



BLUE HILL

— RESEARCH —

2015 Research Agenda

Financial Operations

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Practice Overview

Blue Hill Research’s Financial Operations practice focuses on the Office of the CFO and the functions under its purview. With this coverage, Blue Hill aims to explore best practices and best fit solutions for current AP, AR, Procurement, and related functions while keeping an eye on future developments that will guide financial operations in years to come. Our goal is to share successful strategies, highlight challenges that persist, and offer practitioners and providers alike a better understanding of what’s possible today and what is needed for tomorrow.

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Using this Agenda

Browse through this agenda to view upcoming Blue Hill research initiatives. Research programs involve approximately one month of data collection through survey and interview tools. During this period we will engage both providers and practitioners, and welcome your feedback and participation. Research may be continued beyond its initial timeline to allow for deeper insights and follow-up guidance.

Both timing and scope are subject to change. Readers are invited to engage with Blue Hill regarding their interests, feedback, or other research needs.

Procure-to-Pay

The beauty of procure-to-pay is that it covers an array of interesting and valuable functions. We've been discussing efficient invoice management and workflows for a long time, but there is still room for wider adoption and improved ease-of-use. As the market moves forward, there is increasing opportunity for the application of analytics make better purchasing decisions, uncover pricing inconsistencies, and gain a better understanding of process pitfalls and pain points. With applications transitioned to the cloud, and extended out to mobile devices, user experience and easy accessibility are continuing to push P2P forward as well.

Key Themes for 2015

Holistic AP: Invoices, Expenses, and Payroll

For all the attention devoted to the invoice management portion of AP's workload, it is only one piece of the puzzle. To give an accurate picture of this department's overall performance, we need to look at everything they do, bringing in expense processing, contractor management, employee payroll, and all related reporting.

Mobile Technology in P2P

What are the dominant use cases for the application of mobile technology in the P2P world? Remote review and approval are a great example, but things like mobile capture and management analytics show promise as well in different environments. What's working now and what's on the horizon?

Analytics for Detection and Prevention¹

Uncovering inadvertent errors or intentional fraud after the fact offers only a partial solution, since a complete recovery is unlikely. Understanding what these transactions look like, building models, and applying them to current transactions to flag potential threats is a far better course of action. This is one great example of the application of advanced analytics techniques driving real benefits in financial operations.

The Many Faces of Spend Analysis

At one time, spend analysis fell squarely in the realm of Procurement. Times have changed, offering the opportunity to integrate data from AP – and even peer organizations – to analyze and understand instances of off-contract, non-compliant, erroneous, or simply sub-optimal spend activity. The universe of analytical options has expanded, and with it the opportunities for performance improvement have as well.

¹ Blue Hill's coverage of financial topics related to fraud, risk, and compliance, are collaborative efforts between Principal Analysts Scott Pezza and David Houlihan, Esq.

Supply Chain Finance

Most businesses, at this point, are familiar with what supply chain finance programs are. Some educational work remains, however, in helping them understand how to effectively structure and execute on the idea. There are big questions to answer about how to communicate benefits to suppliers to secure their participation. Looking ahead, there is also a question of how SCF will continue to evolve, including extending upstream to facilitate supplier financing during the pre-invoice stages of the process.

Key Themes for 2015

Making Supply Chain Finance Programs Work

What does it take to design and implement a supply chain finance program that improves the financial health of both buyer and supplier participants? What strategies are most effective for communication and supplier on-boarding? Are single- or multi-bank approaches preferable? These are just some of the questions that can help firms evaluate whether or not to take the SCF plunge themselves.

Supply Chain Finance for the Supplier Ecosystem

An honest appraisal of supply chain finance programs requires an examination of their impact on the supplier bases of adopting buyer organizations. For some, these programs represent access to much needed capital either not available previously, or at more advantageous rates than financing based on their own credit profile. For others, the picture isn't quite as positive.

What's Old is New Again: SCF and Pre-Invoice Financing

In the past few years, the supply chain finance moniker has been associated with invoice-backed financing available after a buyer has approved an invoice for payment. That hasn't always been the case, as previously the phrase was synonymous with traditional trade finance. As technology progresses, and trading partner networks have better visibility into transaction progress farther upstream in the purchasing process, the two worlds will meet: offering a common platform for supplier financing at the pre-manufacturing, pre-export, and post-approval stages.

Payments

There are two big adjectives at the heart of what's innovative in the payments world: electronic and mobile. In the B2B sphere, especially in North America, check usage persists – along with its inefficiency. The transition to electronic payments takes collaboration with suppliers and technological support to avoid the headaches of limited, detached remittance advice. Whether for B2B employee expenses or B2C retail transactions, mobile payments loom large for the future of commerce. There is innovation in both spheres that we need to keep a close eye on.

Key Themes for 2015

Intelligent Mobile Wallets

We're still in the early stages of multi-source mobile payment wallets. They offer convenience, security, and the potential for a more personalized retail experience. What they do not yet offer is a compelling business case for their corporate implementation. That will change as these consumer-oriented solutions begin to integrate functionality that aids businesses in monitoring spend, enforcing purchasing policies, and streamlining expense management processes.

The Future of Business Payments

Although it may seem a long ways away, physical checks will be make their exit from the B2B payments world eventually. Outside of North America, mandates have helped to facilitate that transition. Regardless of geography, however, there is still a need to define what should be next, to identify where current options fall short, and to chart a course for options that can cross borders, be settled in a timely manner, and offer protections for those looking to avoid non-recourse transfers.

Retail and Consumer Payments

Advancements in accessibility in the consumer world have had a large influence on the design of enterprise applications already. There may be no better example of that than the "eBay-like" or "Amazon-like" experiences touted by leading procurement solutions providers. The payments space looks primed to follow suit, and it benefits all involved to keep on top of the latest developments in consumer payments to understand what tomorrow's B2B payments landscape will look like.

Order-to-Cash

Covering the receivables side of financial operations can, at times, feel like rooting for the underdog. That AP gets the bulk of attention in the market reflects both a correct recognition of its potential impact and a vast underestimation of the possibilities for what AR has to offer. Yes, O2C is invoicing and payment. But it is also a strategic working capital lever, an enabler of global expansion, and an often-overlooked driver of customer satisfaction.

Key Themes for 2015

Leveraging Data for Better Collections Management

In collections, you can't follow up with every customer every day. It is an exercise in devoting finite resources to what seems like an infinite amount of outreach. Using data to better understand customer payment histories and risks can help optimize your staff's activities, tailoring communications messages and timing to individual customer profiles, and helping to get more out of the limited time you have to give.

Compliant Invoicing for Global Enterprises

Compliance with a jurisdiction's invoicing and tax regulations isn't something that you can worry about *after* entering a market; it's a necessary precursor. For enterprises growing via acquisition, this can mean the accumulation of a patchwork of single-jurisdiction compliance solutions, which can compromise their ability to remain current as regulations change over time.

AR On the Move: Mobile Technology for O2C

Where can mobile technologies have the most beneficial impact in sell-side operations? Mobile-facilitated collaboration is one area. Management reporting is another. As technologies mature, there are opportunities to expand the portfolio of use cases, reducing friction in credit, order management, billing, and collections processes.

The Cost of In-House PCI-DSS Compliance

Everyone wants to be paid, but not everyone wants to shoulder the burden of achieving and maintaining the secure environment necessary for managing card-based payments in-house. When does it make sense to handle it on your own, and when is it preferable to look to an outside party for assistance?

Subscription Billing

From monthly subscriptions to online magazines to monitoring and usage-based billing for intelligent devices, the “as a service” world has made things very interesting for financial practitioners. It changes the way we bill, the way we service customers, and the way we recognize revenue. It requires a new – or significantly altered – vocabulary for discussing and assessing financial performance. In a nutshell, the subscription billing / recurring revenue revolution has given the staid Order-to-Cash world a well-needed jolt to the system.

Key Themes for 2015

Towards the Internet of Billable Things²

With intelligent devices, machine-to-machine communication, ever-shrinking sensors, and an explosion of wearables, it’s hard to know where technology is headed. What is a bit clearer is that the commercial side of the equation will continue to incorporate more subscription structures, more usage-based monetization models, higher numbers of billing events, and much, much more data to manage. Where are we going, who is leading the way, and who will be there to help AR departments keep pace?

Understanding the Impact of Recurring Revenue on Financial Close

Changing the way services are offered and billed affects a lot more than just our billing operations and financial analysis; it can wreak havoc on what can already be a complicated process of the period-end close of the books. How do we get a handle on this ever-changing environment and ensure we have an accurate picture of periodic financial results on a *timely* basis?

Becoming a Business-as-a-Service

As companies fundamentally shift from asset-based to services-based operational models, they must also change their billing and service infrastructure to match these needs. In a subscription-based world, billing, service, revenue recognition, and customer retention are fully integrated. Where do traditional billing systems fall short in supporting the dynamic pricing, service, delivery, renewal, churn, and cash flow aspects associated with the subscription economy?

² Blue Hill’s coverage of the financial implications of the Internet of Things, intelligent devices, and similar topics is a collaborative effort between Principal Analyst Scott Pezza and Entrepreneur-in-Residence Tony Rizzo.

Enterprise Performance Management³

At times, it is amazing the amount of time and effort it can take to be able to say what happened. It is not a simple process, of course, to not only say what happened, but to say it accurately and exhaustively after collecting information from multiple departments, business units, geographies, currencies, business models and rules, and accounting standards. Reversing that process, it can be equally difficult to say what is likely to happen based on historical information and future projections. In short, EPM brings together a complex, difficult, and absolutely fundamental set of business functions to help us understand what has been and what will be – probably, maybe.

Key Themes for 2015

High Performance Financial Close and Consolidation

When closing the books, doing roll-ups, managing intercompany eliminations, and ultimately consolidating multiple business units into a single report, we're dealing with challenging business rules and governance regulations that need to be processed. This is one area where both technical advances in in-memory computing and high-performance databases and collaborative advances in sharing financial data hold huge promise in cutting down weeks-long processes to much more manageable levels.

Planning, Budgeting, and Forecasting in the Cloud

Internal planning, budgeting, and forecasting can run into bumps in the road simply in trying to integrate the views of multiple related departments, managing formats, calculations, and potentially-discrepant versions. Doing these tasks collaboratively with supply chain partners exacerbates those problems. And putting all this into a spreadsheet can add additional mystery to this challenge. Moving such activities to the cloud offers the potential for common structures, common working documents, and more easily managed contributions from all interested stakeholders.

Bringing Real-Time Inputs into EPM

For individual operational processes, it is somewhat easy to think of having real-time views into current statuses. But what about for the CFO who wants to see the impact of individual processes on the current financial health of the enterprise? How is operational data aggregated, combined with external market data, applied to pre-defined models and made visible for management review? After all is said and done, what is the latency involved – and how could improvements in timeliness impact decision-making?

³ Blue Hill's coverage of Enterprise Performance Management is a collaborative effort between Principal Analyst Scott Pezza and Chief Research Officer Hyoun Park.

Financial Analytics⁴

It's an exciting time for data enthusiasts in the financial world. Recent advances in data analytics and visualization tools have opened up tremendous opportunities for process improvement and financial optimization. We all know the things we would like to know, the questions we wish we could answer. As applications become more accessible, intelligent, and intuitive, we'll focus less on the time required to execute pre-defined reports and more on exploration and discovery. In the short-term, however, we have access to deceptively powerful tools to better understand our operations, the implications of various strategic choices, and how our results stack up against our peers.

Key Themes for 2015

Scenario Modeling for Working Capital Management

How will DPO levels change if we offer discount terms to our top 50 suppliers? Will it scale to the top 1000? What is the long-term impact on available cash if we sign on for our customer's supply chain finance program? These are the sorts of questions Finance answers all the time, usually with the assistance of spreadsheets and historical data. Contemporary tools offer the promise of more accurate models, and more timely information access to see how underlying drivers affect likely outcomes based on current and expected operations.

Operational Analytics for Process Improvement

Applying analytics to tactical functions is the key to identifying and addressing process bottlenecks. What has changed is the immediacy of information access that real-time monitoring offers and the ability to drill-down from aggregate totals to individual transactions – and the employees responsible for them.

Networks and the Future of Peer-Based Benchmarking

One of the difficulties of peer benchmarking is that different organizations use different KPIs, calculate the same KPIs a bit differently, and have access to different quantities and qualities of information. In a network environment, where all transactions are processed and tracked on a common system, using common measures, they can also be calculated and reported in the same way across enterprises. When that data is shared, the opportunities for group-based insights in a community offers a great leap forward in collaborative benchmarking and performance analysis.

⁴ Blue Hill's coverage of Financial Analytics is a collaborative effort between Principal Analyst Scott Pezza and Research Analyst James Haight.

How We Bring This Research to Market

The topics presented in this agenda are those that we feel can best help participants in the market – both practitioners and providers alike – to have better-informed discussions and to make better-informed decisions. When tackling these subjects, we may do so in one or more formats, depending on the level of interest heard from our community and the level of maturity in the market. The most common of these formats are:

Blogs: When introducing a new topic, highlighting a recent development, or taking a quick look at one aspect of a broader area, we publish short articles on our blog to get the word out.

Research Briefs: These reports provide the analyst's personal perspective on a topic of interest to the market, often laying out their initial beliefs and working hypotheses on how a certain technology impacts business operations.

Analyst Insights: Combining analyst opinion with market feedback, these documents offer a deeper look into topics of interest, sharing Blue Hill's view complemented by or contrasted with practitioner and provider perspectives.

Case Studies: While the name is familiar, Blue Hill's approach to case studies extends farther than the norm. These documents profile one or more businesses to understand their key drivers, challenges, goals, and accomplishments and place those experiences in the context of the broader market based on our analyst's knowledge and expertise.

Anatomy of a Decision documents: A key piece of the research portfolio, these documents walk step-by-step through one or more enterprise's decision-making process from identifying a need, to requirements definition, vendor shortlisting, comparison, and ultimate vendor selection for a specific project or application. The aim is to help communicate how different companies addressed specific needs, and share their methods for evaluating, identifying, and selecting the best fit for their particular use case.

If any of the topics in this agenda are of particular interest to you, we encourage you to reach out to our team. If you are a practitioner who has undertaken an initiative in a related area and would like to discuss your experiences, we would love to talk. If you are a provider who has clients interested in commenting on their implementation, we gladly welcome nominations. We view our research as a collaborative effort with our research community, and encourage you to get in touch!

ABOUT THE AUTHOR

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Scott Pezza is a Principal Analyst with Blue Hill Research, a Boston-based technology research and advisory firm. Scott's research is dedicated to topics that are top-of-mind for the Office of the CFO, from working capital management and enterprise performance management to the day-to-day operations of accounts payable and receivable. His career spans the breadth of the physical and financial supply chain, from logistics to software-as-a-service technology to business research. He has spent the past seven years exploring how businesses tackle challenges, from warehousing and transportation to procurement, payments, and receivables management. He received his B.A. from Clark University, his J.D. from Boston University School of Law, and his M.B.A. from Boston University Graduate School of Management.



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