



Work Matters



Catena Solutions, Powerful Perspectives. | Volume 2, Issue 2

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WELCOME

Introduction

As supply chain constraints amplify the cost of making and moving goods, companies must reassess what it takes to optimize ROI. For many, including our clients, while the pressure to improve the bottom line is felt across the organization, finance owns the responsibility of managing and delivering actionable solutions.

However, accelerating business growth in the face of profitability challenges will be no small feat. According to a [Harvard Business Review study](#), “for businesses to avoid stagnation, they need to reduce their operating costs by at least 8% and up to over 25%.”

Achieving this goal means more than improving margins. It means navigating the changing dynamic of the procurement-supplier relationship, where suppliers now hold the leverage in a highly competitive environment. It also means that CFOs must be in lock step with technology leaders to ensure ROI along the digital transformation journey.

We’re working closely with companies to help finance operations identify innovative strategies for coming out ahead. This issue of *Work Matters* takes on a few of those initiatives, paying thoughtful attention to not just what these strategies are, but also how they should be implemented and communicated to the organization in order to support successful adoption. As every business leader knows, without adoption there is no ROI.

Businesses need to reduce operating costs 8%-25% to avoid stagnation.

WORKFORCE

The Modern Chief Financial Officer's (CFO's) Most Important Relationship: Head of Procurement or Head of Technology?

A recent [PWC Pulse Survey](#) found that finance leaders named their two biggest growth drivers as increasing agility to better operate in a turbulent business environment (53%) and capitalizing on digital transformation initiatives (49%).

Finance leaders cannot achieve these goals in a vacuum. It requires working closely with other organizational leaders whose roles directly impact operations and technology—namely the head of procurement and the head of technology. But which relationship is more important, and which more predominantly impacts the bottom line given today's business environment? It depends on who you ask.





Relationship Goals: Finance + Procurement

Supply chain instability puts increased pressure on organizations and CFOs to mitigate the impact of rising prices. [According to PWC](#), 43% of CFOs plan to invest in automation to offset supply chain restraints.

Some would argue that right now the CFO and Head of Procurement relationship is the top priority. After all, procurement directly ties to the supply chain, and any efforts to improve processes related to the purchase, sale, and movement of goods must involve the Head of Procurement. Enacting programs and platforms to optimize procurement serves as a catalyst for further workforce productivity gains.



Relationship Goals: Finance + Technology

Technology adoption has emerged as a key CFO tactic in the quest to mitigate costs. [According to PWC](#), 48% of CFOs plan to double down on digital transformation to deliver near-term operating efficiencies and achieve long-term, top-line growth.

For this reason, many would argue the CFO and Head of Technology relationship is the most important one. Most, if not all, efforts to improve operations and deliver greater ROI center on software and hardware improvements, whether related to accounting, workforce management, procurement, or other areas within the organization. Technology is the common denominator and the prevailing factor in achieving increased business agility that lays the groundwork for current and future operational gains.

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CATENA SOLUTIONS' TAKE

The short answer to which is more important? Both! The biggest predictor of success is change management. It takes a well-thought-out plan *and* equally strategic communication and training plans to ensure adoption and maximize ROI.

Jennifer D'Angelo, Vice President of Consultant Engagement at Catena Solutions

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Moving from Cost Fragmentation to Standardization

While many are quick to blame the pandemic for the operational and supply chain disruption we're experiencing today, it's more accurate to say that it was merely a catalyst. These risks have been hiding in plain sight for years in the form of over-reliance on suppliers, inefficient processes, and under-optimization across the board.

The need for change has landed squarely and forcefully on the CFO's desk. To identify cost savings opportunities and create more resilience, finance leaders must first understand their starting point before developing a plan to move forward.

Where We Are: Fragmentation

Digitization. Transformation. Automation. Acceleration. We're living during an unprecedented time of "TION" to improve operations, drive agility, and right-size costs. All these initiatives eventually find their way to finance and are evaluated for return on investment (ROI).

Yet, it's difficult to derive true ROI numbers across the organization, including at the plant and distribution center level, unless all costs, including labor and materials, are standardized. Finance leaders are finding that until they can compare and contrast costs in one universal view, it's impossible to use the mass amounts of data at their fingertips in meaningful ways.

Where We're Going: Standardization

Not only does standardization allow leaders to understand ROI, it is also the only way to truly understand all operational costs in context with each other. It gives finance a way to not only identify but prioritize challenges, understand real-time cost trends that must be addressed, and make decisions for the greater good.

Just as with all other "TION" initiatives, cost standardization requires a proactive, multi-step change management strategy. At the end of the day, ROI doesn't exist without adoption. Finance organizations need to establish internal champions, develop the right communication plan, and clearly outline the benefits.

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CATENA SOLUTIONS' TAKE

To overcome hurdles, businesses will need to look externally at companies like Catena Solutions to find and deploy cost standardization experts to assess cost, price, and sourcing structures, provide implementation and project/change management support, and offer supply chain management solutions.

Rich Medrano, Leader of Financial Transformation at Catena Solutions

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Change-Friendly, Future-Proof Accounting Practices

The only constant in life is change. That statement never rang truer than it does today. In this COVID era of business, finance leaders are adopting new accounting practices that increase their agility: namely, zero-based budgeting, and rolling forecasting.



Now more than ever, businesses need to break out of the old ways of doing things.

The Case For: Zero-Based Budgeting

Zero-based budgeting (ZBB) is making a comeback. This time, it's not just for companies in financial trouble; it's for those looking for new ways to drive growth.

[According to Deloitte](#), ZBB “forces decision makers to constantly look at the business with fresh eyes, free from the limitations of past assumptions and targets.” Now more than ever, businesses need to break out of the old ways of doing things.

The ZBB approach makes sense given today's constantly changing economic environment, frequently shifting business priorities, and increasing need to evolve operations. In many ways, this is a logical cost philosophy given finance leaders can't make an apples-to-apples comparison, year-over-year, between many areas of the business.



The Case For: Rolling Forecasts

Along the same vein, rolling forecasting is another way for finance leaders to pivot their strategies to account for our current economic reality. In a world where there are frequently both disruptions and new opportunities, a more dynamic approach to forecasting seems logical.

Especially given the uncertainty in the supply chain, rolling forecasting allows finance to use more precise value when budgeting. [According to McKinsey](#), many CFO survey respondents shared that they run more than one type of forecasting process in their organizations—rolling forecasts to manage the business and ad hoc processes to make specific decisions.

As with a ZBB approach, implementing rolling forecasts is not without its challenges, and is often the reason for its failure. There is a massive learning curve for departmental leaders across the company, and change management starts with having the right people in place to advocate for, model, and drive adoption.

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CATENA SOLUTIONS' TAKE

The right strategy involves financial processes tailored to the strategic needs of the company at a point in time, given that timely, accurate information is crucial for today's CFOs. A rolling forecast that can be updated in hours or days is far more valuable than last year's budget. As is a ZBB approach, with cost experts who can identify cost-reduction projects. Ultimately, the chosen financial modeling tool needs to reflect current realities, not historical norms.

Bob Thoenen, Zero-Based Budgeting Expert

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Top 3 Finance Priorities Right Now

In today's business climate, finance operations are taking center stage. Across our base of clients, there are three key focus areas that financial leaders are dedicating time and resources to right now.



Financial Transformation

What does greater CFO support for financial transformation look like? Hands down, it's a focus on financial change management and process automation, as well as post-IPO and M&A integration support. Our team is providing analytical and financial expertise to help CFOs drive growth and deliver strategic value.



Predictive Financial Insights

More than ever, the ability to maximize transparency and performance insight is crucial to improving compliance and financial forecasting accuracy. We've been helping businesses achieve more efficient supply chain finance planning, more proactive pricing strategies, and optimized FP&A.



Supply Chain Optimization

Supply chain disruption is impacting all industries, slowing distribution and driving up manufacturing costs. Clients are turning to us to leverage technology and insights for improved planning, gain support for strategic change initiatives, and bring on the right supply chain leadership talent.



[Contact us](#) to learn more about our financial and global sourcing expertise.

