

# Black Box "Financial Supply Chain Management"

Which software solutions optimise financial management in companies' CFO departments now and in the future – an international market appraisal



September 2013



goetzpartners



# Executive Summary

In all key functional areas of financial supply chain management self-developed solutions dominate the solution landscape – except for automatic cash allocation management

## Management Summary

### Present solution landscape

- The key functional areas of software solutions in companies' CFO departments<sup>1</sup> are automatic cash allocation management, cash & liquidity management, treasury management, invoice management as well as payment management
- Standard ERP software solutions are dominant only for automatic cash allocation management, while in all other areas mainly self-developed and rarely customised solutions are commonly used
- Users of SAP systems work notably more frequently with standard software than non-SAP users (e.g. Oracle, Microsoft)
- Across all functional areas, there is only partial satisfaction with how the present solution landscapes conform with business requirements – an assessment of the ability to consolidate decision-relevant information in the management information system (MIS) also revealed room for improvement

### Future solution landscape

- The observed functional deficits lead companies to make plans for the use of external solutions as well as complete outsourcing in upcoming years – especially in the areas of automatic cash allocation management, treasury management and payment management
- Interviewed companies rated holistic single-source solution suites as advantageous – the main reasons for this are the reduction of interfaces and the resulting cost savings
- Among those extensive, holistic solution suites, release-secure solutions which are ready to be integrated in the respective ERP systems generate a higher willingness to pay with one in every two companies

# Survey – Objectives and Approach

Across various countries and industries, goetzpartners interviewed 300 users of software solutions in all areas of financial supply chain management

## Objectives & approach

### Objectives:

- Evaluation of financial supply chain management software solutions
- Identification of key trends and market dynamics

### Sample:

- Interviews with 300 users (company experts who deal with software solutions for financial management) from middle management and above
- Balanced spread of interviewees across countries, industries and company sizes

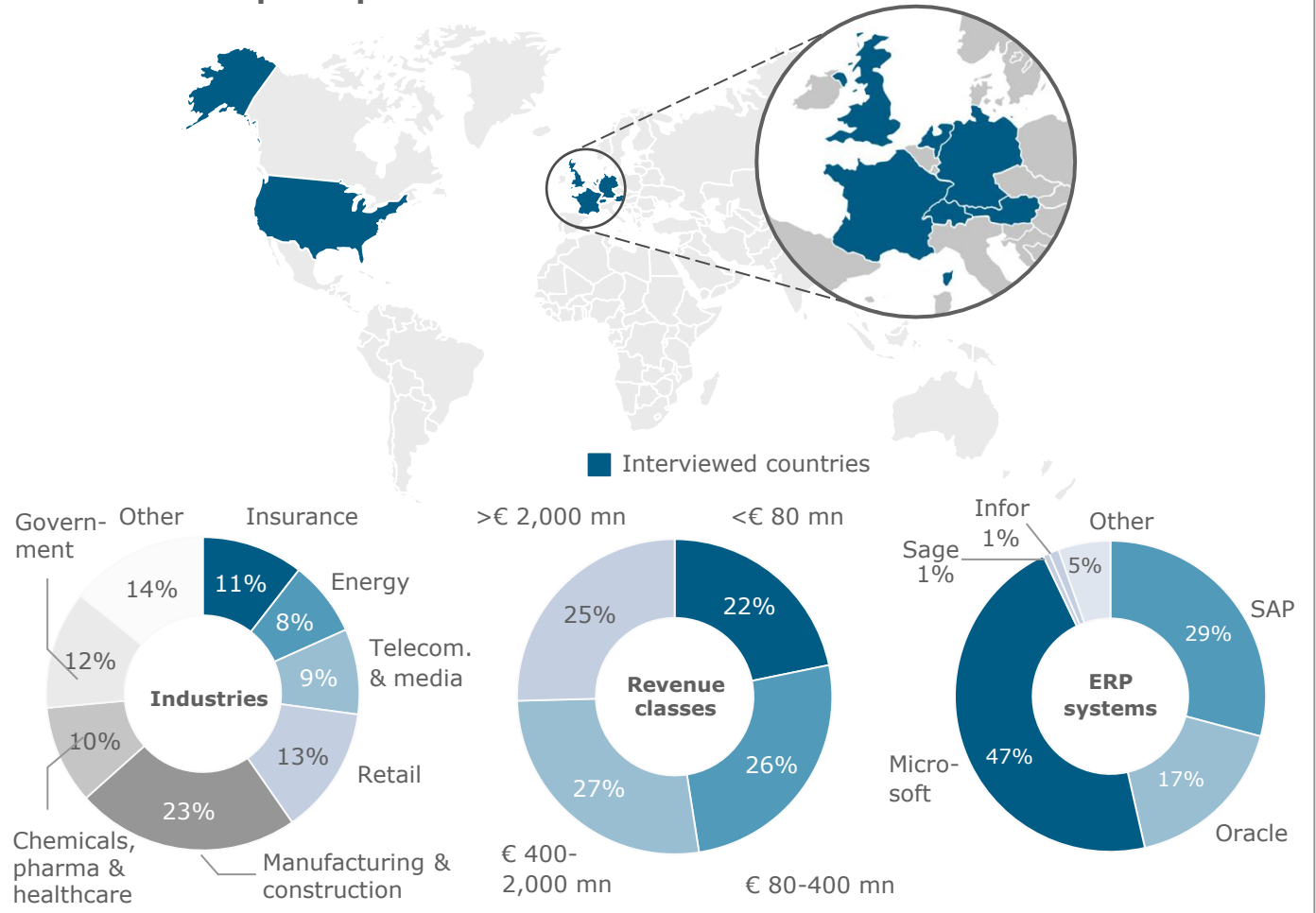
### Survey method:

- Online questionnaire

### Survey period:

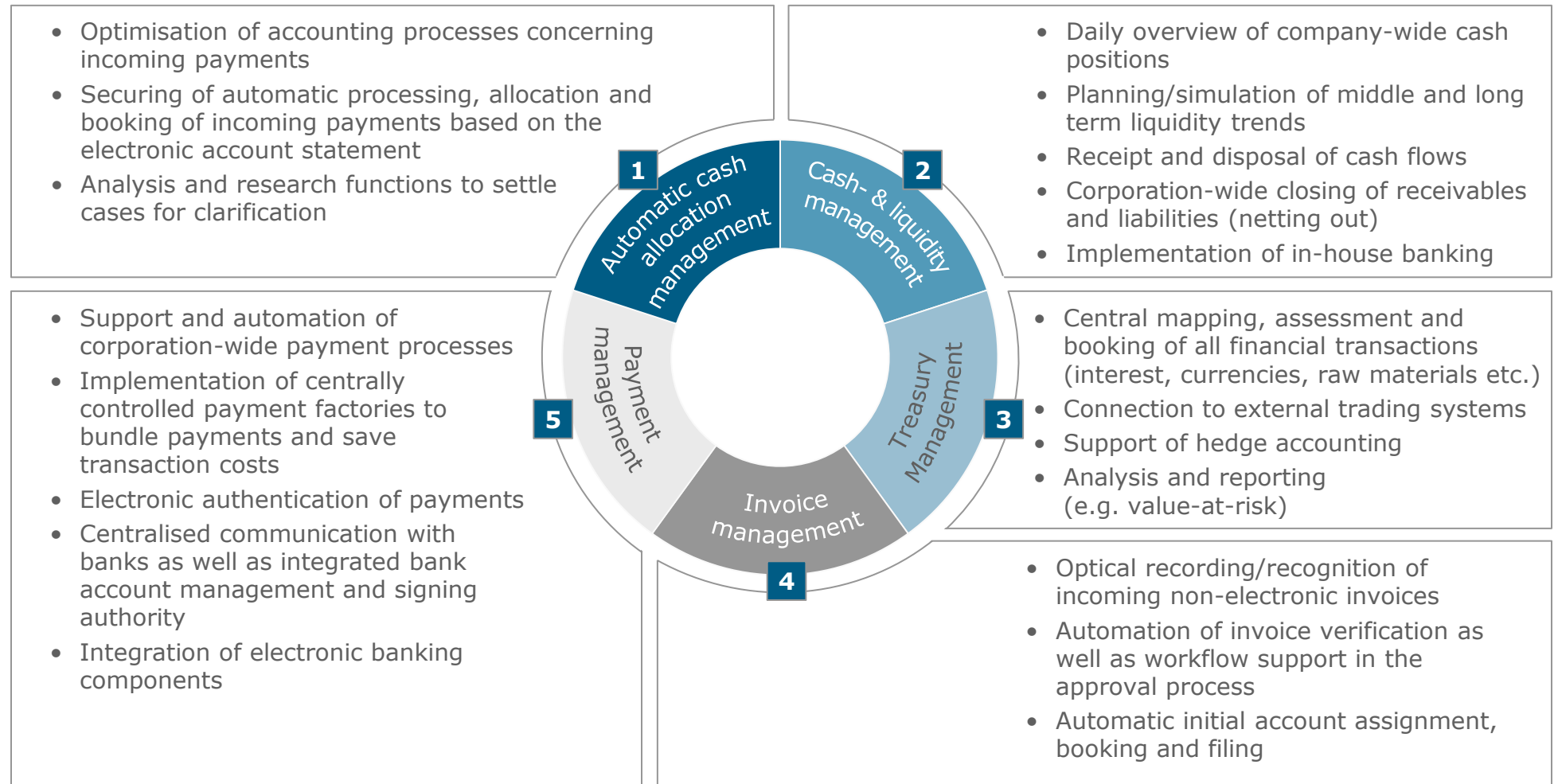
- March-April 2013

## Distribution of participants



# Key Functional Areas of Financial Supply Chain Management

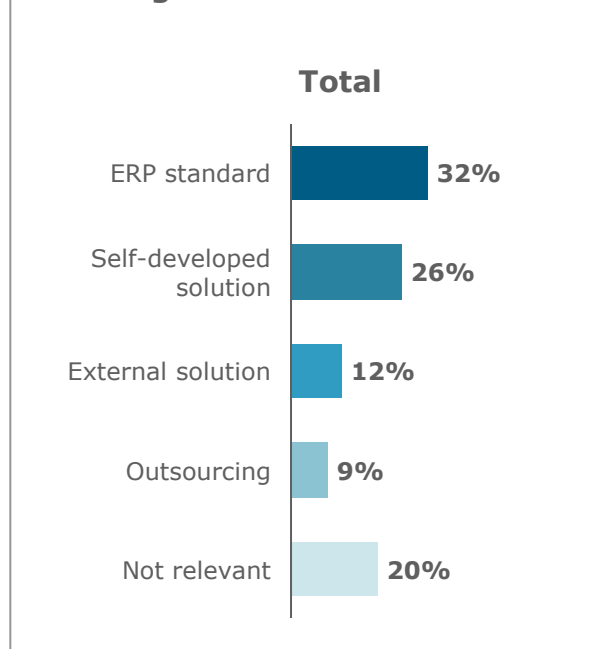
The survey examines the five key functional areas of software solutions that help to optimise the financial supply chains of companies



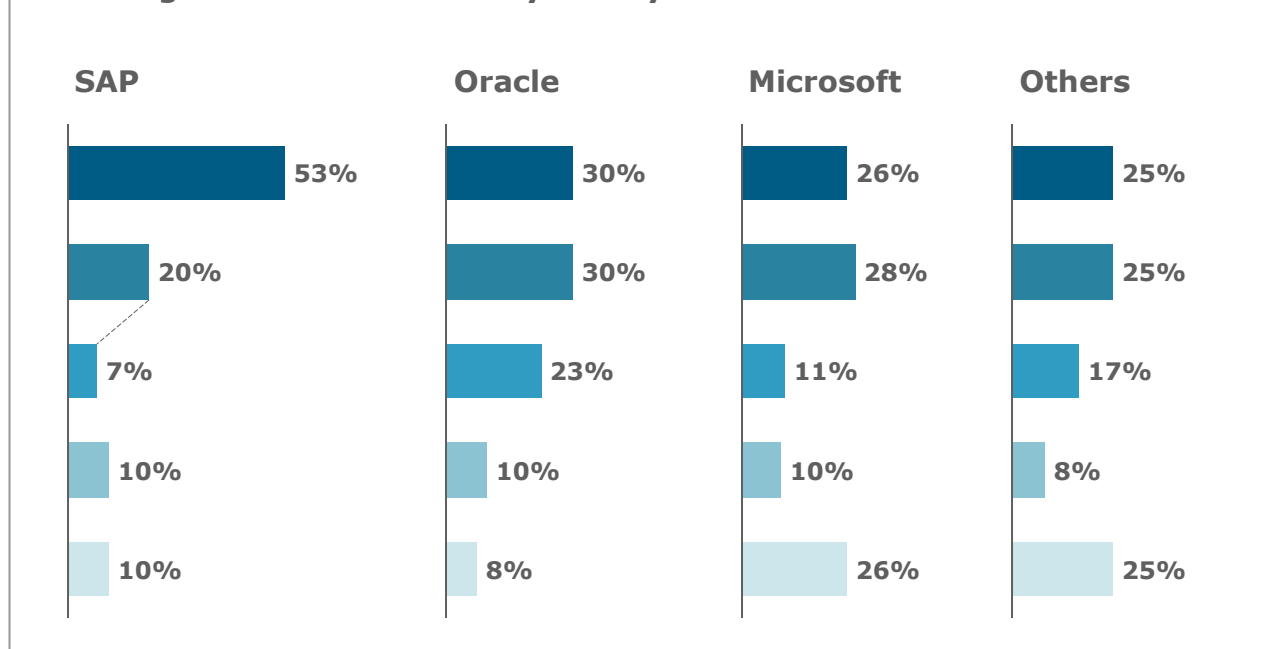
# 1 Automatic Cash Allocation Management

To process automatic cash allocation management, companies particularly use the standard software of their ERP systems – non-SAP users tend to additionally use complementary solutions

Leading software solutions<sup>1</sup>



Leading software solutions by ERP system<sup>1,2</sup>



## Key findings

- Comparing all interviewed companies, the ERP standard software most commonly dominates the processing of automatic cash allocation management – a differentiation between the ERP systems in place, however, shows that SAP users are much more likely to work without further complementary solutions to their SAP standard
- With their current solutions for automatic cash allocation management, only 13% of the companies reach an automatic reconciliation rate of incoming payments that is >95%, one in every two companies even fails to get above reconciliation rates of <85%

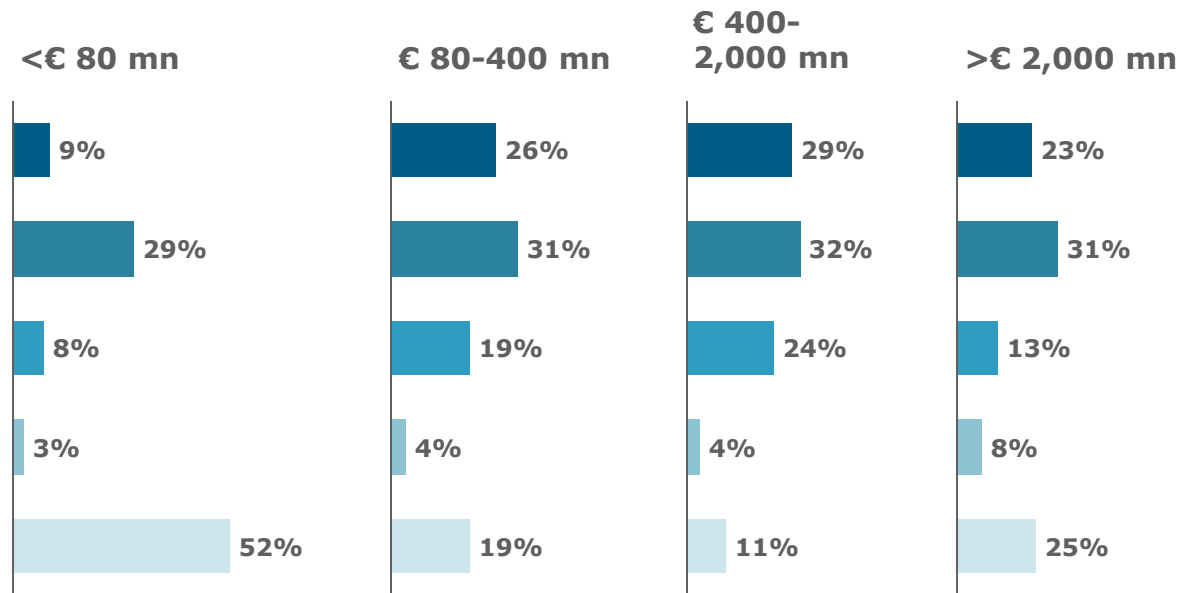
## 2 Cash & Liquidity Management

Irrespective of company size, specialised software solutions for cash & liquidity management are rarely used – in-house developments based on Microsoft Excel dominate this functional area

Leading software solutions<sup>1</sup>



Leading software solutions by revenue class<sup>1</sup>



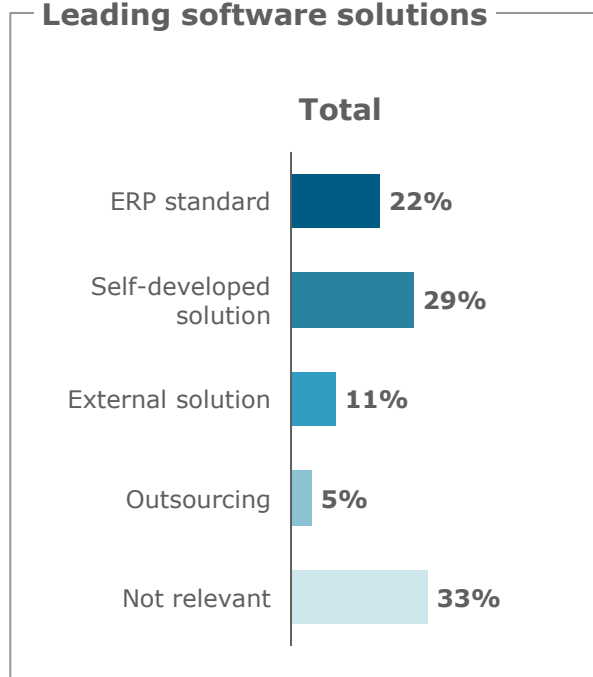
### Key findings

- In the functional area of cash & liquidity management, the company software is most often supplemented by self-developed solutions for financial planning: while the raw data comes from the ERP system, the data aggregation, forecasting, simulation etc. are mostly carried out using Microsoft Excel – irrespective of the size of the company
- Actually, one in every two companies with revenues of < € 80 mn attributes no separate relevance to this area – therefore they are not paying any attention to specialised cash & liquidity planning software solutions either

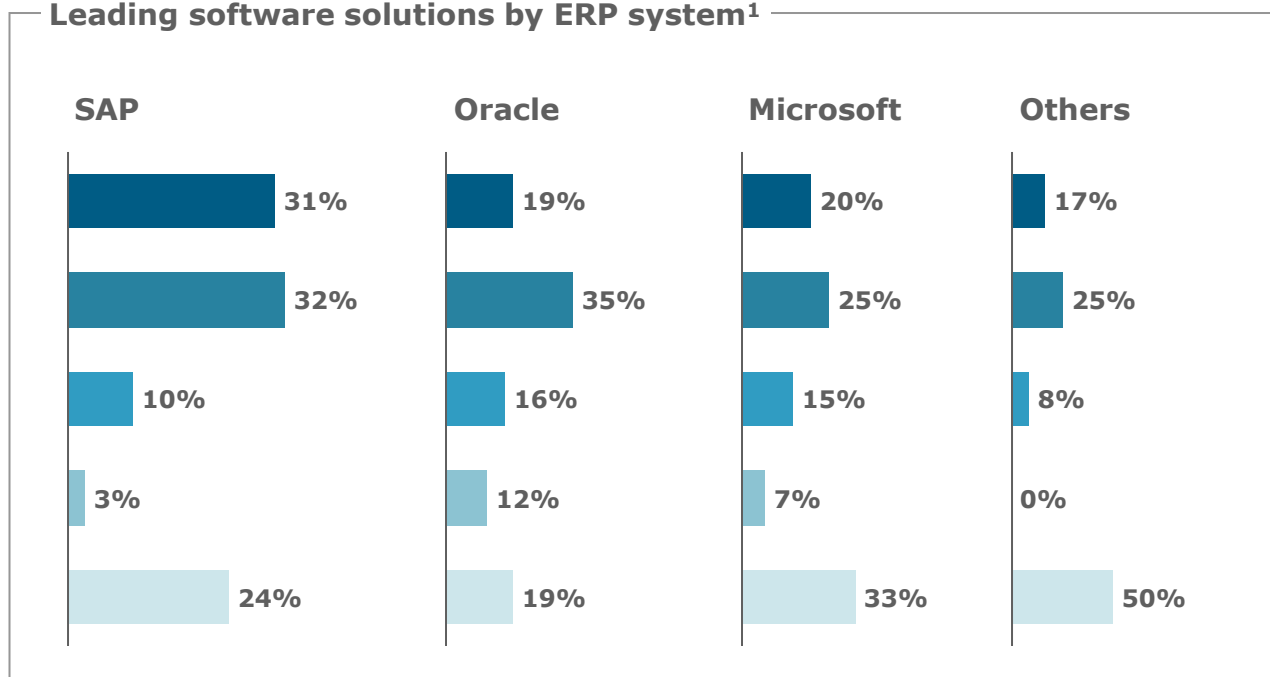
### 3 Treasury Management

In spite of the existing, highly efficient SAP offering, SAP users mainly work with self-developed solutions in the area of treasury management – even fewer non-SAP users rely on the ERP standard

Leading software solutions



Leading software solutions by ERP system<sup>1</sup>



#### Key findings

- Functional requirements in the area of treasury management are in most cases met by the interviewed companies' self-developed solutions – despite the highly efficient SAP offering, this holds true for SAP users and, to an even larger extent, non-SAP users
- Due to the fact that their financial transactions are often relatively easily manageable in terms of scope, small companies do not see an essential need for specialised treasury management software solutions



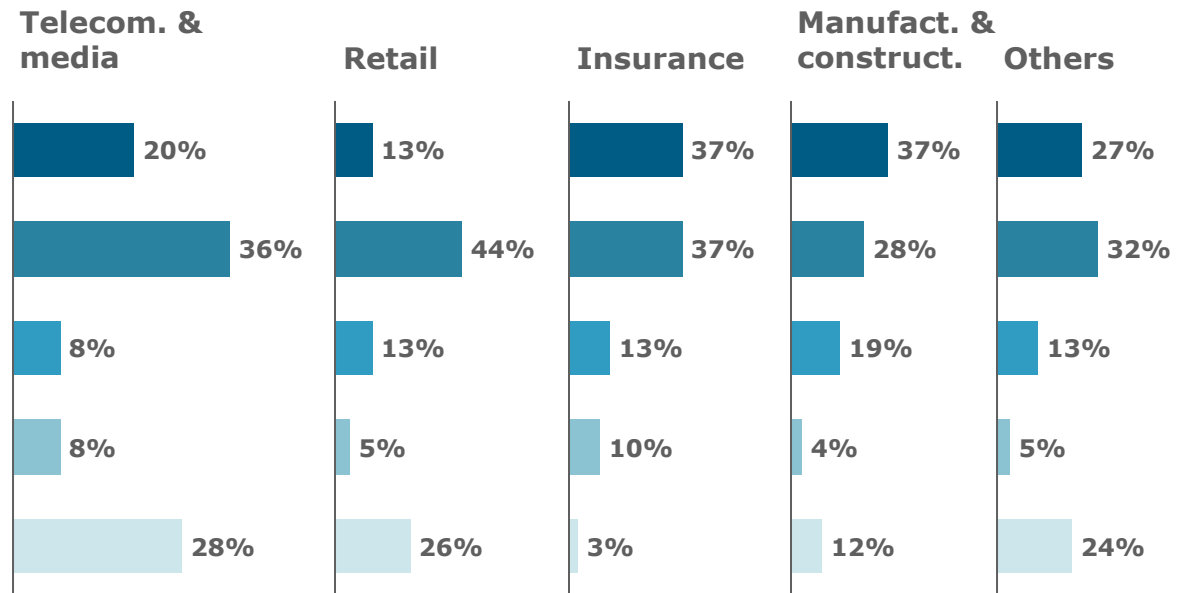
## 4 Invoice Management

The dominance of self-developed solutions is extended to the functional area of invoice management – the ERP standard is only used frequently in industries with high invoice volumes

Leading software solutions<sup>1</sup>



Leading software solutions in selected industries

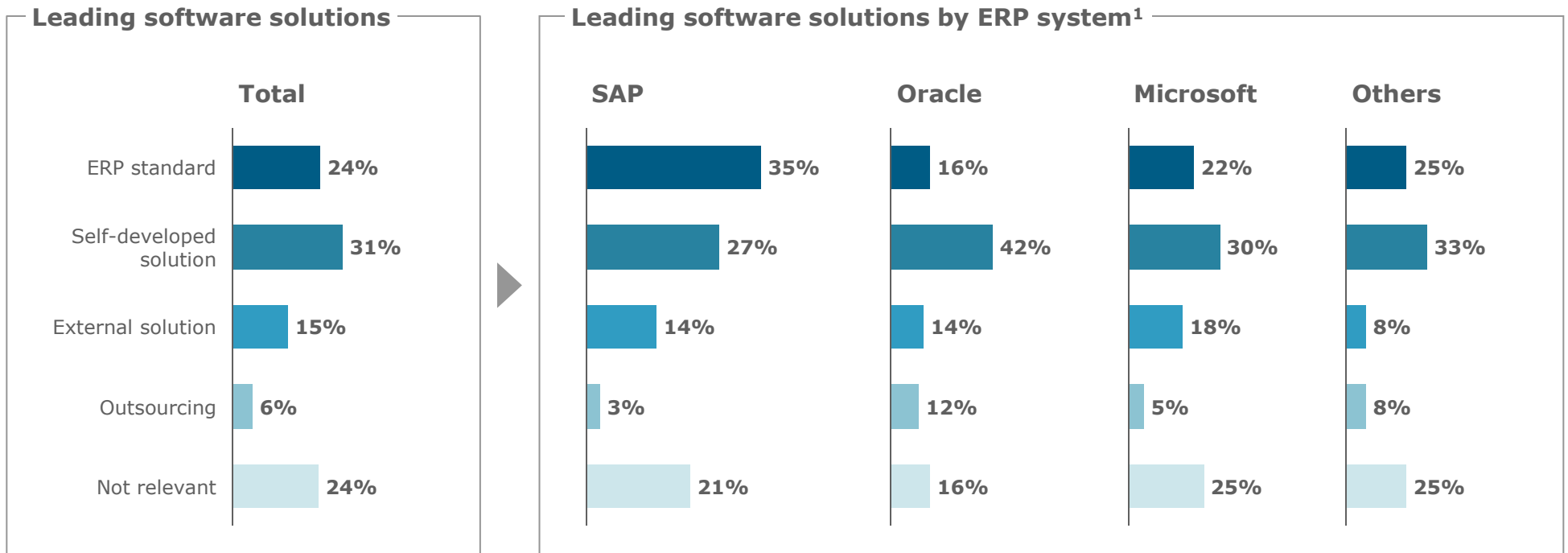


### Key findings

- For invoice management, self-developed solutions are more important than for any other functional area of financial supply chain management – from the optical recording/recognition of incoming, non-electronic invoices to workflow-supported invoice processing
- Again, SAP users work considerably more often with their standard software than users of other ERP systems – especially in industries with high invoice volumes
- E-invoicing is not yet used by almost half of the interviewed companies

## 5 Payment Management

The functional area of payment management clearly differentiates between the installed ERP systems: SAP users work considerably closer to their standard software than users of other ERP systems



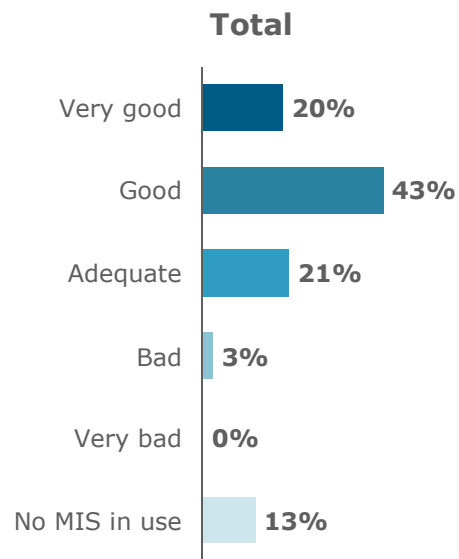
### Key findings

- Almost half of the companies that use SAP work with their standard software
- However, cross-nationally self-developed solutions are used to a large extent for payment management – particularly companies in the energy, telecommunications & media as well as retail segments rely on such solutions to an above-average extent

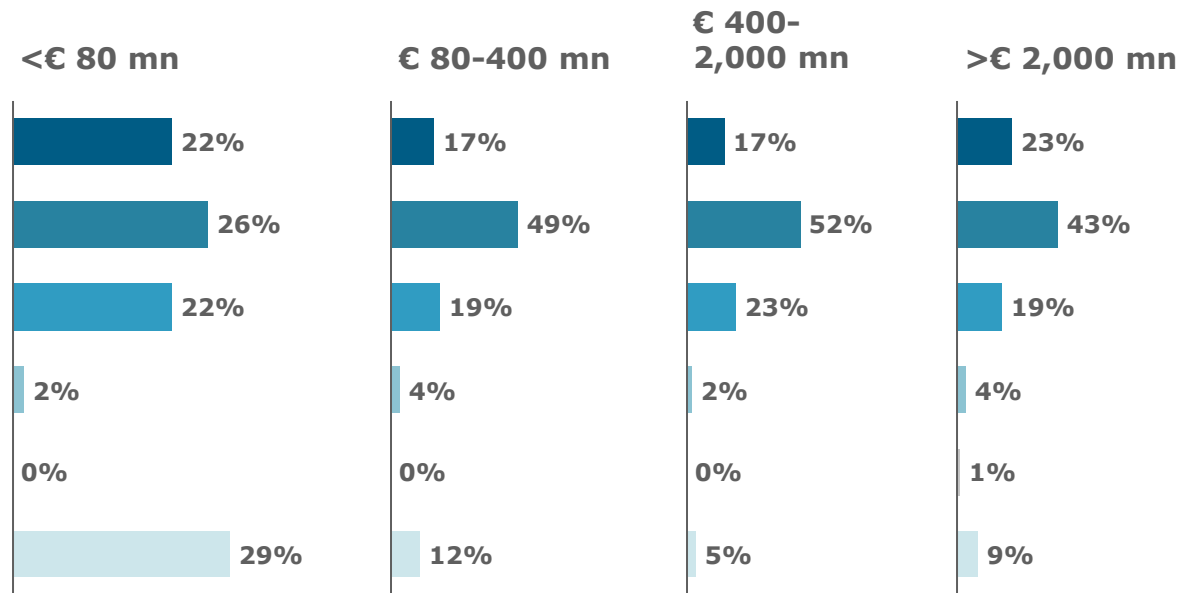
# Management Information System (MIS)

The consolidation of all company-relevant key financials in management cockpits is mainly relevant for medium to large corporations, yet reveals room for improvement

## Evaluation of installed MIS solutions



## Evaluation of installed MIS solutions by revenue class<sup>1</sup>



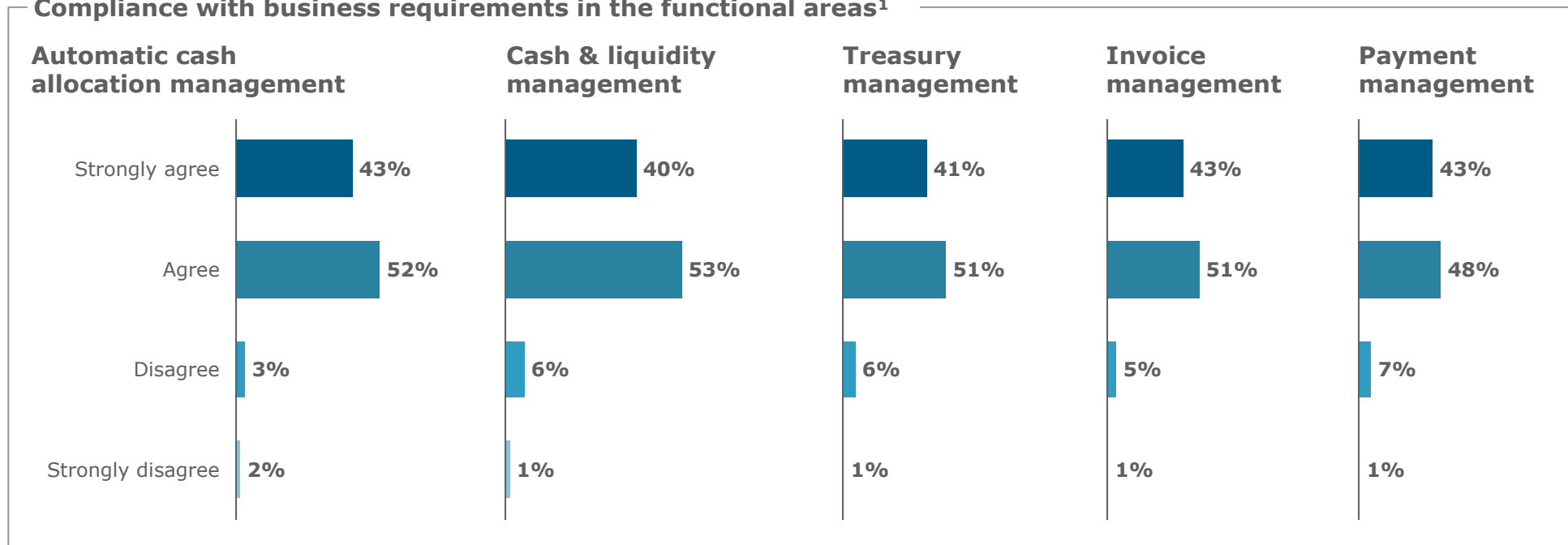
## Key findings

- Management information systems are often part of highly efficient business intelligence solutions and therefore only interesting for companies with turnover of >€ 80 mn
- The implemented solutions basically comply with the business requirements, yet room for improvement was revealed at four out of five companies
- There is unanimous agreement when it comes to the acceptance of increasing information provision on mobile devices

# Implemented Solutions' Compliance with Business Requirements

The partial satisfaction across all functions concerning compliance with business requirements leads to cross-industry willingness to invest in external solutions

## Compliance with business requirements in the functional areas<sup>1</sup>



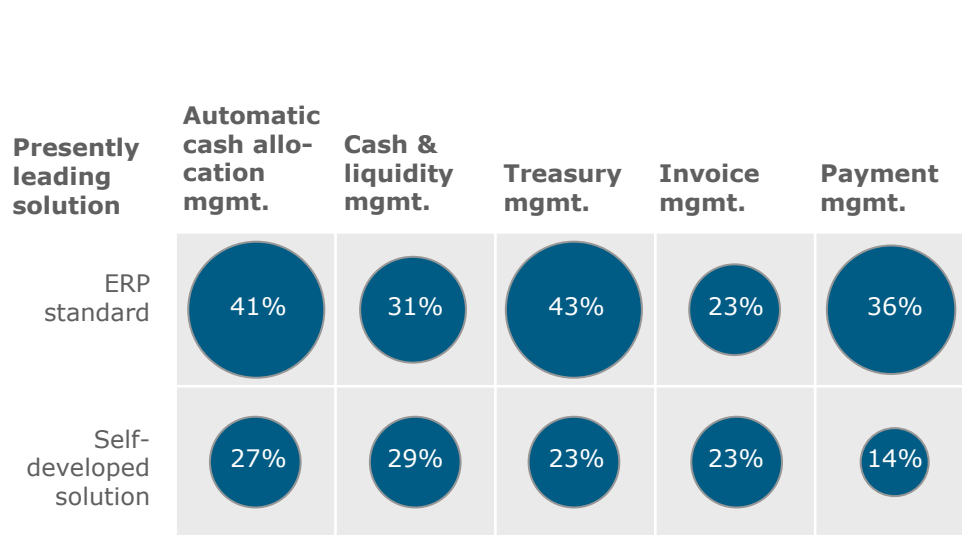
## Key findings

- Regardless of the functional area within financial supply chain management, there is only partial satisfaction concerning the solutions' compliance with business requirements
- Comparing the different countries involved in the survey, it becomes clear that companies from the DACH region<sup>2</sup> are more likely to be fully satisfied than companies from other EU countries and the US

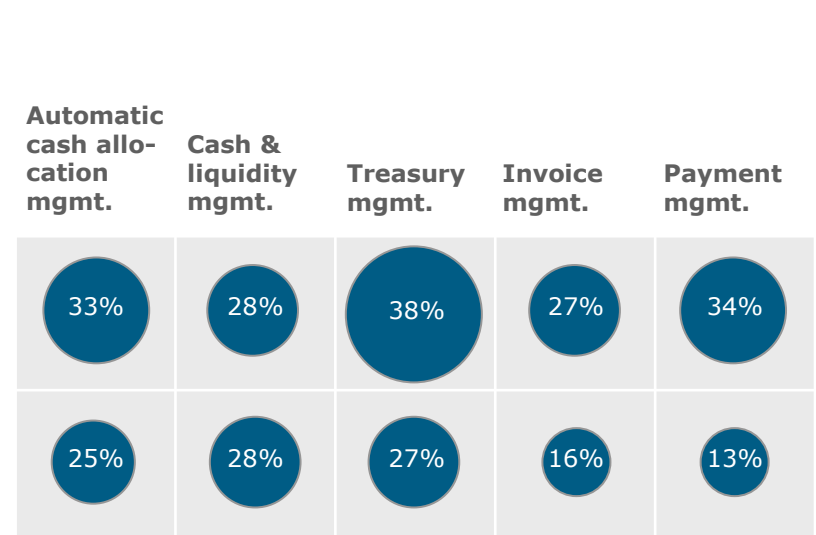
# Planned Changes in the Solution Landscape in the Upcoming 3 Years

Due to performance gaps, the interviewed companies plan the implementation of external software solutions or outsourcing in the areas of automatic cash allocation, treasury and payment management

## Planned implementation of external software solutions<sup>1</sup>



## Planned outsourcing of functional areas<sup>1</sup>



## Key findings

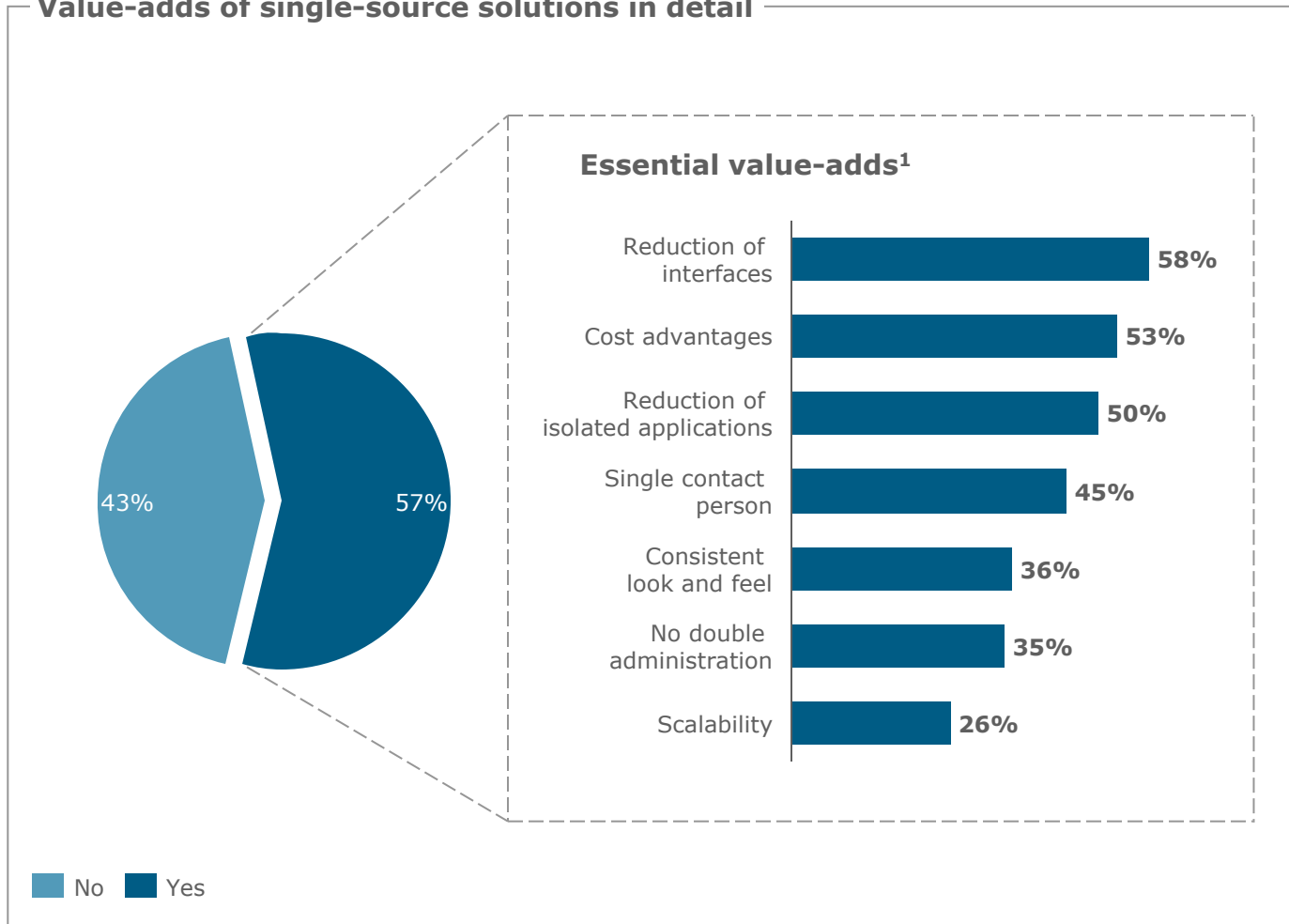
- Especially in the areas of automatic cash allocation management, treasury management and payment management, present users of the ERP standard perceive functional deficits and are considering the implementation of external software solutions or even the outsourcing of the respective functional areas
- In the US, nearly half of companies are considering implementing an additional/alternative external solution for automatic cash allocation management in the upcoming years and one in three is thinking about it for cash & liquidity management
- In the DACH region, one in three companies is currently planning to implement a treasury management solution

<sup>1</sup> Interpretation: 41% of the companies currently using the ERP standard for automatic cash allocation management plan to implement an external software solution in the future Source: goetzpartners

# Value-Adds of Single-Source Solution Suites

A majority of the interviewed companies from medium to high revenue categories sees a considerable value-add in single-source solution suites for their company

## Value-adds of single-source solutions in detail



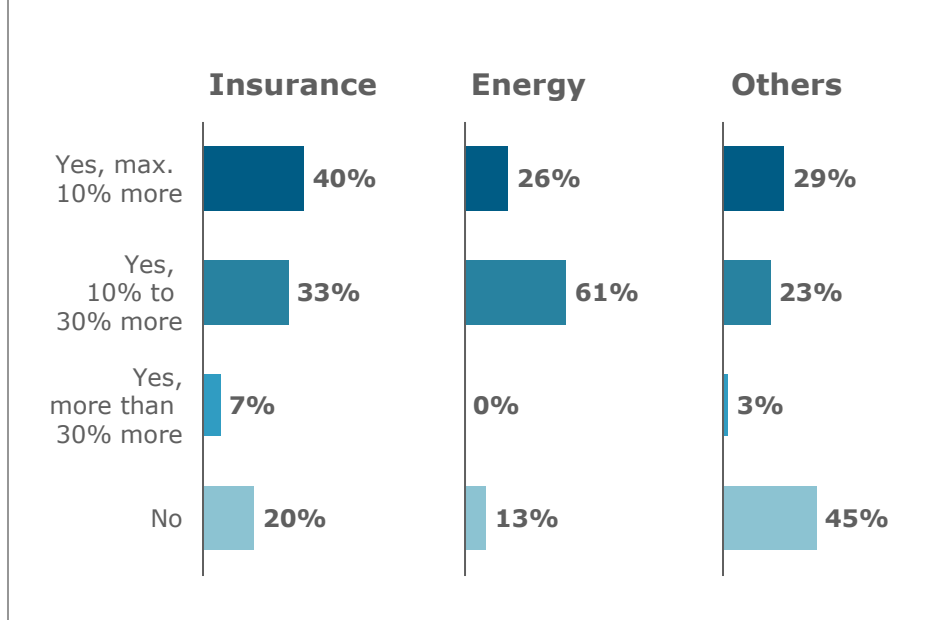
## Key findings

- A majority of the interviewed companies sees advantages in single-source solutions for financial supply chain management – for SAP users the percentage was as high as nearly 70%
- Small companies with revenues of <€ 80 mn, on the other hand, see neither a general benefit nor the depicted value-adds for themselves
- The main additional benefits are seen in the reduction of interfaces, cost advantages and the reduction of isolated applications – a single point of contact is also relevant for the majority of companies

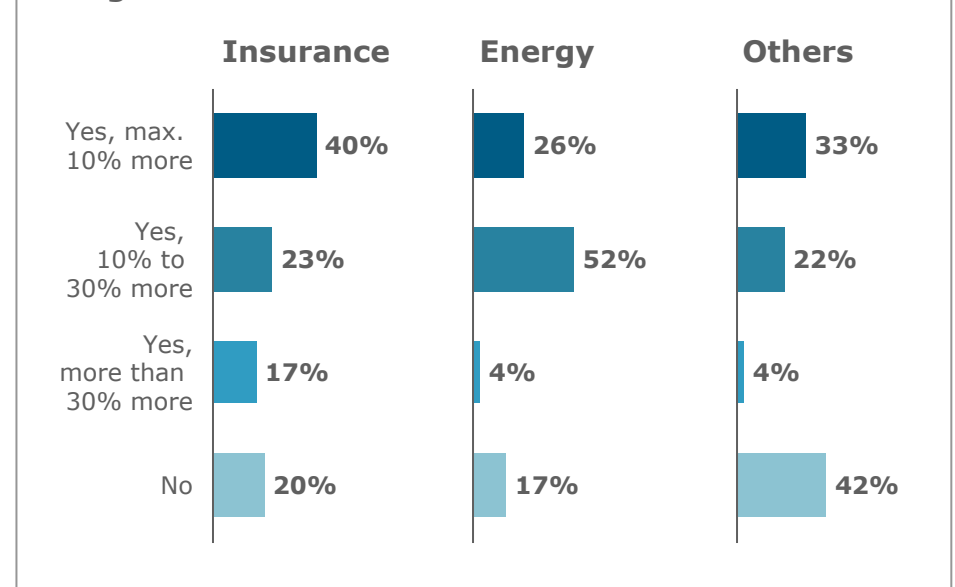
# Willingness to Pay for Single-Source Solution Suites

At more than 50% of the interviewed companies, a general willingness to pay for a holistic solution suite as well as release-secure integration in their own systems has been identified

**Willingness to pay for holistic solution suites<sup>1</sup>**



**Willingness to pay for release-secure systems integration<sup>1,2</sup>**



## Key findings

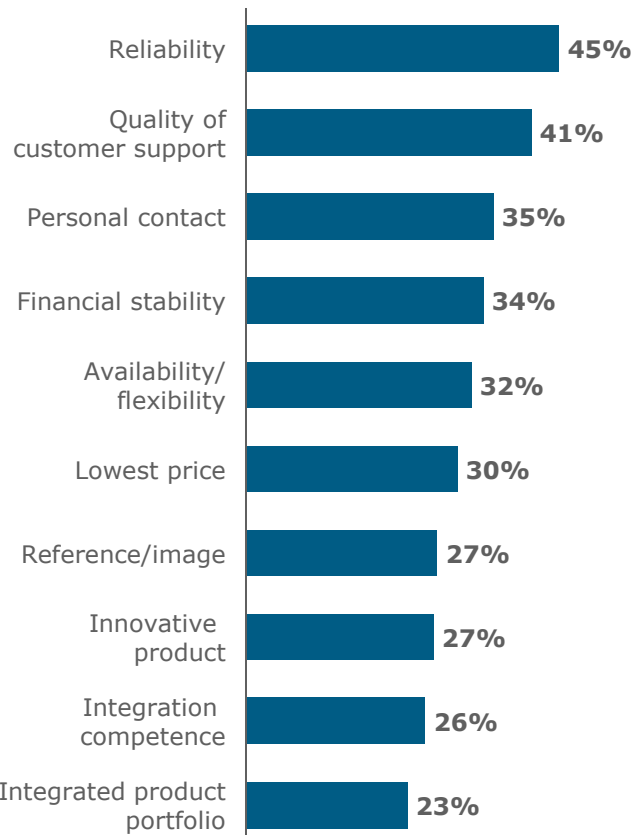
- More than half of the interviewed companies expressed a willingness to pay for a holistic cross-functional solution suite for their entire financial supply chain management as well as release-secure integration in the existing ERP systems – there is an especially high willingness to pay in the insurance and energy industries
- Particularly users of SAP systems are willing to pay for a solution to be release-secure integrated into their ERP system; however, small companies with revenues of <€ 80 mn do not consider this a priority

# Selection Criteria for Financial Supply Chain Management Solutions

In financial supply chain management, reliability and quality of support are crucial selection criteria – differences become especially clear at industry level

## Top 10 selection criteria<sup>1</sup>

### Total



## Top 3 by selected industries<sup>1</sup>

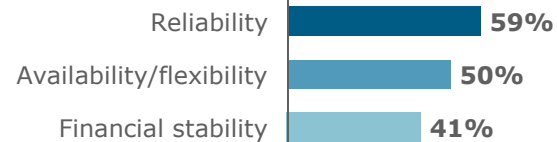
### Energy



### Retail



### Manufacturing & construction



## Key findings

- The key selection criteria for financial management software are reliability as well as the quality of the customer support
- Differences become visible after differentiation by branch of industry: While there is high price sensitivity in the retail business, companies with a manufacturing or construction background rate the reliability of the systems higher
- Comparing the countries, in the US, alongside reliability one in every two companies cites the importance of the solution's availability/flexibility
- For small companies with revenues of < € 80 mn, personal contact is of importance as well as a convenient price



# More Studies by goetzpartners

In 2013, goetzpartners is publishing a new study called "Finance organisation 2.0 – Contribution to a company's success" concerning the changing role of the financial organisation within a company

## Finance organisation 2.0

The growing complexity of companies also places the financial organisation before for new challenges.

Advancing internationalisation, increasing complexity in the chain of production and the ad hoc supply of decision papers for top management are just some of the challenges a CFO has to face.

In this study, goetzpartners will show the requirements for today's financial organisation and what position it should take within the firm. With the help of five optimisation levers, goetzpartners demonstrates how the financial organisation's contribution to the company's overall success can be increased:

1. Focus on core tasks
2. Standardise processes and tasks
3. Reduce complexity
4. Strong governance on data and processes
5. Performance metrics/KPIs

**1**  
Focus on core tasks

- Establish a comprehensive delivery model with clear accountability and respect to business units and geographical setup
- Provide decision support for (top) management
- Set focus for corporate functions

**2**  
Standardise processes and tasks

- Identify value creating core processes that can be standardized
- Use (offshore) shared service centres
- Align IT infrastructure to automate standardized core processes effectively

**3**  
Reduce complexity

- Right-size organizational layers and regional/geographical setup
- Eliminate processes with little or no value
- Enforce rigorous internal controls to reflect risks and impact of potential errors

**4**  
Strong governance on data and processes

- Establish central process governance
- Use consistent data from defined sources throughout the company
- Agree on data and information assets with business partners that these are in line with corporate strategy

**5**  
Performance metrics/KPIs

- Define key KPIs which support the corporate strategy
- Use business metrics as track of execution for finance organization and business partners
- Introduce individual scorecard and drill down functions for top and middle management

*"To make strategic decisions, it is essential to know what effect they will have on the financials of the company. This is the only way to lead a company successfully."*

The study will be published in the autumn of 2013 and contain a series of interviews with CFOs and other experts about the positioning of financial organisations within the company and their contribution to driving corporate success

# About goetzpartners

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goetzpartners is a leading independent European consulting company that combines M&A (mergers & acquisitions) advisory and management consulting under one roof. With this unique service offering goetzpartners advises companies along their whole value chain, thus creating sustainable value for them. The Group is represented with offices in Munich, Düsseldorf, Frankfurt, London, Madrid, Moscow, Paris, Prague, Shanghai and Zurich, and maintains international cooperation ventures.

goetzpartners Management Consultants concentrates mainly on the fields of strategy, operational excellence, and business transformation. goetzpartners Corporate Finance focuses on M&A advisory services. goetzpartners is "hidden champion" in the consulting discipline corporate finance and management consulting (result of the "Hidden Champions-Study" conducted by Prof. Fink in cooperation with the business magazine "Capital").

## **Industry Line Financial Institutions**

In the area of Financial Institutions, goetzpartners provides comprehensive first-class support in consulting mandates, M&A transactions and assistance to financial investors. With our integrated approach we support our clients in adapting to the challenging market environment, reassessing and, where necessary, redefining their business model.

## **Industry Line TIME**

In the TIME sector (telecommunications, IT, media and e-business), goetzpartners supports numerous clients with their alignment and transformation according to the new market environment within the converging world of media. Through our innovative, strategic approach coupled with our strong implementation and value orientation, we work with our clients to improve their competitiveness and ensure sustainable success.

## **Service Line Business Information Strategy**

To ensure sustainable success, companies are increasingly dependent on the effective and efficient use of information and technology. In close cooperation with the client, goetzpartners addresses the various issues in the field of business information strategy. Among other things, this includes the development and optimisation of IT strategy and governance, the optimisation of product and service portfolios, structures and processes of IT organisations and service providers, as well as the planning of high-technology usage for products or services.

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