



# DESIRED STATE ROADMAP: STRENGTHENING THE FINANCE FUNCTION

Is your company's finance function a robust enabler of company success?

The right people, processes, and systems that make up your finance function are critical elements to help ensure success. An assessment of your finance operation in light of where it needs to be to best serve company



goals—and a roadmap to getting there—can be a powerful initiative for your company.

In this edition of *Executive Issues & Insights*, we explore key insights

drawn from the extensive C-suite and Board experiences of the NextLevel team on developing a roadmap to getting your finance organization to its desired state.

## NEXLEVEL CASE STUDY *Mortgage lender establishes solid finance function and grows eightfold*

A small wholesale mortgage lender wanted to grow rapidly, expand nationally, and have the potential for a sale or IPO. This aggressive growth plan necessitated a transition from a CEO/entrepreneur-led leadership model to collective leadership from a broader management team. This model required improved financial and operational metrics, as well as new management processes and communication. The company's leadership wanted to improve the level of professionalism through strategic hires but realized they also needed more—and more timely—information about financial and operational performance.

The CFO, now a NextLevel executive, assisted the CEO and President in redesigning the finance organization and implementing the executive management changes. The NextLevel executive first created a gap analysis and desired state roadmap. This indicated shortfalls in the management information provided at the

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## NEXLEVEL INSIGHTS

### Envision the ideal finance function your company needs

What does finance need to deliver now to achieve the company's strategic goals? For example, to harvest the most value, a product in a mature stage may require more detailed visibility into individual cost elements to identify reduction opportunities. Or a transition from owning to franchising might require different control systems and processes. Understanding where your company is now will help when you evaluate what your finance organization needs to become a strategic enabler.

### Review your financial planning and analysis processes

How accurate and trusted are your cash flow forecasts? Does the finance organization engage the leadership team in the annual budgeting process? A strong finance function has a process for consistent, rolling financial forecasting and delivering actionable insight to those who can use it to achieve company goals. Having management support and engage in the forecasting and annual planning is also a sign of a strong financial function.

### Evaluate your performance measurement methods

Is department and individual performance driven by Key Performance Indicators (KPIs)? Does the finance organization report variances on all KPIs as part of the financial reporting process? A company with a strong financial function has robust management reporting tools that allow leadership to keep their fingers on the pulse of the business through meaningful, consistent, and timely reporting of KPIs.

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time compared with what was needed. He then initiated regular routine reporting and improved processes around reporting to fill the gaps. He identified and hired a controller with CPA credentials, a treasurer, and a senior accountant, then redeployed existing staff that previously handled finance organization activities, with no employee losses.

The CFO established a monthly reporting system that reported across all financial and operational metrics. Additionally, he conducted monthly financial and operations reviews with company management. He led the evaluation, selection, and installation of a new ERP system from several candidates, resulting in a dynamic and robust system. Finally, he prepared a private placement memorandum for a potential sale.

Through these and other company-wide changes, the company grew eightfold to \$125 million in revenue in three years with strong profitability and was presented with nine-figure purchase offers representing a significant premium valuation.

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## Assess your accounting and internal controls

How long does it take to close the books each month? An inconsistent or consistently late monthly close is a sign of inefficiency in the financial function and undermines credibility. A well-defined process, checklist, and timeline for closing the books squeezes out inefficiencies and increases confidence. Key internal controls should also be in place to allow management or employees to prevent—or detect and correct—misstatements in a timely manner.

## Identify gaps and evaluate by business impact and level of effort

Make sure you have done a thorough assessment of your team, processes, systems, and management reporting. Then, identify the gaps between the current and desired state and consider the steps needed to close these in light of the potential business impact and level of effort required. This will indicate which areas to address first.

## Develop the plan, gain support, and execute it

Assign priorities to the steps your company needs to take in the areas identified above. Since the real power of a desired state roadmap is in its execution, get full backing of company leadership so you have support to devote the resources needed. Identify tasks, assign responsibilities and timelines for accountability, and then execute the plan to bring your financial function to its ideal state.

**“YOUR FINANCE FUNCTION  
CAN BE SO MUCH MORE  
THAN JUST SUPPORT.”**

Developing a roadmap for strengthening the finance function and executing it can enable your company's success.

## KEYS TO DEVELOPING A ROADMAP TO A STRONG FINANCE FUNCTION

- **Your ideal finance function:** Can you clearly envision what your company needs the finance organization to deliver now?
- **Your financial planning and analysis processes:** Do they deliver trusted forecasts and actionable insight?
- **Your performance measurement methods:** Is company performance driven by KPIs?
- **Your accounting and internal controls:** Are they well defined, efficient, and trusted?
- **Your gap analysis:** Have you prioritized the steps needed to bring your team, processes, and systems up to the ideal?
- **Your execution plan:** Do you have leadership backing and the resources to execute it?

## More Information

To learn more about how NextLevel can help you develop a roadmap to get your financial function to its desired state, call us at (800) 833-NEXT or email [info@nlbev.com](mailto:info@nlbev.com).

