

IRIS Accounting & Business Solutions Whitepaper

The FDs 10 point plan for growing your business in 2010

Following the longest recession in a generation, the first GDP rise in 18 months heralds the start of the bounce-back.

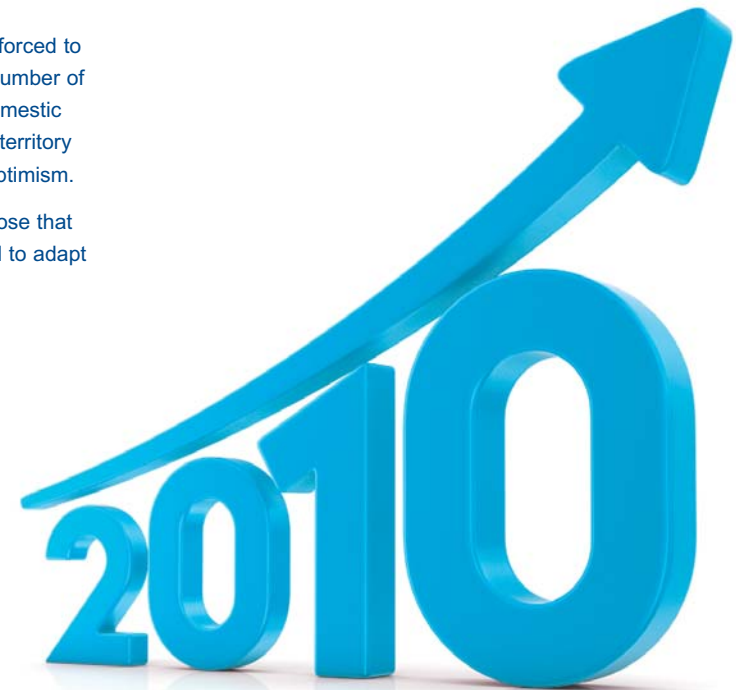
New skills are going to be needed to 'navigate' a re-shaped business landscape which is a far cry from the one we know. The 'savvy' companies are already drawing up a new set of goals for 2010 that focus on creating further efficiencies aided by the latest developments in technology.

This 10 point plan is designed specifically to help Finance Directors accomplish their dream; a faster bounce-back and growth strategy built on rock solid foundations.

Introduction - a new era

For the past two years, Finance Directors have been forced to adopt a defensive stance but with the news that the number of those unemployed has reduced and that the gross domestic product in the fourth quarter of 2009 entered positive territory for the first time, there is at last, a small window for optimism.

The economic turmoil is sure to leave its mark and those that are surviving are doing so because they have learned to adapt and change and to become more efficient.



1. Lessen uncertainty with fast access to data

In this new era, it's all about being decisive. Smart planning and execution are more important than ever and FDs need to demonstrate exemplary professional judgment.

Those looking to ensure they make the right decisions need be able to access quality, transparent information to chart one course of action versus another, leading to quicker decisions. While spreadsheets are useful for many purposes, they are not suited to the role of rapid data analysis, a key requirement in the emerging competitive landscape.

Business Intelligence tools that share data across the organisation deliver accurate and concise information through applications that are part and parcel of everyday life such as Microsoft Outlook. Drive efficiency by ensuring you receive real-time financial and operational data directly to your BlackBerry or PDA.

We can also produce more sophisticated management reports which provide 'real-time' information and enable us to analyse the profitability of any home or building within our portfolio."

Neil Brawn, Group Financial Controller, Barry Howard Homes

2. Automate more processes

Most organisations now run an automated accounting system but there are so many other financial management applications that can also return high levels of Return on Investment (ROI).

In a recent study by Forrester Research, a leading global research company, five financial applications were highlighted as delivering clear ROI and adding value to the organisations that use them.

They are:

- Debt management - 'clear ROI on the collections cycle'
- Budgeting and forecasting - 'business value-add is high, driven by more agile and transparent forecasting processes in the software'
- Account reconciliation - automates a labour intensive process, promoting efficiency
- Expense reporting - adds value when part of an integrated process
- Cost and profitability management - 'users can realise 10 times or higher ROI on this software in one or two years by recognising unprofitable products or customers'

"IRIS Exchequer delivers an excellent platform for the company to improve cost control, cash flow and forecasting accuracy by tracking budgeted actual and committed jobs throughout a project."

Phil Randell, Company Secretary, Stan Randell and Co Ltd

3. Rethink risk

Risk covers so many different parts of a business; it is almost an impossible task for the FD to watch over all of them.

Here are our top risk spots to watch:

- Strategic change management - it is likely that as we emerge from the recession, companies will be on the look-out for opportunities for growth through mergers and acquisitions. There will be a need for vigilance and to ensure no new liabilities are created
- Capacity - this poses a real challenge as all will have to cope with uncertain demand. The dilemma will be whether to over staff or under staff and to time capital expenditure carefully
- Human Resources - cutting back on staff has resulted in skill gaps
- Fraud - evidence shows that this is easier to commit when companies are short-staffed and overstretched
- Innovation/R & D - companies that have cut back may find they fall behind their competitors
- Third party relationships - careful evaluation is needed
- Shared services - under pressure to cut costs, FDs are exploring new locations e.g. off shoring for back-office functions and these can impact control processes
- Inflation/deflation

Our action plan:

- Make each manager responsible for documenting and evaluating financial controls in his or her own area. People closest to each business unit manage the data, which improves accuracy and completeness
- Identify areas with inadequate control measures so action plans can be initiated to resolve problems
- Track the progress of outstanding action plans, state who is responsible for those actions, and set the expected time for completion
- Raise the level and precision of reporting to management

A strategy of risk management is essential in 2010 and forward thinking companies are already evaluating how technology can be utilised to reduce the burden.



4. Focus on the future

There will be a greater emphasis on forward-looking and analytical views, an area in which management reporting is currently seen as weak.

More depth of information will be required to enable planning, budgeting, forecasting and to support business decisions such as M & A restructuring and product pricing.

While companies have invested in systems that allow them to report historically, many have postponed investment in those that support forward-looking activities such as planning, budgeting, and forecasting. This is likely to be a false economy as, in addition to the cost savings, a more strategic benefit is gained; more accurate and timely numbers can be reported with confidence.

We can ask IRIS Exchequer how many instruments we can build with our existing stock level via simple reports. If we have a stock shortage the reports inform us what our order status is and which sub-assemblies can be completed."

Nick Sugden, General Manager, Sherwood Scientific

5. Create a leaner environment

Cost cutting is bound to still be high on the list of priorities for 2010 but having already cut back to the 'core', where do you look for further efficiencies?

- Form a team that looks at the work processes and cut out anything that isn't of value to the end customer
- Identify bottlenecks
- Create standardised procedures based on the most efficient method of handling a process so that employees follow the same process all the time
- Keep taking small steps - practice continuous improvement and cut waste wherever it appears



6. Outsource

With many relying on smaller workforces, businesses are more likely to look for trusted partners that can help them expand their internal skills sets and help them to acquire and deliver new services.

Outsourcing offers flexibility and reduces the level of risk; ideal attributes for uncertain times.

Outsourcing is particularly relevant in IT and can produce significant benefits if a partner provides data centre operations, application development or even desktop management. It allows FDs to meet their financial needs while at the same time, strengthening the infrastructure and preparing the business for growth.

Historically, outsourcing has been considered as a cost cutting exercise but now the emphasis has shifted and the new business landscape recognises it as providing strategic effectiveness and allowing the organisation to focus on its core business, without distraction.

A word of warning: evaluate all third-party relationships thoroughly before committing and ensure that partners share the same values.

7. Share successes - disseminate information for universal buy-in to goals

There is no doubt that FDs hold a vital role and their organisations rely on them to communicate both the successes and the failures.

In the new era, there will be a greater demand for tangible financial data that is presented in a way that even the non-financially trained will be able to understand. FDs will need to have access to the tools that allow them to report easily and quickly to ensure optimum board support.

“We use IRIS Exchequer Report Writer to produce an end-of-day cash received report for the cash office which is invaluable. Other than routine transaction lists when needed and sales and invoice/purchase remittance advices, all of our other management reports are generated using the live Microsoft Excel integration capabilities. This functionality is vital to us as we have to liaise with 150 committees, societies and clubs, all of which require their own financial analyses.”

Graham Jackson, Finance Manager, Hull University Students Union

8. Keep tight budgetary controls

At the top of many FDs' wish lists is the desire to increase cash flow and reduce costs.

Implementing an integrated accounting system with budgeting functionality can effectively relieve the team from spending valuable time comparing different reports with different views of the business.

Developments in technology have resulted in intuitive and easy to use systems that automate access to budget information within a single General Ledger view. It is possible to see 'budget' values and 'revised' values alongside the actual balance along with a calculated 'variance' balance.

"We are now saving approximately £30K per year as a direct result of IRIS Exchequer. The quality of management information now available has meant a huge improvement in departmental performance and budgeting."

Graham Jackson, Finance Manager, Hull University Students Union

Deeper business performance analysis - case study

The time-saving associated with report production has transformed the level of detailed analysis undertaken. With the business split across several trusts and limited companies, the organisation's broad portfolio creates a raft of management reporting requirements, from property management to payroll.

The business plan is now held within Microsoft Excel underpins the entire budgeting process and enables performance to be tracked across all business areas. By reducing the time spent on the production of management reports, the organisation has been able to provide detailed information to each of its department heads and enable deeper business performance analysis. For example, property maintenance and repair is a major area of expenditure and the Building Maintenance Manager now has up-to-date budget information on each property, ensuring any potential overspend is immediately highlighted. It is now extremely simple to compare figures in detail across different time periods, which supports invaluable seasonal comparisons.



9. Have a clear business plan - KPIs

Despite clear evidence that a business plan is one of the indicators of a successful company, according to the DTI, fewer than 25% of SMEs have one.

DTI's Guide to Business Planning states: "To succeed against ever increasing and ever changing performance, you will need to be clear about where the business should be heading. In other words, the business will need clear vision and a set of objectives which will help it compete in its marketplace. The business will also need some way of measuring its performance."

This performance measurement is based upon KPIs, which directly reflect the business plan. While these will obviously vary from business to business, standard KPIs include net profit margin, profit per employee, sales per employee, stock value and customer loyalty.

Without proactive monitoring of KPIs, businesses are vulnerable to problems that can seriously undermine both performance and profitability. For example, a company that does not regularly monitor sales margins could discover at year end, a mistake that could cost thousands. Regular checks will minimise the cost of errors to a business and increase the ability to take advantage of short term opportunities.

10. Keep investing in IT

Finely honed business systems and processes are crucial to processing large volumes of transactions quickly and containing transaction costs.

These are serious advantages and totally suited to the current business environment. But there is another reason why they are so appropriate for 2010; harnessed in the right way they can contribute directly to competitiveness and revenue growth, enabling the businesses to respond to changing markets and new opportunities, supporting expansion without adding to headcount.

In 1998 our accounts department had four staff running one company with a turnover of £23 million. Today it looks after three companies over eight sites with a group turnover of £70 million with only seven staff, which reflects very positively on IRIS Exchequer."

David Manning, Finance Director, Denmaur



Conclusion

Maximising productivity is key to competitiveness in the new business landscape.

With slender profit margins constantly under pressure, suitable software is essential if businesses are to respond to the changing market conditions and to bring about a faster bounce-back.



About IRIS

IRIS is the largest privately owned software and services business in the UK and one of the longer established and fastest growing in Australia & NZ

A leading provider of mid-market accounting and business solutions, IRIS' objective is to empower those operating in clearly defined sectors that include wholesale and distribution, retail, construction, not-for-profit, architectural practices, engineering, and management and IT consultancies with the tools and services to optimise operational efficiency and enable the best chance of competitive advantage.

IRIS Accounting & Business Solutions is an award-winning provider of accounting and business solutions headquartered in Bournemouth UK. Employing over 200 highly skilled staff worldwide and with annual revenues of circa £25m, the division boasts a comprehensive portfolio of accounting and business software for medium to corporate sized organisations. IRIS Accounting & Business Solutions has an excellent reputation for the quality of both its products and its class leading customer service. Its customer retention rate of 95% plus, year on year, is amongst the highest in the industry.

The business and finance product portfolio comprises of the multi-award winning IRIS Exchequer solution, rated best mid range software for Business by the Institute of Chartered Accountants in England and Wales (ICAEW 2006) and winner of the title of 'Financial Software Provider of the Year' in the Real Finance/CBI FDs' Excellence Awards 2005, 2006, 2008, IRIS Exchequer Online, IRIS Accounts Office & IRIS Chorus.

For further information please visit www.irissql.com, call **AUS (02) 9380 6220 NZ (09) 307 5978** or email info@irissql.com