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MANUFACTURING ERP

5 CRITICAL AREAS OF FOCUS FOR FINANCE IN MANUFACTURING

The Rapidly Shifting Role of Finance in Today's Manufacturing Industry and Tips CFOs Can Use To Best Position Themselves for Tomorrow

TABLE OF CONTENTS

Manufacturing CFOs Are Today's Digital Leaders

The manufacturing industry is living at the nexus of opportunity and uncertainty. Economic booms contrast with supply chain woes while increasing demand struggles against skills gaps and a rising cost of capital. If CFOs are not watching, it can put manufacturers on their heels, in reactionary mode, working to survive, instead of thrive.

Operations leaders push through these headwinds by making the best of available resources, but it's the manufacturing CFOs who are thrust into the driver's seat to identify and navigate external volatility and internal transformations.

The CFO of a decade ago—before real-time cloud ERP—could only collect recorded data that reported on past performance. Today's CFOs are in a more strategic role to help manufacturers scale and grow, find the capital to invest in new opportunities, and champion the transformations needed to modernize and better compete.

How CFOs have changed reflects a clear focus on data and the technology required to capture, consume, and analyze manufacturing data:

- "Digital fluency" is a must-have CFO trait, according to Deloitte.
- CFOs must drive analytics capabilities to "shift the organization from a historical perspective to a forward-looking perspective," says Deloitte Touche Tohmatsu Limited.
- Transformation, digital, IT, and cybersecurity are all roles that increasingly report to the CFO, according to McKinsey & Company.

The bottom line? CFOs who are not already digitally transforming manufacturing operations and business may be falling further behind their competition every day.

Data Is the Fuel for Manufacturing CFOs and Their Teams

The pace of business has accelerated drastically in the recent past, as has the rate of change in a CFO's role. Value is now measured by more than just financial metrics. Human capital, brand, market penetration, customer satisfaction, sustainability, and **especially innovation** are all contributors to a manufacturer's valuation.

CFOs and their finance and accounting teams now need to work harder and cover more areas of responsibility, resulting in more decisions, more extensive scenario and what-if modeling, broader planning capabilities, more accurate forecasting, and on and on. To do so with confidence requires real-time data from more areas of the operations and business, from raw materials costs and workforce constraints to sales traction and customer expectations. Only with comprehensive business data can CFOs see the gaps, recognize the opportunities, and determine the most advantageous investments.

Of course, finance and accounting teams are also under the same pressures as the rest of the manufacturing business: do more with less, do it faster, and retain the best and brightest workers. Each of those can be overcome with technology and automation. More importantly, the most in-demand talent wants to rise above tedious manual spreadsheets and work with modern, innovative, fast, and powerful software solutions. They want data at their fingertips so they can make better, faster, and more informed decisions.

54% OF CFOS CITE HIRING AND RETAINING STAFF AS CURRENTLY THEIR MOST DIFFICULT TASK.

Recruiting top finance and accounting talent is not to be overlooked, especially as manufacturers need bright minds to help overcome challenging economic conditions. **Over half of CFOs (54%) cite hiring and retaining staff** as currently their most difficult task. **More than eight in ten CFOs (84%) say they will be more involved in technology investments** in 2023. Combine the two and CFOs must push through modernizations to keep pace with business challenges and talent expectations.

5 Critical Areas of Focus for Finance in Manufacturing

With uncertainty and volatility having been such constants in the current economic environment for manufacturers over the recent past, CFOs are already focused on belt tightening and cash flow management. But where must manufacturing CFOs now focus their attention? Here are five critical areas manufacturers can't afford to ignore

1. Face Manufacturing's Unique Headwinds

Supply chain disruptions continue to linger, and many manufacturers have adjusted operations and reset customer expectations. Unfortunately, continued disruptions are expected. A Deloitte survey of manufacturing leaders found that **"72% believe the persistent shortage of critical materials and the ongoing supply chain disruptions present the biggest uncertainty."** Those leaders then said they're relying on "increased utilization of digital technology" to combat that uncertainty.

Beyond the supply chain, issues like globalization, sustainability, skills gaps, labor shortages, inflation, digitalization, near-shoring, 3D printing, product-as-a-service, and smart factories, along with emerging technologies like artificial intelligence and machine learning, merely scratch the buzzword-laden surface of topics manufacturers need to recognize and evaluate—in themselves and the competition—in 2023 and beyond.

But, for CFOs who need to account for, invest in, and support manufacturing initiatives, they also must contend with a unique set of accounting and finance characteristics—inventory carrying costs, factory P&Ls, amortizing fixed assets, production costing, etc.—that require specialized skills and capabilities. A modern, purpose-built cloud ERP is designed to specifically manage these needs. Legacy and on-premises ERP systems frequently lack these and then require slow, expensive customizations.

2. Continue To Focus on Costs

The interconnectedness of the global supply chain has created a fragile system. Manufacturing CFOs must continue to keep a tight eye on costs to remain resilient in the event of another disruption. Recognizable authorities – **Deloitte**, **PwC**, and the **Federal Reserve** – point to costs as the top concern for CFOs in 2023.

Continuing inflationary pressures are also increasing costs, wages, and the cost of capital. The combination puts additional pressures on CFOs to cut costs while still finding the resources to invest in capital expenditure projects that, in full circle, alleviate some of the cost, wage, productivity, supply chain, and other pressures facing manufacturers. Manufacturing CFOs need more insights to understand costs at a more granular level, in real time, and with incredible accuracy. The low-hanging fruit has already been cut at most manufacturers. Continued cuts require laser-like precision to ensure growth isn't hampered. Unfortunately, you can't cut your way to growth. CFOs need more data from across operations and the business, all in a single source of truth to make fast decisions with confidence.

CFOs and Costs in 2023

Deloitte: ....#1 CFO priority is costs

The Fed: .... #1 CFO concern is costs

Gartner: ... 78% of CFOs to budget more for COGS

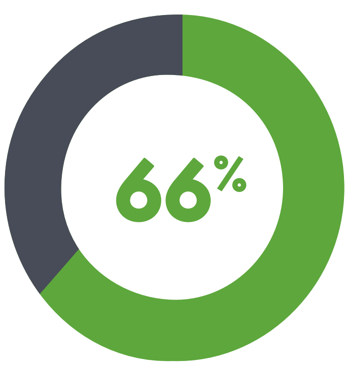
PwC: ....77% of CFOs pushing new cost-cutting

3. Increase Visibility Across the Business

Facing internal and external headwinds while getting surgical with cost cutting requires visibility. That means data, along with the tools to analyze, understand, and act on it. The phrase "every company is a tech company" has been referred to for years. But, with CFOs taking ownership of both technology and digital transformation, it's better adjusted to be "every CFO is a CIO." For more proof, **a full two-thirds of CFOs say they plan to increase IT budgets in 2023, according to Gartner.**

The first step is to move away from manual, paper-based processes. They reduce speed, productivity, and accuracy. Entering data into spreadsheets doesn't count as modernization, either. The lag between data capture and data analysis should be measured in hours, not weeks. Plus, the potential errors, security risks, and simple costs of manual data entry—especially double-entry into multiple systems—cannot be justified in today's world.

Manufacturing CFOs need a complete view of the business with data that's always up to date. Modern cloud ERP solutions can collect data from operations, finances, suppliers, distributors, or other sources, automatically and in near real time. It can also grab data from sales and marketing to improve revenue forecasts, engineering to manage R&D costs against potential revenue impacts, customer and field service to inform upstream quality improvements, elevate customer satisfaction, and more.



66% OF CFOS SAY THEY PLAN TO INCREASE IT BUDGETS IN 2023.

-Gartner

4. Boost Productivity

Doing more with less, faster, is a common refrain for every CFO. But, especially with today's labor shortages and skills gaps, boosting productivity may be the only way for some manufacturers to reach revenue and growth goals.

Workforce shortages are of particular concern to manufacturers. In the U.S., there are nearly **two job openings for every unemployed person**, giving job seekers more options and more leverage. For manufacturing leadership roles specifically, **it takes up to four months to fill an open position, says Korn Ferry.** Those facts push wages higher and require productivity gains just to make up for unfilled roles.

Manufacturing CFOs can invest in training and recruiting efforts, but also need to backfill with investments in benefits, wages, education, and other initiatives that keep worker morale and job satisfaction high. Again, however, manufacturers need finance and accounting capabilities that enable execution of business processes in a predictable and repeatable manner. Solutions with capabilities for manufacturing subindustries, such as discrete manufacturing, engineer to order, project manufacturing, medical device manufacturing, and others, provide CFOs with additional insights and capabilities to manage a manufacturing business without extensive customizations or workarounds.

IN THE U.S., THERE ARE NEARLY TWO JOB OPENINGS FOR EVERY UNEMPLOYED PERSON.

5. Transform More, Faster

Digital transformation is on every manufacturing CFO's plate, but it's not the only aspect they need to worry about. Operational transformation can bring in new techniques to speed production lines, increase safety, cut costs, and improve quality. Cultural transformation can increase worker satisfaction and productivity, shift teams to a more data-driven mindset for more accurate decision-making, and build innovation into the fabric of the business.

With CFOs driving digital, strategic, and financial initiatives, more visibility is required to recognize and adapt to challenges, manage costs, and see opportunities for improvement. Moreover, tools need to automate slow manual tasks, collaborate and communicate across the business, and control processes so CFOs can take quick action and instill sustainable changes.

Transformation also means rethinking business processes instead of just digitizing slow, outdated, and inefficient processes. But it is all worth it because investing in digital transformation also makes better financial sense. Deloitte found that "manufacturers with higher digital maturity have shown greater resilience" over the past few years.

MANUFACTURERS WITH HIGHER DIGITAL MATURITY HAVE SHOWN GREATER RESILIENCE" OVER THE PAST FEW YEARS.

3 Tips To Kickstart Manufacturing Transformation in 2023

CFOs have been thrust into a strategic leadership role for many manufacturers. It's a challenging, pressure-filled endeavor, but CFOs now have a unique opportunity to chart a course for manufacturing success despite ongoing and unforeseen future challenges. Resilience and agility are required, and they rely on a technological foundation that provides the visibility, speed, and accuracy to make better, faster decisions with confidence.

Here are three tips manufacturing CFOs can use to take transformational action today:

1. Make an honest assessment

Make an honest assessment to recognize the gaps between business goals and operational capabilities. Focus on data and systems needs that, when filled, will provide the information finance and accounting teams need to guide the business forward.

2. Collaborate outside of the CFO's office

Collaborate outside of the CFO's office to find production, operations, and other opportunities for modernization. Some teams across the manufacturing spectrum are often neglected and will likely present quick and impactful digital transformation wins.

3. Plan for a single source of data truth

Plan for a single source of data truth that brings financials, sales, operations, supply chain, logistics, and other data together on a single platform. Modern integration tools make data sharing easy—even in the cloud—so there is no excuse not to have a 360° view from suppliers to customers and everywhere in between.

Better yet, start with a four-minute demonstration video of Rootstock, built on the Salesforce Cloud Platform. Rootstock provides all the tools manufacturers need to keep up with a rapidly changing world and a CFO's rapidly expanding role.