, it doesn't mean its only value is financial. The flows of cash can inform all sorts of aspects of the business. A modern finance function requires broader thinking. Open up access to existing financial data to other functions and have the conversation about what data points would add value.

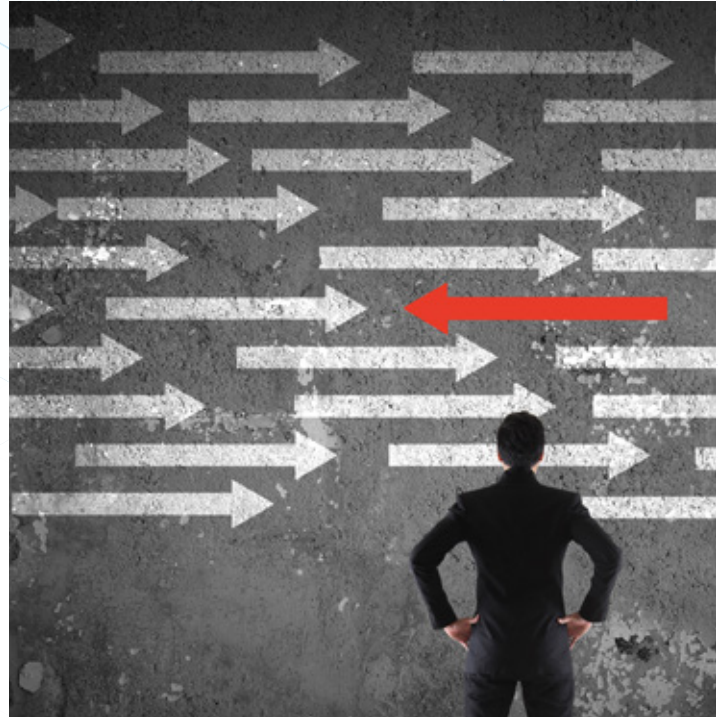


## Challenges

Making the transition to Organizational Intelligence requires changes on a number of fronts: skills, process, systems and internal politics.

## Skill Mix

The modern finance function stretches the skill set of the finance team and its leadership. New technical skills are required alongside a 'softer' set of skills for communication and collaboration, since the modern finance function must reach beyond its own walls and achieve partnership with many aspects of the business to maximize value.



## Technical Skills

Automating functions requires a very different skill set to manually processing them each time. The ability to understand basic tenets of programming, such as loops and functions, variables, inputs and outputs, will be enormously prized in future finance teams, especially where combined with strong financial literacy. Training in hybrid finance/IT skill sets is likely to be a growing demand, and one that universities are yet to meet.

## Soft Skills

Partnering across the business to collect, share and analyze data means building relationships and communicating effectively. This is not always a skill that has been held in depth in the finance department, where an affinity for numbers was perhaps prized ahead of an affinity for people. Formalizing the training and evaluation of networking, information gathering and presentation should become a core part of talent development.

Perhaps the greatest personal challenge in the modern finance function is to the leadership. This transformation presents great hurdles in the development of skills and technology across the department, but it also presents a personal opportunity. A successfully completed transformation arguably opens up the path from the CFO's office to the CEO's office.

## Internal Politics

Forrester notes that collaboration is a key component of success, but the traditional interactions between finance and the rest of the organization don't exactly make for an easy, warm relationship. From budgeting through to expenses, finance is easily seen as more of a necessary evil than a valued partner - the infamous 'sales prevention department'.

The modern finance function is powered by partnerships with different units across the business. In many organizations those relationships have not been developed and instead the sales and marketing teams have grown their influence. The modern finance function can offer a great deal to these departments, in terms of insight and intelligence. The first step to enhancing finance's role is not to displace these other influences on the organisation, but to empower them, demonstrating finance's role and its value.

Communicating added value is key to overturning negative notions, and that starts with understanding the challenges that other parts of the organization are facing that finance is uniquely equipped to solve.

Addressing this may require development in the finance team as a first step: building relationships and learning to extract the right information in order to be able to define the problem is a specific skill set.

## Data, Processes and Systems

A pre-requisite of an intelligent organization is the ability to pull in the right data, analyze it and act quickly on its implications. Too many organizations are still poor at collecting and storing the right data. Even if they have the skills to analyze it, they often lack the systems to support that analysis and the management structures to enable rapid action.

The starting point for addressing this challenge is understanding and remapping processes and data flows. Continuing and building on the important work of systematization and automation described in our paper on Smart Compliance. Embed more systematization and you can free resource for analysis. In the process you should build a robust data platform from which to conduct analysis.

Once these things are in place you can rapidly begin to add value through insight.

## Conclusion

Making the shift from backwards-looking reporting to current-day focused Operational Intelligence is not without its challenges. Doing so requires a platform of standardized processes and smart systems that lower the friction of required reports, to enable the production of more insight – both by the finance team and other business units. And it requires a clear focus on skills in the finance team to secure the collaboration of co-workers in other functions. Sometimes this means overcoming historically negative relationships.

But achieve these things and the benefits are many.

### **The key questions to ask yourself are these:**

**Skills:** Do you have the key talents in the function to achieve the development you desire? As noted above these are skills of communication to build relationships with other departments, systems thinking to drive automation, and planning & analysis to provide foresight.

**Relationships:** Do you have connections at the appropriate levels with other functions across the organization? Without collaboration it is impossible to fulfil the promise of the modern finance function. Understanding how.

**Position:** How is finance valued within the business? As a strategic partner or a functional resource? Going beyond the historical and financial to look at future trends is key to establishing greater value.

**Process:** Do you have the fundamentals automated to minimize risk and maximise available resource? Repeatable tasks shouldn't be using valuable creative minds that could be re-applied to planning and analysis.



## About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing its risks. Thousands of forward-looking organisations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

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