Ahead of the Curve: Future-Proof Your Business in the Cloud

What finance organizations can learn from high-performance companies that have survived and thrived.

Dr. Mark L. Frigo, CMA, CPA, PhD
Director of the Center for Strategy, Execution, and Valuation
Kellstadt Graduate School of Business, DePaul University, Chicago, IL
Summary

Where will your company be tomorrow? With new technologies and a proven framework for success, forward-thinking finance leaders are helping their companies weather change, grow, and get ahead. What makes them different?

By leveraging the Return Driven Strategy framework, we found some common themes that can be leveraged to foster high-performance in your growing business or organization.

WHAT MAKES A HIGH-PERFORMANCE COMPANY?

In developing the Return Driven Strategy, researchers defined high-performance companies as those that meet three criteria simultaneously:

1. Superior and Sustainable ROI: 10+ consecutive years of return on invested capital (ROIC) that exceeds twice the cost of capital

2. Disciplined Growth: 10+ years of asset growth rates that exceed local gross domestic product (GDP) growth rates while maintaining superior ROI performance

3. Superior Shareholder Value Creation: 10+ years of total shareholder returns (TSR) consistent with ROIs and growth (usually about 2x the market or higher)
Companies that consistently achieve high growth rates, ROI, and shareholder returns appear to have one thing in common: forward-thinking CFOs who build winning finance teams.

After studying 15,000 companies of various sizes for 15 years, researchers with the Center for Strategy, Execution, and Valuation at the Kellstadt Graduate School of Business at DePaul University discovered a pattern of activities that drives superior corporate performance.¹ They documented them in the Return Driven Strategy, a framework of best practices commonly used by high-performance organizations.

The framework, which centers on sustainable long-term growth and profitability, is helping CFOs gain a competitive edge. It stresses looking beyond the present to focus on the future—a challenge for many finance teams.

In a recent Inside Talk webcast hosted by the Institute of Management Accountants (IMA), 1,000 attendees were asked, “Is your organization more focused on managing the present business or creating the future business?” Results showed that 43 percent were focused on the future and 47 percent were only operating in the here and now.²

¹ Research included reviewing articles, books, case studies, and annual reports covering each company; performing extensive financial analysis; conducting interviews with managers, customers, vendors, and competitors of the companies; analyzing compensation plans and other corporate governance issues; and exploring how the companies created wealth while adhering to the ethical parameters of their communities.

² IMA Inside Talk webcast: “Gaining Strategic Advantage Through the Cloud,” December 8, 2015
Balancing Act: Thinking Now and Beyond

Balancing the focus between today’s business and tomorrow’s growth requires most finance organizations to transform. Many are still bogged down by manual accounting processes and systems that consume valuable resources, increase margin for error, and lengthen the time required to deliver critical information to business leaders.

MANAGING THE PRESENT
- Focus on current customers and performance benchmarks
- Internally focused
- Focus on delivering offerings
- Haphazard stakeholder engagement
- Reactive to forces of change (regulatory, technology, customers, competitors)

CREATING THE FUTURE
- Focus on future customers and future customer needs
- Externally focused
- Focus on innovating offerings
- Strategic risk assessment and strategic risk management
- Proactive risk management: creation of unique capabilities in a learning culture

The Return Driven Strategy presents a framework as well as tools and practices which finance leaders can use to move from reactive reporting to forward-looking innovation targeted to growth and performance. All of this—plus case studies from companies that have successfully made this transition—is laid out in the pages that follow.
Future Forward: The Return Driven Strategy

The Return Driven Strategy features eleven core tenets and three foundations that are the trademarks of success for high-performance companies:

**COMMITMENT TENET:** Show a commitment to ethically maximizing long-term wealth by achieving superior and sustainable ROI and disciplined growth.

**GOAL TENETS:** Achieve superior ROI and growth by fulfilling otherwise unmet customer needs and targeting customer groups with growing needs.

**COMPETENCY TENETS:** Focus on the competencies of innovating, delivering, and branding offerings better than your competitors.

**SUPPORTING TENETS:** Align other tenets with supporting activities such as managing and redesigning the value chain, engaging employees and customers, and balancing the focus between today’s business and tomorrow’s growth.

**FOUNDATION 1: Genuine Assets**
Leverage valuable capabilities and resources (genuine assets) in the business strategy to give the company competitive advantage and tomorrow’s growth.

**FOUNDATION 2: Vigilance to Forces of Change**
Be vigilant to significant forces of change, managing risks and opportunities better than competitors.

**FOUNDATION 3: Disciplined Performance Measurement and Valuation**
Use performance measures (financial and non-financial) that are highly aligned with valuation and the value of the company.

The Return Driven Strategy: Copyright © 2000-2007 Frigo and Litman
Strategy in Practice:  
21st Century Finance Organization

Amid growing uncertainty, increasing competition, reduced budgets, and greater regulatory scrutiny, company leaders must achieve new levels of agility and competency to chart a path to sustainable performance. Increasingly, they are turning to their finance function to lead the way, moving the back office to the front line of innovation.

Forward-thinking CFOs are responding by using the Return Driven Strategy framework to:

1. Develop and assess company plans
2. Initiate focused growth strategies
3. Conduct strategic investor relations
4. Evaluate M&A opportunities
5. Manage risk strategically
6. Communicate all strategies inside the company and to a board of directors/trustees
7. Develop a strategy and strategic skills within their finance organization

Modern Finance: Where Is Your Organization?

To achieve the above, CFOs are leveraging what the Return Driven Strategy calls genuine assets, such as automating technologies to streamline inefficient processes and gain deep, real-time insights into how the business is performing.
Leveraging Your Finance Talent: Allowing Technology to Do the “Heavy Lifting”

Finance teams that spend too much time reconciling numbers, hunting down data, and managing labor-intensive spreadsheets don’t have the time to analyze data and provide recommendations to bring the business forward.

**CLASSIC FINANCE ORGANIZATION**

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<tr>
<th>MON</th>
<th>Collecting Data</th>
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<tr>
<td>TUE</td>
<td>Collecting Data</td>
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<td>WED</td>
<td>Maintaining Spreadsheets</td>
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<td>THU</td>
<td>Developing Reports</td>
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<td>FRI</td>
<td>Other Activities</td>
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Limited time for strategic review

What if you could have your teams spend their valuable time pinpointing what will help drive future growth versus constantly looking in the rearview mirror?

**MODERN FINANCE ORGANIZATION**

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<tr>
<th>MON</th>
<th>Collecting Data</th>
<th>Performing Analysis</th>
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<tbody>
<tr>
<td>TUE</td>
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<td>WED</td>
<td>Value Add &amp; Business Partner Activities</td>
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<td>THU</td>
<td>Value Add &amp; Business Partner Activities</td>
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<tr>
<td>FRI</td>
<td>Other Activities</td>
<td>Strategic Initiatives</td>
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Faster data collection cycle allows more time for analysis and value add activities
In the December 8, 2015 IMA *Inside Talk* webcast, “Gaining Strategic Advantage in the Cloud,” 1,000 webcast attendees identified where they spent a bulk of their time:

Do you spend more or less than 50% of your time on classic finance activities (data gathering and spreadsheet maintenance)?

<table>
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<th>65.4%</th>
<th>34.6%</th>
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<td>I spend more than 50% of my time on classic finance activities.</td>
<td>I spend less than 50% of my time on classic finance activities.</td>
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**Enterprise Resource Planning (ERP) Systems**

ERP systems connect an organization’s disparate functions, record financial information, and enable the business to generate periodic reports for the company’s stakeholders.

Visionary finance leaders are increasingly turning to cloud-based ERP systems that use modern technology to enhance standard ERP capabilities by streamlining financial processes, increasing productivity, and lowering IT costs. Moreover, finance leaders understand that today’s business users have higher expectations for a more modern, consumer-like user experience, built-in collaboration capabilities, and the ability to provide real-time actionable insight that is available anytime and anywhere users need it via mobile devices.

These modern cloud ERP capabilities, along with the agility and flexibility of a cloud platform, drive greater business value, making them a valuable genuine asset for growing companies.
Enterprise Performance Management (EPM) Systems

The research from the Center for Strategy, Execution, and Valuation reveals that high-performance companies use both financial and nonfinancial performance measures that are highly aligned with the drivers of valuation, which would include leading practices such as value-based management and balanced scorecards. To that end, EPM systems enable businesses of all sizes to rapidly adopt advanced planning and budgeting solutions and forecasting functionality.

Cloud-based EPM systems provide the additional advantages of greater accessibility and scalability, and the flexibility to respond to changing business needs by quickly deploying new applications.

Introducing New Technologies: The Road to Modernizing Finance

Transforming the finance team into a more strategically focused organization involves changing the way the team works. Driving the business forward means optimizing finance-driven business processes with an eye toward eliminating inefficiencies and reorienting the organization.

Modern cloud-based financial systems are a key enabler for standardizing and automating inefficient processes in that they incorporate best practices, workflows, and sophisticated collaboration capabilities. They also provide the critical capabilities for gaining strategic advantage, such as real-time analytics and the ability to deliver critical information to users via mobile devices.
Transforming finance in stages can ensure a smooth transition for your team and the business:

- **PHASE 1: Standardize, Automate, and Scale Processes—While Introducing New Technology**
  This is the first step in empowering your finance team to become more agile. Modern finance organizations streamline accounting processes by automating tasks and reducing the need for human intervention. The most critical process, the financial close, involves a series of coordinated tasks, consolidating of financial data across multiple systems, and producing reports for internal and external stakeholders. This is time-consuming and error-prone, particularly when using spreadsheets to reconcile data and manipulate it to align with the company’s reporting conventions.

- **PHASE 2: Improve Collaboration**
  When finance is freed from time-consuming processes, it can more easily interact to reconcile data, correct errors, and compile reports. This is particularly powerful when collaboration technology is built into financial systems. Social collaboration tools enable finance teams to address issues more quickly, eliminating the need for multiple calls and emails. They also allow finance to interact with other departments in real time to complete tasks. In the planning and budgeting cycle, dynamic collaboration ensures that all stakeholders can share information and close the loop faster.

- **PHASE 3: Deliver Critical Information in Real Time**
  The ability to make decisions based on accurate, real-time data can be a game changer. When information is delivered in intuitive, easy-to-understand analytic dashboards, managers can more easily align their performance with plans and budgets and take corrective action when results deviate from the plan. Cloud-based systems can also deliver critical information to decision-makers when and where they need it via mobile devices, creating a more agile, competitive company.
Case Study

The Rancon Group: Building Efficiencies to Support Growth

The Rancon Group acquires, develops, and sells residential, commercial, industrial, and resort assets on behalf of its investors. It controls a portfolio of significant real estate assets in Southern California.

THE CHALLENGE:
The Rancon Group needed a modern financial solution to manage all aspects of its growing, diversified business. It wanted more robust reporting and analytics to empower finance to provide its management team with critical information, when and where needed. It also hoped to streamline business processes and increase automation with an integrated financial and project management solution.

THE SOLUTION:
ERP Cloud, including Financials, Project Portfolio Management, and Procurement

THE RESULTS:
With enhanced reporting capabilities, The Rancon Group derives better information from its accounting data in a fraction of the time. This eliminates the need for time-consuming reconciliation, freeing up accounting staff time for analysis. Additionally, the company has gained granular insight across the business and delivers real-time information to the field via mobile devices. The Rancon Group has seen an increase in productivity by enabling finance to quickly report enterprise-wide information such as individual company cash balances, a process that before took up to two hours.

"We now have a 360-degree view of our entire organization and have greatly expanded our reporting capabilities."

—Steven Van Houten
CFO, The Rancon Group
Case Study
Pittsburg State University: Bringing Campus Ahead of the Class with Cloud ERP

Pittsburg State University, located in Pittsburg, Kansas, provides undergraduate and graduate programs to more than 7,400 students.

THE CHALLENGE:
The university’s growth and efficiency initiatives were limited by its outdated, homegrown ERP system. It needed a solution to modernize business processes, allow greater visibility into many departments, and improve workflow and reporting.

THE SOLUTION:
ERP Cloud, including Financials, Project Portfolio Management, and Procurement

THE RESULTS:
As part of their multiyear journey to the cloud, Pittsburg State University expects to gain a unified ERP system that will integrate operations across departments. Real-time reporting and analytics will give Pittsburg State the insight it needs to make better decisions. Having a world-class modern cloud solution will also allow the university to leverage key resources more efficiently by spending less time maintaining and supporting internal systems and more time supporting its strategic mission.

“Our campus is very attached to our old homegrown system... hence creating ‘buy-in’ to the new selection was critical. It was apparent very early on that we would need to work with teams across campus and have them heavily involved in creating the RFP for the purchase and heavily involved in the final selection and the recommendation of the product.”

—Angela Neria, CIO of Information Services, Pittsburg State University, Kansas
Case Study

Western Alliance Bancorporation: Investing in a Bigger Future

Western Alliance Bancorporation is a $14 billion commercial bank headquartered in Phoenix, Arizona. It serves businesses in Arizona, Nevada, and California and offers central business lines nationally.

THE CHALLENGE:
Western Alliance Bancorporation has been growing both organically through new client offerings, and through strategic acquisitions. Two years ago, the company consolidated its three bank charters into one, requiring it to integrate separate financial management systems.

THE SOLUTION:
EPM Cloud with Planning and Budgeting

THE RESULTS:
The EPM solution has enabled the bank to gain new perspectives and evaluate the profitability of its business segments. Western Alliance Bancorporation can now measure business performance across multiple dimensions, such as region, business, and product. With a new planning and budgeting cloud service, the bank improved budgeting across its operating units and took business planning to a whole new level, particularly around mergers and acquisitions. All of this is being used to enhance performance and deliver more value to shareholders.

“What I love about the EPM Cloud is that it is an extremely flexible tool for planning and budgeting; now it just opens our minds to other things that we can do with it, particularly scenario planning”

—Andrew Boucher, VP FP&A, Western Alliance Bancorporation
The Road to Tomorrow’s Finance Organization Starts Here

In the December 8, 2015 IMA Inside Talk webcast sponsored by Oracle, "Gaining Strategic Advantage in the Cloud," 1,000 webcast attendees were asked the following poll question:

Where is your organization on the adoption curve when it comes to leveraging the cloud for your financial systems? (Respondents could choose more than one answer)

- **We are already there!** 8.7%
- **Currently implementing some cloud-based financial systems.** 33.5%
- **Presently evaluating cloud-based financial systems** 30%
- **We have no current plans to move our financial systems to the cloud.** 35.3%

Finance applications in the cloud will help to transform the finance function with technology and embedded best practices that enable companies of all sizes to remain agile and competitive. The key is finding a solution robust enough to handle evolving business requirements in an integrated financial management suite that is designed to automate, streamline, and control an organization’s end-to-end financial processes. For many companies, the challenge is deciding on which cloud-based financial solution best suits their needs.
When evaluating a cloud vendor, it is important to choose a company with a broad portfolio of cloud solutions that span the enterprise. The logic should be self-evident: most companies need to integrate their systems so they can share critical information. For example, financial systems are often integrated with human resources systems to ensure that information such as payroll, benefit costs, and other employee-based costs such as overtime can be properly recorded in the financial reporting and planning applications. However, developing integrations between systems from different vendors can be very expensive.

Companies also need to make sure that their cloud financial system is engineered for growth by supporting multiple legal entities, currencies, and financial reporting standards. You’ll also want to ensure that your cloud provider delivers robust security to protect your sensitive information.

Finally, it’s important to select a vendor that uses open standards that let you economically configure, extend, and adapt your application for future business needs. These capabilities allow organizations of any size to exploit modern enabling technologies to transform their finance organization into a more agile, collaborative, and strategic contributor.
Additional Resources


**THE CENTER FOR STRATEGY, EXECUTION, AND VALUATION**
The Center for Strategy, Execution, and Valuation in the Kellstadt Graduate School of Business at DePaul University is an engagement platform for thought leaders and business leaders focused on studying high-performance companies. For more information, visit [driehaus.depaul.edu](http://driehaus.depaul.edu).

**IMA**
IMA, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® program, continuing education, networking and advocacy of the highest ethical business practices.

IMA has a global network of more than 80,000 members in 140 countries and 300 professional and student chapters. Headquartered in Montvale, New Jersey, U.S.A., IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe, and Middle East/Africa. For more information about IMA, please visit [www.imanet.org](http://www.imanet.org).

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