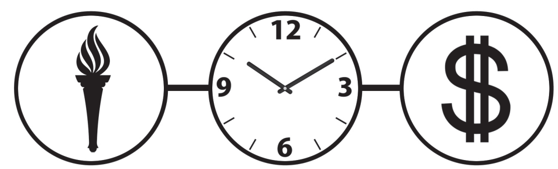
ERP
WITH
CONFIDENCE

Disclosure

The goal of this book is to share my first-hand sales experience in the enterprise resource planning (ERP) industry. It is important to note that this book has not been endorsed and is not associated with Microsoft, Oracle, Sage, SAP, Workday, Salesforce, or any other leading software developers. When I sell ERP software as part of my everyday profession, I receive a commission through my employer, and over the years, I have acquired shares in Microsoft. Notwithstanding these relationships, I refer to several leading software developers and consultants in the marketplace throughout this book to highlight products and services designed for the middle market without making any direct recommendations. References to specific companies are designed to assist the reader in navigating the ERP journey.

ERP WITH CONFIDENCE

THE ULTIMATE GUIDE FOR MIDDLE MARKET PROFESSIONALS NAVIGATING THE ERP JOURNEY



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ERP with Confidence:
The Ultimate Guide for Middle Market Professionals
Navigating the ERP Journey

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> You look at where you're going and where you are and it never makes sense, but then you look back at where you've been and a pattern seems to emerge.
>
> —*Robert M. Pirsig*

INTRODUCTION

I have been tremendously fortunate to work in the enterprise resource planning (ERP) community for over twenty years. It wasn't the most auspicious of beginnings as I replied to a "help wanted" advertisement in the Sunday edition of the *Denver Post*. But at that time in my life, I was ready for a new challenge and was fortunate to land a good job.

In January of 1999, I began working for an award-winning Great Plains value-added reseller by the name of Frederic Wells Inc. Just one year earlier, Frederic Wells had been recognized as the "Outstanding Partner in the US" by Great Plains Software, and it planned on continuing the positive momentum by growing the practice.

I joined as a marketing assistant, and over time that grew into a marketing manager position, which eventually led to a sales position. By this time, Frederic Wells had been acquired by a leading consulting firm that strategically acquired several resellers across the country to become one of the first national Great Plains partners. The consulting firm eventually grew into one of the most prolific ERP practices for middle market companies in the United States.

Once in a sales position, I found that the world got a whole lot bigger. For the first time, I was in meetings and software demonstrations with prospects and clients based on their business requirements. The decision makers in most of these meetings were comprised of chief executive officers (CEOs), chief financial officers (CFOs), chief information officers (CIOs), financial controllers, and accounting managers.

During this time, I was surrounded by some of the best mentors to come out of the ERP community, including Jon Pratt, Matt Kenney, Jim Auer, Paul Maynell, and the late Paula Hendley. Having worked directly with these fantastic mentors, I was able to learn a lot about ERP software, technology, accounting, and people.

These mentors provided significant guidance, helping me to grow both personally and professionally. I learned from each meeting and conversation, each software demonstration, and each proposal, and in the meantime, I grew my communications skills. Ultimately, what was once a good job eventually became a great career.

Over the passage of time, I have been privileged to have worked with hundreds of clients and prospects as they navigated the ERP journey. When it comes to selecting and implementing the right ERP software system, I have learned there are some companies that are simply more successful than others.

When you meet with business decision makers, you can often tell who is prepared for the journey while others seem to be all over the place. Why is one company successful at the ERP journey while another company is not? Why are there so many stories of failure, discontent, or buyer's remorse?

There are several reasons why some companies are more successful than others at evaluating, selecting, implementing, and maintaining ERP software systems. The companies that flourish in navigating the ERP journey are willing to learn, embrace, and execute what it takes to succeed.

The ERP journey is neither an art nor a science. It is a process of open-mindedness, continuous alignment, and timely problem-solving, all of which is supported by leadership, corporate culture, technology, reasonable expectations, budget, and execution. Although this may seem to be an overwhelming list, the reality is that this is how successful businesses operate each and every day.

ERP with Confidence is intended to offer insights into an approach to assist business professionals to be more informed in the preparation and the execution of the ERP journey. Not surprisingly, readers of this book will discover that the journey requires leadership, vision, investment, and effectiveness in execution. There also has to be a level of enthusiasm throughout the entire organization to learn and grow through the ERP journey.

The information contained in this book offers insights into technology and innovation without being overly technical, and it covers financial management topics at a high level without being a textbook for practical accounting principles. However, the concepts listed throughout the book highlight the ways to prepare for the ERP journey.

There is an emphasis on how to evaluate ERP software, select a consultant for the software implementation, and prepare the team for the deployment of the new system. The execution of this sequence of events will assist your company in realizing an ERP software solution that can take your company to the next level.

While there is never a right time for beginning this journey, many businesses eventually reach a period in their growth and evolution that clearly indicates the need to implement enterprise resource planning (ERP) software. It's not surprising that all companies evaluate ERP software differently.

When the time arrives, members of the finance team—such as the CFO, financial controller, and accounting managers—often lead the ERP evaluation process. After all, the ERP software represents the core of the business and all financial operations. Although the evaluation might be in good hands, that doesn't mean there won't be many mistakes.

There are cognitive biases and subjective reasoning that occur throughout the ERP evaluation process. Therefore, variables such as price, corporate pressures, previous professional experiences, existing relationships, preprogrammed knowledge (sometimes misguided), and hubris all seem to join the evaluation process. When this happens, business requirements can inadvertently become secondary.

Rather than dwelling on these variables, this book takes a look at some of the good news, which is that there are several great products and consultants in the marketplace. So unless a company goes down a severe rabbit hole, there is a really good chance of achieving a successful implementation. That is why there is no reason to say one ERP software is the best, to rank providers in any type of order, or to even discuss product features and functionality. CFOs and financial controllers already use the internet for that type of "*research,*" so there's no use in wasting time on it here.

Today, technology and innovation are moving faster than ever, so businesses need to rely on an ERP package to track, manage, and report all financial transactions and activities. It enables executive management in making critical business decisions in a timely fashion and communicate results to investors, business partners, and team members.

However, in order to get into this position, there first needs to be a way to gain insight into the right information to shape the vision and successfully navigate this journey. There has to be a foundation, which includes several main themes: appreciate time, invest in technology, demonstrate leadership, and align people, technology, and other aspects of the organization.

Having this foundation will assist in formulating the vision and also provide a necessary means to reaching the desired future state of increased efficiency, more productivity, and better results. As the great basketball coach John Wooden once said, "Success is not a destination, it is a journey" (Wooden & Jamison, 2005).

Appreciate Time

Time is the most precious resource in life and in business, and once it has been consumed, it cannot ever be replaced. In life as well as the workplace, it is important to properly allocate time and focus its use on productive tasks and activities in order to achieve goals.

When unproductive actions take place, time is wasted, and that negatively impacts the bottom line of a business. When time is used properly in the workplace, it can become one of the most powerful resources for the business. By appreciating time and using it wisely, you can unlock its true potential.

Time can be utilized within your organization to assist in the planning, preparation, and execution to achieve goals, reach quotas, and generate profits. The most successful people in the world understand that time is of the essence and "the essence of success is time" (Wooden & Jamison, 2005).

The purpose of implementing a new ERP software system is to transition from several time-consuming manual tasks to a more proactive approach, which leads to increased productivity, greater output, and better results. Ultimately, the ERP journey will assist in better utilizing precious time in the future for the purpose of increasing productivity and generating greater results in the workplace.

Invest in Technology

Business is all about money. A company executing upon its growth strategy is not only focused on making money but also investing these dollars back into the business for future gains. These businesses invest in their assets, such as product research and development, intellectual property, employee acquisition and talent development, acquiring machines and vehicles, and implementing information technology.

It is absolutely necessary to invest in information technology for your business. The willingness to pay for the right tools, technology, and consulting resources goes a long way toward increasing the probability of being successful. The same is true when it comes to ERP software systems. Properly budgeting for the acquisition of a new ERP software system assists in not only paying for the software but also funding the professional consulting services to implement it and being able to receive the necessary support.

Now, it's easy to be cheap. After all, financial controllers and accountants alike tend to have a reputation for being cheap. However, skimping is not the same as saving. Being cheap often leads to taking shortcuts, which can dramatically impact having the right software and/or proper consulting resources available. These constraints greatly reduce the possibility for a successful ERP implementation.

However, investments made in technology and infrastructure should be viewed as the application of resources toward business improvement (Hayden, 2014). The investment in an ERP software system and implementation can directly lead to improved controls, processes, production, and financial reporting.

As with any special project in life, there will be times when something will happen unexpectedly. With a proper budget in place, your team will be prepared during these special circumstances. Instead of having a crisis on your hands, there will be a cool sense of confidence that the situation is workable and can be resolved, which in many cases requires the need for additional software, professional services, or training.

The willingness to budget and tactically invest in information technology is an absolutely critical component of a successful ERP journey.

Demonstrate Leadership

There are several reasons for making the change to a new ERP software system, which may or may not be obvious to the people in

charge of the organization. If you are tasked with leading team members in overcoming challenging goals in the marketplace, especially in an extremely competitive environment, it only makes sense to continuously strive to discover a means for achieving success.

A strong leader is purposeful, resourceful, and determined to discover the best way for increasing the probability of success. A strong leader also understands the direct connection of business goals, processes, departments, people, and data. With a focused approach on meticulous execution, a leader recognizes that the best way to tie everything together is with an ERP software system.

Unfortunately, not all people in executive management are blessed with strong leadership skills. There are many executives filling C-level positions—such as CEO, CFO, and CIO—who simply do not have *the juice*. They may not have a clear vision of the future, understand the changing marketplace, or feel the need to make strategic improvements. Whatever the case may be, these people believe *business as usual* works just fine.

Then somewhere in the middle, there are the leaders who simply *cannot pull the trigger* and make the decision on moving forward with a new ERP software system. These are members of executive management who have the power, vision, and understanding of the impact of their business, but they *lack the gumption* to make decisions out of the fear of making the wrong decision.

These people take several months or even sometimes years to evaluate software. These people waste time trying to spread the responsibility through steering committees and executive team members. Even worse, they become overly consumed with having to understand how each particular ERP software package handles every possible situation or transaction, anomaly, or business exception. With this type of *analysis paralysis*, many ERP software search initiatives lead to *no decision*, which is truly unfortunate.

Ultimately, it takes a leader to "make a call" to decide to move forward with a new system, motivate the team, and execute on the strategic vision (Willink & Babin, 2015). A leader expects all team members to produce at a high level, which often consists of *raising their game* in how they produce in the workplace. It takes strong leadership, courage, and conviction to move to a new ERP software system.

Alignment

Lastly, and probably most importantly, there is alignment. The first model of alignment in business dates back to the 1960s. Dr. Harold J. Leavitt, a psychologist of management and a pioneer in the academic study of organizational behavior, developed the Leavitt's Diamond Model (Umar, 2020).

Leavitt's Diamond Model first illustrated a balance of four equal components of organizational change: structure, tasks, people, and technology. Over the following decades, the components of structure and tasks naturally merged together into a more modern component, known as process.

By the late 1990s, the concept of people, process, and technology (PPT) was popularized by a security technologist named Bruce Schneier. Today, commonly referred to as the "three-legged stool," the PPT concept is used for leading organizational change and modern digital transformation (Khanduri, 2022).

While understanding the importance of balance within the PPT framework, what often gets lost is the level of connection and interdependence these elements have in everyday business. As people work each day, they play a critical role within several key processes that are supported by technology. While processes make people more efficient, technology can automate and dramatically increase productivity. The planned connection and interdependence among each of these elements are known as "alignment."

Alignment can take many forms and is critical for the advancement of strategies, working together, communication, collaboration, and execution. In any business or organization, ownership, executive management, and team members have to be aligned. When there is alignment, it enhances the ability to communicate together, develop a plan, solve complex problems, and achieve success.

When teams and strategies are not aligned, they perform poorly. Where there is no alignment, initiatives from management go nowhere, complex problems never get resolved, special projects are not completed, and people just simply go through the motions each and every day. But it doesn't have to be this way.

When there is alignment, everyone understands the common goals, the shared values, and the strategic vision. In situations where there is alignment, strategies are implemented, team members work together, communications are clear, and special projects are completed. When everyone works together toward a common goal, good things happen.

The ERP journey is all about alignment. The entire process of developing a shared vision, producing a list of requirements, evaluating ERP software packages, formulating a decision, and working on the implementation is fundamental alignment.

Summary

A chief financial officer once posed this question: "Why is this information such a secret?"

While there is a very intentional information gap in the ERP marketplace, there is an enormous amount of accessible information to those properly searching for it. Unfortunately, it's not as simple as checking the answers published in the back of the book.

The information is readily available for those wanting to learn more and are willing to take the necessary steps forward into unfamiliar territory. One at a time, these steps will assist in eventually reaching objectives.

Let these pages serve as a guide for developing a framework from which to create an objective approach and go-forward plan for gathering information, evaluating systems, selecting an implementation partner, and ultimately going live on a new ERP software system. With the right plan in place, you will utilize your new ERP software with confidence and successfully navigate the ERP journey.

SECTION I

ERP FOR THE MIDDLE MARKET

How you gather, manage, and use information will determine whether you win or lose.

—Bill Gates

1

WHY ERP IS ESSENTIAL

Your company was established and founded with the intent of selling a product and/or service in the open marketplace. Now, assuming there is competition in the marketplace, your business has to strive to differentiate itself to stand out to potential customers by means of providing a better product, superior service offering, or enhanced value.

A company strives to become successful by generating revenue, growing its profit margin, and rewarding investors. From the very beginning, a company has to develop its team, its hierarchy, procedures, communications, and the right tools for executing upon its mission. Depending on your industry, these tools can be a geographic location, forklifts, trucks, ovens, or software.

Software? Yes, software. To be more specific, an enterprise resource planning (ERP) software package. ERP is a software system of fully integrated applications or modules that standardizes and integrates critical business processes across a business. Those processes include finance, operations, and sales (Perkins, 2020). A successful company has a growth roadmap that requires the right

ERP software package to automate business processes for the purpose of collecting, storing, and managing the business transactions, which are functions needed to execute on the vision.

The importance of ERP software to your business is to increase both productivity and profits through a structured and collaborative technology environment that provides the ability to track activities, tasks, transactions, and revenue. This may include accounting, inventory, assets, and even payroll.

Specifically, an ERP software package plans and tracks all the necessary activities for revenue-generating transactions, profits, and reports to investors. The software will automate business processes, allow multiple departments to share data for collaboration, and provide strong reporting of financial results with analytics.

Without the right ERP software to execute upon the mission, management is demonstrating a lack of leadership by not providing the software tools to succeed. They waste the time of their employees by forcing them to play catch-up with redundant efforts, thus sacrificing the ability for them to be proactive in key situations. With inefficient tools, outdated technology, and redundant processes, this represents the devaluation of technology and software as tools for driving business success.

Deprived of the right tools and technology for the company, the corporate strategy becomes reliant on team members performing time-consuming activities, manual processes, and repetitive tasks each day. These are all examples of internal threats to the success of the business. Those threats are rooted in complacency, daily crisis management, and recurring distractions. The consequences of this strategy are countless meetings, emails, and spreadsheets to ensure everyone is on the same page. The additional workload can tear down the morale of your team.

Many of these time-consuming tasks are necessary due partly to team members being stuck using old legacy business software systems that are either antiquated or lacking in the capabilities of a modern ERP system. Most legacy systems are a byproduct of initial shortsighted decision-making by management letting individual departments acquire their own stand-alone software packages and treating each department as if it were its own island.

Perhaps over twenty years ago, the stand-alone legacy software packages made sense by meeting the needs of a single departmental function, such as general ledger, asset tracking, quoting, shipping, billing, etc. However, the result is typically a software landscape comprised of disparate legacy systems with no two systems talking to one another.

With disparate systems, business data and information have to be manually patched together with the use of spreadsheets to combine information in the hopes of getting the pulse of the business. Business data essentially *duct-taped* together with spreadsheets often becomes latent, stale, and static. And it may even include outdated, inaccurate, or missing data by the reporting deadline. A Gartner study says poor data quality is the reason “40% of all business initiatives fail” to reach their intended targets (Friedman & Smith, 2011). There should not be any doubt in anyone’s mind that manual processes and the reliance on static spreadsheets are more susceptible to human errors.

However, business professionals often justify the continued embrace of these legacy systems by saying, “We invested a lot of money in this system several years ago.” Therefore, there are no plans to change at this time. Well, the only way to achieve a better result is by making a change to a better system, which may save time (and money) by automating tasks and having real-time insight into data.

With manual tasks, legacy systems, and stale data, how can anyone expect management to make good business decisions or grow the business? How can a company be an innovative or competitive business or possibly land future investors based on bad data? Once a strategic course of action is determined with bad data used as a base of a key decision, it may take days, weeks, or even years to potentially reverse course and right the ship. Is this the right approach to achieving a meaningful growth strategy?

The only way to change this process is by taking a different approach and embracing modern technology platforms. To be a fast-moving company, businesses embrace modern tools, software applications, and unified communications. With the right tools and technology, a business will attract the best talent, be more productive, with management having more insight into the business, and possibly grow and expand to multiple locations, possibly even becoming a global company.

With too many time-consuming activities and ad hoc processes and not enough automation or collaboration, the business naturally creates a slippery slope of constantly needing more meetings, conference calls, and discussions to execute on the mission of the business. It is going to be hard to continue to differentiate your business if you are not leveraging the right tools, technology, or automating processes.

An excellent term coined by Ward Cunningham, one of the most well-known computer programmers of all time, is "technical debt" (Fowler, 2019). Technical debt will naturally happen when a business embraces less expensive, short, quick, or dirty solutions in the near term rather than choosing the best approach, consisting of a well-designed, long-term solution.

The technical debt has monetary consequences, such as monetary debt. If the technical debt is not paid off, then this will naturally cause the accumulation of interest. The interest is comparable to making it harder and more expensive to implement the right solution at a future date.

By devaluing the role of technology in an organization, an executive is sending a clear message to the team that its members will never get the tools needed for success. Furthermore, a business operating at a high level of technical debt may never be able to achieve its overall mission because it's impossible for team members to have a reasonable amount of time to perform proactive tasks.

These businesses are functioning in a state of chaos, trying to limp along in a reactive state instead of having the right tools for being

proactive. These businesses will let all or parts of their systems fall far behind in technological capabilities, reporting tools, and automation. There may be several components—such as hardware or software, including security provisions—that need to be brought forward for a significant cost that executives are simply unwilling to spend (despite the fact that this is also known as the cost of doing business).

There are several ERP systems in the marketplace that offer a scalable platform with modern technical capabilities that can assist in eliminating technical debt. Now, especially with cloud-based technology (the ability to access software, databases, and hardware over the internet from anywhere in the world), there has never been a better time to modernize systems and bring technology forward (Cloudflare Inc, 2021).

In many ways, a cloud-based technology approach provides a vehicle and opportunity for eliminating technical debt nearly immediately. Instead of having to replace and modernize hardware and various types of, software, including databases, operating systems, firewalls, switches, and other technical components, all these tools may be a part of a single cloud-based offering, thus eliminating the technical debt with a robust and modern ERP system and strategy.

By embracing a modern ERP software platform, a company can automate processes, increase productivity through collaboration, eliminate separate departmental silos of information, and make insightful business decisions in real time. It can do that by having the ability to analyze information, including data mining, performance management, and reporting. The use of a modern ERP system platform assists in reducing human errors and emphasizes improved controls that will allow for effectiveness and consistency. Moreover, once employees spend their time wisely, they will be happier in the workplace and perform at a higher level, which will increase productivity and overall efficiency.

A new ERP software system is essential to any organization because of the following:

- It easily automates time-consuming tasks for the entire organization.
- It increases efficiency and precision and minimizes mistakes.
- It securely maintains critical business data.
- It provides security and control.
- It allows data to be shared among multiple teams and departments for collaboration.
- It keeps track of key business processes and increases productivity.
- It provides insight into the business to executives, investors, and business partners.
- It captures the data, which may be analyzed to find trends, anomalies, and growth opportunities.

Summary

Companies embracing the right tools and technology are naturally in a better position to accomplish more in less time, enabling them to focus on strategy, innovation, execution, and growth. Being proactive through tools, technology, collaboration, and execution naturally leads to increasing business success with faster and better decisions. The first step is to acknowledge and accept the importance of an ERP software system. Once executives understand the positive impact of a modern ERP system, they will be in the position to take the next step by leading a change for the overall business.

Everything's intentional. It's just filling in the dots.

—*David Byrne*

2 EVERYTHING ROLLS UP TO THE OFFICE OF THE CFO

In any business, all the financial activities ultimately rollup to the office of the CFO. In taking this a step further, all the financial activities of each individual department—such as sales, marketing, production, and human resources—culminate in cash flow management, budgeting, and financial analysis. And so, everything does eventually "roll up" to the office of the CFO.

In the middle market, the office of the CFO has varying positions, roles, and responsibilities. There may be a CFO, financial controller, accounting manager, staff accountants, and clerks all playing an important part in the activities of the finance team each and every day.

Traditionally, the CFO has been focused only on the numbers, spending time on tactical analytics, monetary tasks, budgets, and daily financial decisions. Today, a chief financial officer may be focused on more external responsibilities. These external responsibilities may vary and could include investor-based relations, fundraising, corporate governance, and communicating the financial viability of the company to internal and external stakeholders.

In addition, over the last several years, there has been a natural unification of the CFO position with the traditional chief operating officer (COO) position. The traditional COO handled day-to-day administrative and operational functions of a company (Freedman, 2020). However, today there are more operationally focused CFOs taking on more day-to-day responsibilities. The operational responsibilities of the CFO have grown to include traditional departments such as administration, information technology, and human resources.

With a broader set of responsibilities, the CFO naturally relies heavily on the financial controller. The position of a financial controller has also expanded to include several areas, including all accounting oversight, financial planning and analysis (FP and A), establishing and executing internal controls, tax governance, and due diligence on potential acquisitions. The financial controller is responsible for tracking and reporting (keeping score) with regard to the financial health of the business and understanding all company facets from which the information has been derived, such as sales, costs, labor, etc. (Ernst & Young LLP, 2008).

The financial controller meticulously tracks and analyzes all the financial aspects of the business, including the general ledger, payables, receivables, budgets, financial statements, and sales analysis. Furthermore, the financial controller, along with the accounting team, has to perform transactional daily tasks, such as accounts payable, invoicing, accruals, adjustments, and bank reconciliations.

In tracking all the financial aspects of the business, the financial controller and the accounting team provide communications to executives, upper management, investors, bankers, and the board of directors of the organization, offering financial insight into the business (Whatman, 2022). These communications include key metrics, financial statements, and financial ratios—such as cash flow to debt and net profit margin—to convey the financial health and long-term sustainability of the company.

The communications and financial reporting require accuracy and detail because the information is vital to all the primary stakeholders. If the numbers are incorrect, then the accounting team has an immediate credibility problem, which can directly affect the growth strategy (Lampton, 2019). There is a never-ending demand for this information, so it has to be generated as fast as possible and in multiple easy-to-read formats so there are no surprises. As everyone knows, nobody likes surprises (Treece, 2021).

It is very possible for the financial controller and the accounting team to pull together the financial information and data from disparate business systems. The financial information is obtained through various exports, so it may be brought together with the assistance of multiple spreadsheets. These spreadsheets are configured with pivot tables, financial models, and macros to gain financial insight into the business.

The numerous hours invested in compiling information will ultimately lead to important month-end financial reporting. Once again, the distribution of financial communications and reports to management has to happen as fast as possible in multiple formats and be correct.

The reality is that the financial controllers, accounting managers, and accounting team members have to consistently work late—often over the weekend and even well into the evening—trying to compile and report the information for decision makers to rely upon. The process can be tremendously overwhelming and time-consuming because there are so many ad hoc tasks being managed behind the scenes. This creates a heavy workload for the accounting team, which often leads to unhappiness and potentially team members exploring new career opportunities.

When this situation becomes too burdensome, the accounting team has clearly reached a crossroads. There are only a couple of simple ways to alleviate the pain: (1) hire more people to help perform a bad, manual, time-consuming processes or (2) invest in technology, systems, process improvement, and automation.

If the first option is considered to be the best approach, then there may be simply an element of complacency fueling a lack of desire to improve processes or increase business success. Or perhaps the answer may be a bit more straightforward: Management simply does not understand how to solve problems with technology. Whichever the situation, adding more people to the mix to solve the larger problem only serves as a temporary bandage, and the wound will continue to be expensive and time-consuming.

If there is a desire to alleviate painful, time-consuming processes by investing in technology, process improvement, and automation to save time, increase efficiency, and be in a better position to make business decisions, then this book is the right place to start. Investing in a new ERP software system will assist in creating a platform for utilizing more features and functionality, automating processes, and generating accurate financial information in a sensible fashion to ultimately save time and money.

With the pressures associated with a changing business environment, added emphasis on growth, and limited resources, there is an increasing need to gain a strategic advantage through technology. With all the growing responsibilities within an organization, the CFO now typically oversees the business systems of the organization, including the ERP.

The office of the CFO needs to embrace these challenges by seeing this as an opportunity to become more effective in several areas. A new ERP system assists in saving time and money both now and in the future, so there is no reason not to take advantage of the opportunity to optimize daily operations. It is here that you begin to see the office of the CFO develop the alignment of people, processes, and business systems.

The financial controller is the most likely candidate for *gathering information* on ERP systems available in the marketplace, such as understanding the capabilities, reviewing the pricing on licensing, and learning about what the implementation services entail. The financial controller may not be the final decision maker, but he or she often plays a significant role in the ERP software evaluation process,

thus leading to the final overall recommendation and implementation of a new system solution.

A joint study from the Institute of Management Accountants (IMA) and Deloitte highlights the challenging roles of the financial controller. “The roles are (1) *steward*, managing risks and preserving assets, (2) an *operator*, running an efficient and affective finance operation, (3) a *strategist*, influencing the future direction of the company, and (4) a *catalyst*, helping to drive execution” (Waelter, et al., 2018). These roles provide a regular framework for the financial controller and uniquely positions him or her for evaluating ERP software.

Obviously, there are instances in which an ERP software evaluation may begin with the president, CFO, or CIO, but this process usually begins with the financial controller because everything rolls up to the office of the CFO. Whomever it may be, the individual tasked with leading the ERP software evaluation for your company will find it important to gather the right information.

In leading this process for a company, there is an opportunity to avoid the typical turn to the internet to perform research. This type of rudimentary research consists of downloading and reviewing marketing materials such as brochures, filling out online questionnaires, skimming blog posts and articles, and more or less wasting time trying to learn anything about ERP systems. Although this is how the majority of people begin an ERP purchasing process, substantial information is limited through such a search.

Spending time on the internet conducting research only leads to becoming fresh bait for software salespeople to try to “hook you” as fast as possible in the form of a new *hot lead*. All you have to do is Google the words Microsoft, Oracle, SAP, Workday, and Sage to begin an uncharted path of evaluating ERP systems and being contacted by direct sales representatives with hard and fast software quotas.

Instead of online window shopping under the false pretense of research, the process of moving to the next level from tedious, time-consuming manual processes to a more robust future state actually begins with your own chart of accounts (COA). The chart of accounts is financial instrument that provides a detailed list of every account in the general ledger itemized into subcategories for purpose of tracking financial transactions during specific accounting periods, such as month, quarter, or year-to-date (Liberto, 2022). Knowing and understanding the chart of accounts of the business is the first step in the path toward successfully navigating toward a new ERP system.

Although each company is unique, each has a chart-of-accounts structure designed to track the financial aspects of the business, including assets, liabilities, equity, revenue, and expenses. When it comes to researching a new system, all information for a company rolls up to the chart of accounts, which means so do the business requirements for a new ERP. It's similar to how everything rolls up to the office of the CFO.

The chart-of-accounts structure serves as the backbone of the system (Knab, 2019). All the payables and receivables transactions will post to the chart of accounts. More commonly known as the core financial layer, this includes the general ledger, payables, receivables, bank reconciliation, fixed assets, and financial reporting.

The additional features and functionality available in the system—such as sales, procurement, and fulfillment—are considered the transactions layer, which naturally builds off the financial layer. While each department will have its own set of business requirements, all of them eventually connect to the financial layer because everything ties back to the office of the CFO.

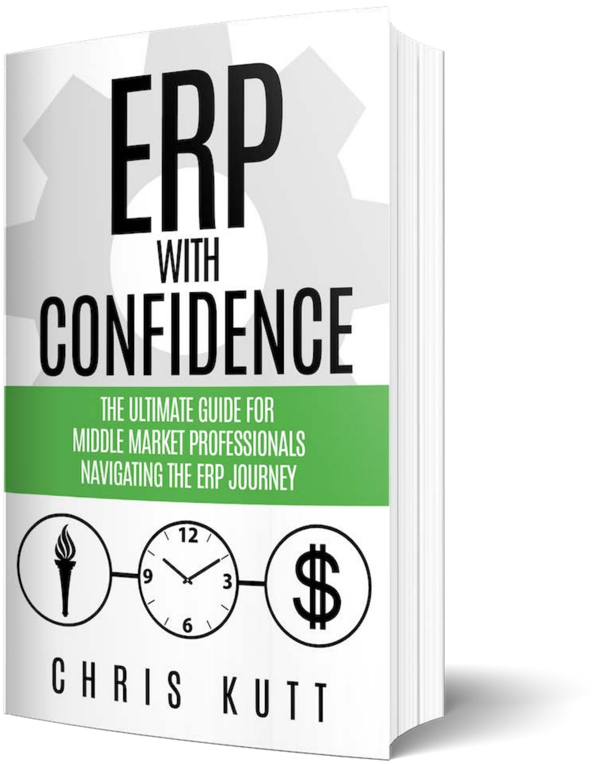
The CFO has one of the most influential positions for not only developing a strategic vision for a more desirable future state but also for inspiring others to accomplish it. Ryan Davies and Douglas Huey of McKinsey point out, "It's important that CFOs step up to play a broader role, one that includes modeling of desired mind-sets and behaviors in transforming the finance function itself" (Davies & Huey, 2017). Therefore, it is vital to communicate the strategic vision to the entire team.

Although this can take significant time and can be repetitive, communicating the strategic vision with the team is critical. All team members, including executives, managers, and employees, need to be prepared because lots of hard work and several challenges are ahead (Mead, 2022). With the strategic vision properly communicated to the team, a strategy becomes actionable.

With the power allocated within a typical corporate structure, with the technology decision-making authority, and with standard business processes, the office of the CFO has the greatest leverage and the most influence in developing a strategic vision for a more desirable future state. The strategic vision needs to be based on bringing the current team, existing processes, and technology all forward on to a new platform.

Summary

The office of the CFO has become the central nervous system for a business. The official role of the CFO has grown significantly over the last several years. The responsibilities of the financial controller have increased as well. The reason is simple. All the departments of an organization either report to the office of the CFO or have financial ties with the office of the CFO through sales, budgets, reports, and controls. With this being the case, all the financial aspects of the company roll up to the chart of accounts. It only makes sense to develop processes that encompass the financial aspects of a company and also form a strategic vision for taking it to the next level.



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