



## The Changing Role of Finance in the Era of e-Business



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In *The Agony and The Ecstasy*, Irving Stone's brilliant biographical novel on Michelangelo, the author provides a vivid suggestion of why and how this artist became so distinctive among the world's sculptors: through the aid of a monk benefactor, Michelangelo was allowed secret access to cadavers, which he privately dissected to study the underpinnings of the human form.

Muscles, movement and processes. Joints, organs and tissue. Five hundred years ago, Michelangelo realised that, beyond outward appearances, there were critical systems in place that yielded the self-contained beauty of the human body. One has only to think of his statue of David to believe that the artist indeed mastered his subject.

Why use such an analogy when talking about the evolution of Finance in the era of e-business? Because today's organisations are being compelled by the marketplace to 'dissect themselves' and examine the underlying lifeblood processes and critical connecting points with customers, partners and employees to evolve ever better systems that will strengthen the competitive position of the organisation as a whole.

Finance plays a significant leadership role in such self-examinations because all of the global business drivers for change touch upon finance, which is charged with bringing the added value required to keep the company competitive. As such, just how finance systems evolve amounts to a continuous critical-success factor for every organisation. This is particularly true in the enterprise software field, where, to be perceived by customers and investors as an industry leader, vendor organisations are wise to adopt those very technologies that they are claiming will keep their customers on the cutting edge in their respective industries.

### The Drivers of Change

Not only is Finance changing; so is the overall marketplace. Dramatically so, to the extent that change

itself is the watchword of the era. To be successful in the new information age or 'idea economy', companies can no longer rely on land, labour and capital to keep them competitive. Instead, staying competitive in the new era is contingent upon ideas and the speed with which a company can put those ideas into action and use them to achieve a real business advantage.

Just think for one moment about what is really driving change in business today. We are all affected by the trend towards the globalisation of communications and, hence, of expanding trading communities. We are affected just as much by the rapid proliferation of technologies and the perpetual state of change they inspire. And we are being further affected by the adoption of more nimble and effective organisational structures designed to ensure ongoing business competitiveness, greater customer advantage, broader employee diversity and greater depth in a company's leadership.

In today's business environment, there is a prevailing 'global' attitude and approach to business. Industries are converging as technologies are synthesised and as business alliances, mergers and acquisitions lead to the creation of entirely new powerhouse providers of goods and services for today's hungry markets. Along with all this, organisations themselves are shifting their structures to be more 'flat' yet more flexible and able to react swiftly to change. At the same time, organisations are working hard to become more and more efficient, with production and management at a lower cost, while ensuring delivery of the quality customers expect, which, of necessity, is now almost always on the customers' terms. Include mixed competitive landscapes in most industries and shifting regulatory climates generally and you begin to see why organisational change needs to be happening at the speed of ideas nowadays.

How do these drivers of change and today's business environment translate into new, evolving trends in finance? It is not difficult to see the correlation

between marketplace change and what finance decision-makers are challenged to bring under control within their organisations.

Today's business environment invites the increased pursuit of growth opportunities, while continually seeking to reduce operational costs. Equally significant is the increased emphasis on, and investment in, risk management to protect the organisation, its assets and processes in the face of a rapidly changing world. In many cases, this involves significant, ongoing investments in technology – especially technology dedicated to improving functions or processes and ensuring that the new solutions bring value to the changing organisation by being able to be easily changed themselves.

To make change a competitive weapon, companies must be well versed in the opportunities afforded by today's technologies. So, the regular dissection and study of existing processes, mindful of the changing needs of the organisation, is well advised. But still more is needed. In his book, Stone wrote that Michelangelo, when he was working with metal, could feel the material in his teeth. But when he was working with marble, so 'one' was he with the medium, he could feel the material in his veins. I cite this anecdote to illustrate the passion those of us in Finance must aim to feel in protecting and controlling our organisations today. Like the sculptor working to capture a precise three-dimensional external view by drawing on internal realities, we must use the tools and technologies available to us to work ardently towards systems that benefit our companies, our customers, employees, partners and stakeholders. And the best way to ensure that we have arrived at systems sure to benefit all concerned is to utilise systems that themselves can be easily changed, as needed, to keep the beastly world outside under control.

#### **Information, Transactions and Relationships: The Heart of e-Business**

Based on the lessons we have learned over time, at J.D. Edwards and Company we are approaching our finance systems through the eyes of our customers. As is the case with many of them, we find ourselves: in transition from mere 'automation' to greater and greater 'optimisation'; evolving from core 'transaction processing' to include more strategic and competitive decision-support activities; and progressing from basic efforts to 'reduce costs' to incorporate measures designed to create value, for both our internal and external constituents. We do not expect success to come in 'big bang' fashion – it has been, and continues to be, a gradual process. And

therein lies yet another argument for ensuring that your systems can be changed as needs dictate: using technology that is flexible to change is the heart of what a successful e-business solution is all about.

The enterprise software industry has long been associated with supply chain management. Historically this meant the 'back office' suite of finance, accounting, manufacturing, distribution/logistics and human resources management, but nothing beyond. In the era of e-business, the Enterprise Resource Planning (ERP) backbone moves more to the centre in importance because technologies today really have more to do with what we call the 'synchronised virtual supply chain', where the lines between back office and front office technologies are officially gone. Here we are not concerned with just transactions or procurement, but with building a system that blends information with transactions, not just for internal use but externally as well, to serve all of the myriad and complex relationships shaping the organisation. This is tasking finance departments (and organisations as a whole) to adopt, for example, technologies for realtime collaboration, methods to connect innumerable virtual enterprises and prudent strategies to exploit the trend towards application outsourcing.

In today's era of e-business solutions, the basic enterprise or ERP system still remains in place and, indeed, creates the backbone for any agile e-business solution. J.D. Edwards' core competency for more than two decades has been managing fundamental business transactions and delivering those solutions via an enterprise-wide supply chain offering. In our finance division today, we are also extending our systems into the web procurement area, through our partnership with Ariba Technology. This we expect to result in considerable operational savings. Likewise, we have rolled out a key front-office application internally in our major revenue-producing geographies by virtue of our partnership with Siebel Systems, which is providing sales force automation technology. And we have implemented a forecasting and pipeline reporting solution that enables us to 'see' our worldwide organisation in multiple dimensions and from a number of critical viewpoints – just what today's business world requires – thanks to our relationship with MicroStrategies. The true advantage comes from being able to quickly, flexibly and effectively integrate these leading application components to the heart of our operations – our ERP core. True competitive advantage is only achieved when we have harmony or synchrony in all systems.

One especially important lesson we have learned through the evolution of our own internal Finance processes is that having too many metrics to track

creates undue difficulty and therefore ineffective analysis. An effort to work up our own Balanced Scorecard in recent years taught us to simplify; we do not need our business intelligence solutions to measure 300 key performance indicators when honing that down to the critical, strategic metrics will suffice. And that is what we have done. We have categorised our critical metrics into four areas: customer satisfaction; employee satisfaction; revenue growth; and profitability. This not only makes our long-range planning more efficient but makes making changes to the system that the long-range planning process defines far easier than ever before. Having a 'single version of the truth', as opposed to 'multiple versions of the truth', keeps the competitive passion running in our veins.

With our current systems and processes we are much better able to analyse real and hypothetical scenarios, and be more informed and accurate in developing likely outcomes for each. Being better able to predict such outcomes faster and with a greater degree of reliability helps keep us a leader in our field and also of better service to our customers and other business audiences who rely on us to make their own critical business decisions.

By seeing ourselves through the eyes of our customers, we hope to be perceived as a more credible technology vendor. We believe this strategy has us on the right track. And it is not just in the internal business or administration area that we are doing this. We have a whole other internal initiative aimed at developing use of the web for our Customer Support response line. There is another aimed at developing our knowledge management and business intelligence capabilities, and this initiative revolves around use of our corporate intranet, which we call The Knowledge Garden. KMWorld magazine, which evaluates thousands of internal company sites, recently awarded J.D. Edwards its 'Best Practice' award for Gaining Competitive Edge, citing the Knowledge Garden's innovation in distributing information to our 6,000 employees in more than 50 countries.

What we are doing internally is fuelled by the needs of our customers, combined with our own expertise in developing new, market-leading technologies. Because we all have the same challenges and opportunities given today's global markets, none of us is concerned solely with capturing transaction data alone. Now, we are greatly concerned with strengthening our business relationships, not just the trading communities we gain through organising suppliers and business-to-business transactions but also all of the relationships we have with our field force through customer relationship management and through our customers to their customers through 'storefront' technology.

## We Plan for Change – and Look Forward to it

Not unlike other companies our size, because of the changes happening all around us, J.D. Edwards reorganises itself every 12 to 18 months in order to remain of greatest service to our customers and constituents. Correspondingly, we transform our internal business systems to accommodate the reorganisations we undertake. What is perhaps different for us, though, is that we actually plan for change. What is more, we actually look forward to it because we know our systems are constructed with an architecture that enables us to put our ideas into action.

In our most recent series of efforts to redesign our own organisation's support processes, we adopted the motto of 'Practicing What We Sell' and we used our own OneWorld product to showcase our solutions. Because of the architecture of this product, we were able to implement ideas when our business changed, be it for internal or external reasons.

Internally, for example, we reorganised our sales model from tracking geographic areas to tracking along vertical market lines. Adjustments to our system to accommodate this change were implemented in just one week, with corresponding geographical organisational changes taking just one day. Externally, the European countries agreed to do business in the common Euro currency that began in January 1999. With nearly 25% of our revenue flowing from this region, we needed to enhance all revenue streams to provide both local and Euro amounts, support both Euro and local cash receipts and ultimately become fully Euro-compliant. In 90 days we were able to implement all of the changes necessary to support Euro processing requirements.

## Dissection and Re-creation

Because of the constant thrust of change in the global economy, it is the ability to dissect current processes and re-create them quickly and dependably using nimble technology that will make companies leaders in their respective fields. To be successful, the projects must be approached with a kind of thorough-going passion, one that sees the totality of the organisation for what it is – the sum total of myriad interdependent, yet ever-shifting, processes.

There has surely been plenty of agony in the past for those of us in finance, but we are working to balance the future with that bit of ecstasy we are all due by making the inevitability of change a little bit easier to control. ■