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The Hidden Accounting Taxes Inhibiting Business Growth

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Biography

Julie Holmes is a certified KPI Professional and brings her enthusiasm, passion and 18+ years of ERP/Analytics experience to every conversation. With an international background in ERP implementation specializing in Finance, she has the systems expertise to understand the technology. Add to that her time spent as a Financial Systems Director where she acutely felt the pain of getting the right answers to the business and her motivation becomes clear.

Formerly the JDE EnterpriseOne Financials Product Manager, Julie has been with insightsoftware.com for almost ten years leading the Analytics strategy. She loves designing solutions that help customers focus on what really matters to their business through visualized KPIs and scorecards.

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Paper type Opinion

Abstract

Are you robbing Peter to pay Paul? What are your hidden taxes costing your business? In this article, the author asks why is it that some businesses are still not able to bridge the mediocre chasm to become a high-performing organization (HPO)?

Introduction

When it comes to transforming your business from “good” to “great”, actions speak louder than words. Tangible costs like payroll, utilities, and cost of goods, etc. are simple to monitor and manage. However, truly exceptional business leaders recognize these expenses are only part of the “taxes” an organization is paying for every business day. Strong fiscal management is of course important in managing tangible day-to-day revenues and costs, but there are four other key areas that must also be considered in order to truly achieve a competitive advantage. We call these four areas the “hidden taxes.” Unlike real taxes and on-the-books expenses, these hidden costs are invisible, insidious and, left unchecked, damaging, but they can be managed and mitigated.

Productivity Tax

The first of these hidden costs we call the ‘Productivity Tax’, which is a huge drain on company resources. Only consider the hours and days spent by finance teams and business managers: collecting, entering, manipulating, verifying, and distributing data, only to repeat the whole process at the next reporting cycle! Think about those late nights when the finance department burns the midnight oil, or the average monthly financial close taking 13 working days, according to Ernst & Young.

Technology Tax

To meet the demands of an increased Productivity Tax, Finance turns to IT with more requests for solutions. The tangible costs here are obvious but the business also starts to suffer from the second hidden tax, the Tech Tax. The backlog of IT tasks grows longer; IT folks spend more time writing reports so they move from proactive to reactive mode to meet demands. They have less time for improving employee productivity and building new applications that would strategically benefit the business. It isn't surprising then that only 6% of financial department heads are comfortable with the state of their current finance technology solutions.

Confidence Tax

When the Productivity and Tech Taxes grow, so do the workarounds and shortcuts that are needed just to "keep things moving." But there is a price to pay for those shortcuts and assumptions, and that price is the 'Confidence Tax'. Every incorrect number damages the finance brand and credibility, an inability to prove that the numbers are correct impacts confidence, especially if there have been errors before, creating a culture of doubt.

This Confidence Tax also surfaces when business processes don't actually keep up with the business itself. This was aptly illustrated by PwC when they reported that only 45% of businesses actually believe their own forecasts! In an attempt to mitigate errors, businesses try to add lengthier and ever more complicated reconciliation processes, slowing things down even further. Sometimes the business gives up on finance and IT, creating their own shadow data systems that subject the company to security risks, which can make critical information vulnerable.

Responsiveness Tax

In the end, those frustrated business users, including finance and IT, now find themselves hamstrung by the 'Responsiveness Tax'. For example, say you have a data warehouse, and you're doing an ETL(Extract, Transform, Load) from the ERP system into that data warehouse. ETL is duplicating data – most often in a summarized or selectively aggregated form. This data is delayed by hours or sometimes days slowing down finance. This causes the Productivity Tax to rise. IT has to manage these complicated ETL and data warehouse demands. This often means employing multiple people just to meet the demands of the business – so the Tech Tax increases. Having duplicated some of your data to the warehouse, you now no longer have the details behind the numbers. In fact, you are not even sure if the numbers are right or even current – causing a damaging rise in the Confidence and Responsiveness Taxes!

A lack of timely information slows decision making. When in doubt, leaders defer making decisions or simply move forward without using solid metrics and analytics. Neither of these options reliably improves performance, and bad decisions will have a significantly detrimental impact. The hardest part to quantify is the cost of lost

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opportunities – new ventures, partnerships, or projects that could have taken the business to the next level if only their value had been identified sooner and the right course of action could have been taken.

So what can you do?

First, start by simplifying and ensuring that you are using your significant investment in the ERP to the fullest. You can do this by selecting solutions that connect to and understand your ERP. These "plug and play" solutions don't require lengthy or risky IT projects. This allows you to stop generating outdated data and avoids the error prone use of excel spreadsheets.

Next, streamline your systems by selecting products that serve all the major financial requirements: reporting, analytics and planning. By having a single system that fully understands your ERP, you have access to fully auditable results with drill down to the details and supporting information for critical processes (reducing your Confidence Tax). This will also make processes more efficient (lessening Productivity Tax).

Finally, empower your people. Today's financial users are savvy and technically capable. Letting users self-serve their information needs frees up their time (and IT's time) and ensures that they can be ultra-responsive for more strategic initiatives. A win-win for the entire business.

You have invested a small fortune in your ERP system to make it your 'system of record'. Now it's time to put it to work for the business. By being aware of these hidden taxes, you can start to combat them, and accelerate your transformation from a "good" company to a high-performing organization.

Reference
For further information on Hubble®, the integrated suite of performance management apps from insightsoftware.com, see www.gohubble.com