

**Viewpoint****Robert Kugel**SVP &  
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## The CFO Answer Machine: Past, Present and Future Visibility for Small and Midsize Companies

Effective financial management requires the ability to understand an organization's current condition while having visibility into its potential future state. This enables executives to make consistently better-informed decisions sooner. Unfortunately, few small and midsize businesses (SMB) have that ability because they lack the systems that make this information readily available and usable. They may not be aware that technology advances achieved over the past decade have made it possible for SMB organizations to deploy capabilities once available only to large enterprises.

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They need to know if results were as expected or if there are matters that must be addressed. They need to know if anything about the current financial condition requires attention. They need to understand the impact decisions will have on month-by-month income, cash flow and the balance sheet. Of course, any accounting system, even paper ledgers and adding machines, can provide answers to those questions eventually. The challenge is giving executives and managers access to actionable information quickly and easily so that numbers—not just instincts—drive decisions.

It is easy to lose sight of the remarkable transition that has taken place in business management over the past half century. Computers have enabled executives to replace gut feel with data-driven decision making that also makes best use of their experience and judgement—a transition that has taken place because it has proven to be a more effective approach. The wide availability of affordable systems that

don't compromise on functionality or performance and their increasing ability to deliver information quickly has brought necessary business and financial intelligence within reach of almost all organizations. SMB organizations have had a unique challenge: they are no longer small enough for informal systems and processes but they lack the resources that larger enterprises enjoy. Technology once exaggerated this divide but advances over the past decade have put far more powerful systems that are nonetheless affordable and easy-to-use well within reach of small and midsize organizations.



Another technical advance that is available from some vendors is out-of-the-box full integration of planning and budgeting software with an ERP or financial management system. This provides the extended visibility—past, present and future—that executives and managers need without requiring a separate implementation and ongoing maintenance. Historical data is available to budget owners, and actuals can update automatically. It is straightforward to set up a five- or six-quarter rolling forecast that can be updated each quarter. The context of the recent historical data or the current financial condition is readily available. If reports and dashboards are part of the package, executives and managers can have timely information at their fingertips. And with a web application, this means the information is available on mobile devices wherever and whenever it is needed, under any circumstances.

Compared to an on-premises approach, the cloud has made it possible to transition sooner from spreadsheets or an entry-level bookkeeping application to a highly effective but still easy-to-use financial management or ERP system designed expressly for small and midsize organizations. The up-front investment is usually smaller, there is no need to hire IT specialists to maintain the hardware and the cloud is ideally suited for a work-from-home (or work-from-anywhere) environment. Cloud planning and budgeting applications have steadily improved over the past few years, making them easier to deploy and use, and even easier to integrate with an existing financial management or ERP system. Cloud Software-as-a-Service (SaaS) providers have dedicated security personnel, so they are even safer from hackers than on-premises software. The organization's data is only accessible to those with the appropriate permissions, and systems designed for SMB organizations typically offer fine-grained access controls so that employees are only able to see or change specific information. Typically, these systems enable SMB companies to expand while limiting the growth of administrative overhead.

Small and midsize companies that are beginning to outgrow their entry-level accounting systems or that are using spreadsheets should immediately evaluate the benefits of using a cloud-based ERP system, especially one that integrates planning and budgeting functionality. Delaying a beneficial investment is a false economy, especially when the investment will make necessary, relevant information available at any time to enable better-informed decisions.



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Robert Kugel is responsible for the Office of Finance and business research, focusing on the intersection of information technology with the finance organization and business. His research agenda includes the application of IT to finance and business process optimization, looking particularly at ERP and continuous accounting, financial performance management, predictive planning, price and revenue management, revenue and lease accounting and robotic finance.