Xactly
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3 KEY OPPORTUNITIES FOR THE MODERN CFO

EXECUTIVE SUMMARY

SUMMARY

The role of the CFO is constantly changing. As the business landscape has become increasingly competitive, CFOs are being handed more strategic responsibilities within organizations—beyond traditional finance functions. In fact, according to McKinsey & Company, 40 percent of CFOs now spend the majority of their time on non-finance issues.[1]

While reporting and maintaining a strong treasury and efficiency focus are still critical requirements, CFOs are being turned to as catalysts of change within their companies, and as a result, they are expected to bring additional value to the table.

However, along with this broadening role, CFOs also face fundamental technology and industry shifts that affect all levels and aspects of the business, including the need to digitalize and automate processes.

To strengthen credibility, modern CFOs must understand the potential impact of these transitions on their operations, profitability, and overall business performance. In order to stay on the forefront and provide their organizations with a competitive advantage in evolving times, today's CFOs need insights into three critical areas:

- Data and Analytics
- Changing Regulatory Requirements
- Cross-functional Collaboration

THE IMPORTANCE OF DATA AND ANALYTICS

Data has and continues to be essential to successful sales organizations. For CFOs, data is a critical tool for measuring and monitoring business performance. Benchmarks, including return on investments as well as profitability and revenue growth metrics, help CFOs evaluate their company's financial health. For public companies, CFOs must also provide stakeholders with key insights on business performance against competitors.

All of this requires data.

Analytics have transformed the amount of data available to capture, the depth of insights accessible, and how that data can be used to proactively benefit businesses. By leveraging data, CFOs have better visibility into their sales pipeline and can improve forecasting accuracy. Analytics also empower CFOs to increase efficiencies and drive strategic change by shining a light onto operational functions.

[1] *McKinsey & Company*

How Digitalization Helps

Research shows that 90 percent of CFOs say the ability to dynamically plan "in the moment" is vital to compete in today's fast-changing business landscape.[2] Therefore, it is especially important for CFOs to have real-time insight into the return on investments, including their largest expense—sales compensation.

In fact, the average company spends at least 10 percent of annual revenue on incentive pay.[3] For a company paying 5,000 reps $100k per year, that's a $500 million annual investment. The ability to see how these dollars are working for the organization—or how they are not—presents an opportunity to make a huge difference for businesses.

That said, 85 percent of companies still continue to rely on inefficient, error-prone spreadsheets.[4]

The value that instant data brings to the role of the CFO far outweighs any benefit of keeping and continuing to use spreadsheets. With new technologies that make real-time data available at your fingertips, CFOs gain confidence that your numbers are true and accurate.

CHANGING REGULATORY STANDARDS UNDER ASC 606 (IFRS 15)

Most CFOs in organizations who are paying employees sales commissions are familiar with the new Revenue Recognition Standard, also known as ASC 606 (IFRS 15). This standard changed the way companies expense the costs associated with obtaining a contract. ASC 606 has also impacted how organizations manage their accounting for sales commissions.

Companies must now account for commissions at a more detailed level than before—down to the sales rep, customer, or even individual order level. Without an appropriate accounting process in place to gather the necessary data and manage the accounting entries, CFOs and their accounting departments are facing challenges in compliance.

How Digitalization Eases Compliance

ASC 606 requires businesses to create a detailed audit trail, and they need the ability to show who is getting paid, what is being paid for, and the commission amounts by customer or individual deal. Obtaining that level of detail makes manual management in spreadsheets both time-consuming and error-prone. Hence, ASC 606 (IFRS 15) is not easy to manage in spreadsheets, especially as the data volume increases over time.

[2] *CFO.com*
[3] *2018 Sales Compensation Administration Best Practices Survey*
[4] *Ventana Research*

Digitalization provides access to key data in real-time, which is essential to adhere to the standard's requirements on the capitalization and amortization of incremental costs of obtaining a contract. That way, organizations ensure data accuracy and can easily manage their accounting processes for compliance.

In fact, as companies have adopted ASC 606, they've quickly learned that the standard is far too complex to manage manually. According to Sirius Decisions, "if your company continues to calculate commissions in spreadsheets, ASC 606 (IFRS 15) is going to be a problem!"

Cross-functional Collaboration Enables a More Effective Sales Organization

With a more competitive business environment, the need for strategic planning and aggressive growth goals has grown. In order to accurately forecast and plan, finance teams must collaborate with sales in order to align strategy with company goals. To do so, organizations must digitalize their data and create a central source of truth accessible by both finance and sales teams.

With digitalized data, finance can increase forecasting accuracy. They can also ensure that sales incentives drive the right behaviors and are aligned with business goals. Additionally, because digitalization enables sales and finance to access the same dataset, both teams can trust the data is accurate.

Real-time access to data and analytics gives sales and finance leaders the ability to collaborate and plan proactively. Sales leadership can manage performance closely to identify potential performance issues or even flag sales reps at risk for attrition. Finance leaders can monitor revenue gains, maintain GAAP compliance, and be confident that commission payouts are accurate and timely.

Ultimately, this puts company leadership on the same page for all of their sales organization operations, including planning, execution, and analysis. As a whole, sales organizations get a win-win scenario: efficiencies are maximized and performance is elevated because sales and finance priorities are aligned.

Digitalization and Deeper Insight Strengthen Credibility

To maintain and strengthen credibility in their broadening role, CFOs must implement best practices to produce the most beneficial impact for their business. Finance teams need deeper insights in order to implement the right strategies, systems that help deliver compliance with changing regulatory requirements, and analytics that increase forecasting accuracy to ensure their final reported financial numbers are correct.

With more intelligence, CFOs can make smarter decisions that are based on actual data patterns and also decrease risks. As a critical influence on sales effectiveness, better informed CFOs are vital to the success of sales organizations. The rewards include confidence that you're choosing the best strategic course of action for your business and increased credibility with your board, executive team, and investors.

ABOUT XACTLY

Xactly is a leading provider of enterprise-class, cloud-based, incentive commission solutions for employee and sales performance management (SPM). Xactly's software delivers real-time visibility into sales performance and commission plans, allowing organizations to make more strategic decisions, increase employee performance, improve margins, and mitigate risk. For more information, visit xactlycorp.com.

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ABOUT XACTLY

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility.

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