CFO

TODAY KPIs, TOMORROW BENCHMARKS?

A new software offering has the potential to automate finance benchmarking.

BY DAVID MCCANN

Benchmarking a company's finance processes has long been a source of frustration for CFOs. Although firms like APQC and Hackett Group can supply benchmarks for a corporate peer group, a company still has to come up with a picture of its own performance — an exercise that can take weeks or months and typically involves a number of estimates.

That exercise, in turn, gives rise to at least two major concerns. One is that even if a company's own information is valid, the benchmarks may contain too much guesswork from other companies. Benchmarking firms address this fear by touting the size and maturity of their benchmarks, which help weed out outliers.

The second concern is that benchmarks are a moving target. By the time a company has identified and fixed areas of deficient performance, its peers will have made further improvements. "You may have thought you were moving into the first quartile, but the first quartile has moved somewhere else," says Stewart Glendinning, CFO at Molson Coors Brewing Co.

A new software-as-a-service application has the potential to allay these concerns. Called TrendView, the software is offered by 3C Insight, a company created by three former Hackett Group employees. Basically, it's a business-dashboard app, but the vendor says that if enough customers sign on, the software will enable users to automate finance benchmarking.

Like other business dashboards, TrendView extracts data directly from SAP and Oracle enterprise resource planning systems and automatically generates key performance indicators on a monthly basis. But unlike dashboards that come prepopulated with a handful of KPIs, TrendView can show about 300 indicators related to payables, receivables, and general-ledger activities, along with performance trends and comparisons with target thresholds.

"The list of available metrics far exceeded what we were interested in, but the ones we're using are coming across so clearly," says Terry Murphy, vice president of finance for LiveOps, a $100 million–plus maker of call-center software. Based on new information gained during its first quarter of subscribing to TrendView, the company is now investigating why it has a high prevalence of customers with credit balances.

What makes TrendView promising for benchmarking is that it aggregates user metrics into a database, then feeds the data back to users, grouped according to industry and company size. That enables users to track their performance against that of similar companies, month by month. Estimates are not a factor, because the data is extracted directly from ERP systems rather than collected through manual surveys.

As for data security, a user cannot see any other user's company-specific information, says Grant Fitzwilliam, a managing director at 3C Insight. He also notes that the KPI data gathered relates to business processes, not revenues or profitability.

So far, however, TrendView's benchmarking capability remains just a promise. That's because 3C Insight has only 20 customers; the company needs many more in order for benchmarks to be meaningful. Moreover, not all data gathered during a typical benchmarking survey can be extracted from ERP systems, acknowledges Fitzwilliam. For example, information on the costs of finance processes and the number of full-time-equivalent workers devoted to those processes must be entered manually into the tool to enable such metrics as cost per transaction and transactions per FTE to be displayed.

Still, current customers are mindful of the software's potential. "If this product gets broad usage, the benchmarks will be very useful to us," says Glendinning of Molson Coors. "It will be a lot more helpful to see how we're progressing on a more real-time basis than by doing a [traditional] benchmark every three years."

Adds Glendinning, "It [would be] surprising to me if none of the benchmarking firms had thought of the idea that you ought to be doing this from a systems perspective." Major enterprise resource planning system vendors, too, have huge installed customer bases that could provide a critical mass for benchmarking. SAP started sharing business-process data built up during the past 10 years with its customers in 2009, says a spokesman for the software giant. Oracle declined to comment.

In the meantime, companies must evaluate the TrendView software primarily for its dashboard capabilities. The cost, which Murphy describes as "a rounding error for any company," is yet another example of why software-as-a-service continues to gain traction in finance departments. Murphy says he calculated a three-month complete return on investment for the software, based on freeing up LiveOps accountants to "focus on analyzing financial data as opposed to crunching numbers."