

UNITE HR AND FINANCE TO BOOST PRODUCTIVITY AND PROFITABILITY

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Bryan Ball
Vice President and Group Director
Supply Chain, ERP, and GSM Practices

Joshua Moss
Market Insight Analyst
Emerging Technologies

Companies around the globe are facing a new reality filled with economic volatility and business uncertainty. While certain industries are impacted more than others, the next several business cycles will favor those organizations that have built up a measure of resilience and agility across their core areas. Despite the new reality, the pace of business continues to accelerate, putting tremendous pressure on companies to respond faster to customer and market demands with tailored support and business intelligence. To meet these challenges, Best-in-Class companies are implementing cloud solutions that connect their back-office data and systems, ensuring that the business operates seamlessly across critical departments — particularly interactions between Finance and HR. On the following pages, we'll examine how connected back-office data and systems impact organizational performance, illustrating how Best-in-Class companies are leading the way by investing in technology that aligns their people, processes, and data.

Best-in-Class Definition (Based on performance metrics)

- ▶ Best-in-Class: Top 20%
 - ▶ Industry Average: Middle 50%
 - ▶ Laggards: Bottom 30%
 - ▶ All Others: The sum of the Industry Average and Laggards, equal to the Bottom 80%
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The Value of a Connected Back-Office — Why Is It Important? Why Now?

Today's companies are striving to improve on agility, time-to-decision, and responsiveness in order to remain competitive. The burning question, however, is how can they do that? Leaders across all lines of business must look at their processes, data management, and decision-making to focus on what matters most. Today, that means recruiting and retaining a digital workforce, connecting employee data with business data, improving and speeding up financial reporting, and delivering against rising customer expectations.

Best-in-Class Performance

- ▶ **Productivity**
31% higher compared to all others
 - ▶ **Profitability**
27% higher compared to all others
 - ▶ **Revenue**
25% higher compared to all others
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By automating data management, companies can achieve a streamlined process that unlocks all the benefits of a connected back-office. Not only do cloud solutions automate the process, but allow companies to avoid risks associated with disparate HR and financial systems, protect their data, and reduce compliance costs if they have a solution with advanced monitoring and controls.

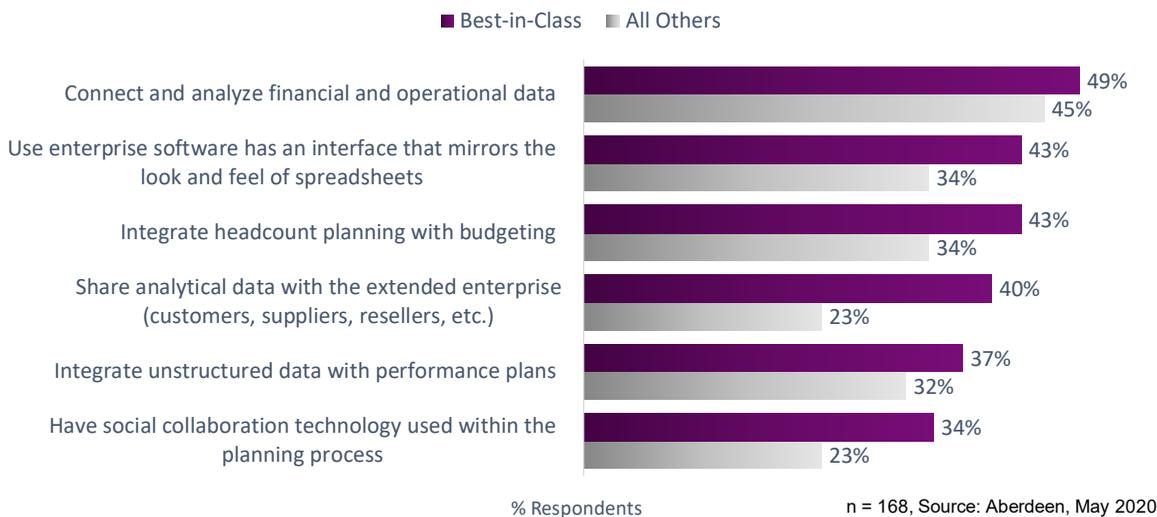
Moreover, shared data, predictive analytics, and strategic modeling improve decision-making and planning, while emerging technologies help to attract a new generation of employees. As business pressures continue to mount (see sidebar), a connected back-office helps organizations meet these goals to stay abreast of their competition.

Market pressures reach all areas of the organization and line-of-business (LOB). To keep up with the pace of change, leaders must play a more strategic role by analyzing intelligence across the entire enterprise. Thus, there is added pressure to implement an integrated, back-office cloud solution that brings data connectivity and workflow optimization.

A Connected Back-Office: One Platform for a Unified View of the Business

A connected back-office should include HR, finance, and operations all on a shared platform with one common data model that ensures a unified analytical view across the business to guide strategic decisions. Best-in-Class companies are 10%-20% more likely to have integrated processes that support a connected back-office (Figure 1).

Figure 1: Integrated Processes Unify Connected Back-Office Data and Systems



Business Pressures Affecting All Companies

(% of Respondents)

- ▶ **Increased Competition:** 32%
- ▶ **Customer Demands:** 31%
- ▶ **Business Model Transformation:** 30%
- ▶ **Lack of Organizational Accountability:** 28%
- ▶ **Small Decision Window:** 21%

Critical Process KPI's (Improvement over the past two years)

- ▶ **Customer Service**
 - Best-in-Class: 26%
 - All Others: 2%
- ▶ **Time to Decision**
 - Best-in-Class: 22%
 - All Others: 2%
- ▶ **Forecasting**
 - Best-in-Class: 22%
 - All Others: 1%

For years, HR has been swimming in a sea of data. With the right tools they can answer important questions through connecting and analyzing financial and operational data. For example, when HR and financial data are integrated, those teams can work together to retain and recruit the best talent at the right price, thus achieving HR and financial goals with the same analysis and data. Utilizing analytics to leverage KPIs such as workforce productivity and employee satisfaction allows CFOs to use HR data that can answer questions coming from the CEO regarding talent acquisition and associated costs. From a financial perspective, companies reduce costs while improving productivity and turnover and from a HR perspective, employees are rewarded appropriately based on their performance.

Across the organization, standardized procedures enable the Best-in-Class to drive efficiency by eliminating one-off processes that require unique support. Best-in-Class back-office applications are more integrated across functions, as they link to all supporting areas required to plan, process, and fulfill orders, including product design / engineering. Thus, sharing data seamlessly across applications enables an end-to-end view of the enterprise, and creates one auditable system of record. A relevant example for the uncertainty brought forth due to the global pandemic would be companies that rely on seasonal labor. Both finance and HR can benefit from sharing analytical data with the extended enterprise. By sharing historical hiring rates with staffing services that supply seasonal labor, companies will be able to more accurately forecast their labor supply curves. In doing this, HR will be able to supply the best employees at the lowest rates to meet the financial challenges stemming from the pandemic and consequently, finance will be able to meet the challenges coming from the demand shock presented to their organization. Now more than ever, executing on the data presented to drive organizational challenges has become increasingly important and urgent.

The speed of information enables real-time visibility into critical business operations coming from integrated applications and data. This provides businesses with a framework for the automation of financial consolidation — increasing visibility into business insights, customers, and access to data across the organization. By following the lead of the Best-in-Class, companies can leverage a connected back-office that links all operations to support critical business capabilities, such as increased customer service and time-to-decision (see sidebar on *Critical Process KPIs*).

Increased Visibility and Data Access: HR and Finance Synergies in a Connected Back-Office

Just as customer expectations are changing, so are employee expectations. Work environments are more mobile and collaborative, as well as more on-

Emerging Technology Adoption

In every case, the Best-in-Class are significantly ahead of the competition in adoption levels of emerging technologies:

- ▶ **In-memory analytics**
 - Best-in-Class: 49%
 - All Others: 25%

 - ▶ **Social streams within applications that enables communication regarding specific applications or problems**
 - Best-in-Class: 57%
 - All Others: 40%

 - ▶ **Machine learning applications that enable faster time-to-decision**
 - Best-in-Class: 51%
 - All Others: 42%

 - ▶ **Integrated IoT with ERP for faster, more-accurate information**
 - Best-in-Class: 50%
 - All Others: 32%

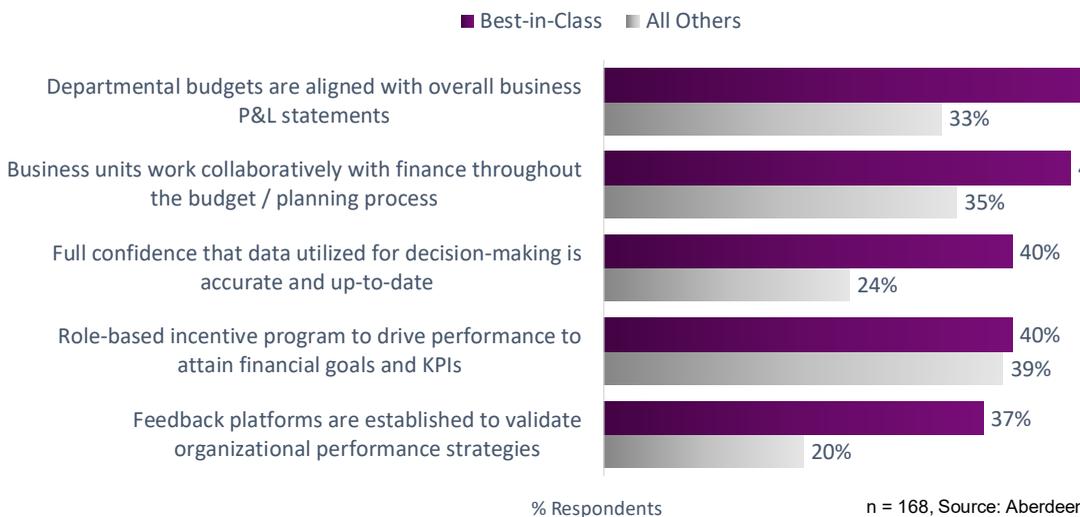
 - ▶ **AI for use-case applications**
 - Best-in-Class: 27%
 - All Others: 18%
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demand. The millennial generation and younger employees entering the workforce expect their roles to be engaging and rewarding, as well as technologically advanced much like their personal lives. Many company efforts to meet this changing business environment are being driven by technology (see sidebar). One of the biggest obstacles for businesses to meet changing expectations is that legacy systems can't keep up — they simply aren't flexible or sufficiently adaptable for today's dynamic environment.

HR and Finance organizations particularly feel the impact of this technology shortfall. HCM and ERP on-premise systems typically have outdated functionality — often combined with outdated processes — due to previous customizations. And, these HR and finance systems are often disconnected, which creates separate processes and causes delays when combined. Areas like planning and budgeting, aligning the workforce, driving change across the organization, and hiring and retaining the best talent are all core business drivers that require HR and Finance to be in sync. A connected back-office directly addresses these issues.

Figure 2 highlights the key capabilities that Best-in-Class companies have in place to improve HCM and ERP system synchronization. Perhaps the most important and obvious capability is the ability to integrate data between HCM and ERP applications.

Figure 2: Key Capabilities That Drive Synergies Between Finance and HCM



By improving visibility and data access, companies can act on data-driven insights. A unified data analytics platform significantly improves collaboration and communication across the organization. Employees no longer gather and synthesize the data to ensure everyone is on the same page; they start from

Critical Selection Criteria: Solution and Provider

The factors behind selecting an ERP solution provider:

- ▶ **On-Demand / SaaS / Cloud deployment model**
 - Best-in-Class: 57%
 - All Others: 49%
- ▶ **Quality and availability of professional services**
 - Best-in-Class: 20%
 - All Others: 14%
- ▶ **Integration technologies and capabilities**
 - Best-in-Class: 20%
 - All Others: 18%
- ▶ **Integrated suite rather than multiple-point solutions**
 - Best-in-Class: 17%
 - All Others: 14%

a common data view and spend their time solving problems and making decisions.

A centralized management system of work instructions, documents, best practices, and reports reduces silos and eliminates inefficiencies via an integrated repository of information. This centralization leads to standardized processes across the organization, which improves productivity through data sharing, for example. Standardized processes also enable mobility: Employees can move to other departments, as well as backfill roles and address workload peaks.

With a unified view of labor costs and workforce demand, the Best-in-Class have greater efficiency across their organization, which allows them to optimize resources across business practices.

One of the biggest integration points for HCM and Finance comes from machine learning capabilities that enable faster time-to-decision. These business applications can learn from users and provide suggested actions, creating standardized processes that save companies time and costs across the organization and allow employees to improve their own practices. Overall business operations, collaboration, visibility, functionality, productivity, and efficiency will all follow suit. The net result is evident (see sidebar): Productivity improvement for Best-in-Class companies is 31% higher compared to all others, and profitability is 27% higher.

The Drivers Behind Selecting a Cloud Solution Provider

There are several considerations Best-in-Class companies take into account when determining a solution and provider. The Best-in-Class are ahead of their peers in terms of adopting emerging technologies (see sidebar on *Emerging Technology Adoption*). Companies must understand whether these capabilities are part of the platform or another point of integration. The Best-in-Class are more likely to select a SaaS / on-demand cloud-deployment model (see *Critical Selection Criteria* sidebar).

Another important variable is having a viable community of professional service providers, which is an indicator of endorsement and sustainability in the solution market. The Best-in-Class also need the ability to integrate technologies and capabilities for back-office connectivity across functions, while having an integrated suite rather than multiple point solutions. In that respect, the Best-in-Class are choosing cloud-based solutions to standardize onto a single system for multiple entities — another strong endorsement promoting a connected back-office.

Key Takeaways

All companies need to accelerate their processes and decision-making to remain competitive. This demand stems from:

- ▶ Customer mandates for faster and more creative service.
- ▶ Real-time financial assessments.
- ▶ Real-time visibility into data for decision-making.

A connected back-office that supports these needs can lead to greater overall business profitability and productivity.

For finance and HR, back-office improvements require the following synergies:

- ▶ Analytics across HR and Finance via a common data model.
- ▶ Application integration.
- ▶ New technology adoption that supports the process and performance improvements that move organizational performance forward.
- ▶ Capabilities that optimize workforce planning through a streamlined HR process.
- ▶ Shared data between Finance and HR for planning and budgeting.

Best-in-Class companies are further ahead in investing in the technologies that enable a connected back-office. Aberdeen recommends following the Best-in-Class lead by implementing a single-vendor, cloud-based solution suite to establish a connected back-office.

About Aberdeen

Since 1988, Aberdeen has published research that helps businesses worldwide improve their performance. Our analysts derive facts-based, vendor-neutral insights from a proprietary analytical framework that identifies Best-in-Class organizations from primary research conducted with industry practitioners. Aberdeen provides intent-based marketing and sales solutions that deliver performance improvements in advertising click-through rates and sales pipelines, resulting in a measurable ROI. Aberdeen is headquartered in Waltham, Massachusetts, USA.

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