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Dear Colleague,

Innovation is central to the success of the modern finance function and the businesses in which they operate. Yet, earlier FSN research, “The Future of the Finance Function 2017” highlighted that only 6% of CFOs understand the technologies available to them, only 37% know what solutions are available in the market and only 25% of CFOs have the time to investigate opportunities for technology innovation.

With this in mind, I am delighted to bring you FSN’s 2019 “Innovation Showcase”, an opportunity to bring to the attention of hard-pressed finance professionals what we consider to be leading innovations in core finance processes that could materially improve the way you work both now and in the future. And for the first time this year, we have reviewed and commented on two case studies for each vendor, to illustrate some examples of innovation in practice.

All the products which have been showcased by FSN are extremely complex and sophisticated and in all cases have taken many man-years of development effort. But innovation is very much in the ‘eye of the beholder’ and every finance organization is at a different stage of maturity. Some of the innovations assembled in this Showcase are at the leading edge of technological developments, others are around the architecture of the products or the way that vendors seek to reduce implementation risk. But if you’ve always relied on spreadsheets then even the simplest ideas, such as a unified transaction environment or a specialized budgeting tool can be innovative and game-changing.

Our work this year covers ten leading vendors and in this document, we showcase the work of Prophix. We have then identified independently for each of the ten global software vendors featured, three areas that we consider to be differentiating and interesting innovations to bring to the attention of modern finance leaders striving to understand and leverage the latest capabilities. As such, this document is not a product review. It simply represents what we consider, in our experience of the market, to be great examples of innovation in finance processes.

Last year’s FSN Innovation Showcase was read by more than 14,000 finance professionals and we received some fabulous feedback. We hope that you find the innovations set out in this year’s document thought-provoking and interesting. But above all we hope that the contents will inspire you to explore innovation in your own organization and discuss with colleagues and the featured vendors, how you can leverage these developments to take your finance processes to the next level.

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THE PROPHIX INNOVATION SHOWCASE

The modern finance function is increasingly called upon to provide predictive and proactive insight. But without collaborative business partnering and a cohesive technology platform to support it, finance and FP&A professionals will be stuck looking backwards instead of realizing their full potential as strategic business partners.

Many organizations have invested large sums of money in infrastructure, yet despite very rich operational systems, they are frequently fragmented and used by each department independently. The big challenge for finance is how to bring an organization's disparate systems together to collate the data that will build up a comprehensive picture of corporate health and strategic direction. Organizations may have marketing automation tools, sales automation tools, ERP and CRM systems, and business intelligence tools, but very often these do not communicate with each other. The key to business partnering is to weave all this together to tell a story of where the business is heading and to manage the business in an even more effective way.

Historically, mid-sized companies and rapidly growing businesses have been at a significant disadvantage. They find themselves mired in spreadsheets and disparate operational systems without access to affordable Corporate Performance Management (CPM) systems that are sympathetic to the needs of the mid-market. Traditional CPM suites tend to be large, unwieldy and poorly integrated and frequently require the support of specialist IT and dedicated application resources that are beyond the reach of smaller enterprises.

Prophix's crowning innovation was to bring CPM to the mid-market, making it accessible and affordable – complex planning made easy. And that tradition of innovation in the mid-market has continued to evolve. In this showcase we highlight just three areas, namely, how Prophix extends the reach of CPM beyond the finance function; how it uses natural language processing, AI and Machine Learning to 'humanize' the user experience and, finally, its approach to enabling successful finance transformation.

Innovation 1: Mid-market CPM beyond the finance function

Traditionally, organizations have built up their budgets, plans and forecasts along functional lines – simply because that is the way that people are usually organized. But business processes do not respect functional boundaries. For example, the ‘Quote to Cash’ cycle embraces Inventory Management, Sales, Logistics and Finance. Furthermore, the true costs of sourcing a product, delivering it to a customer and getting paid are driven by the process – not by functions. Plans in one area need to be consistent with projections in another to achieve cross-functional collaboration and allocate resources efficiently, and if satisfying a performance objective in one place is not to have unforeseen consequences in another.

But collaboration in business planning is far more than the sum of the parts. FP&A professionals know that the true value of collaboration comes from harvesting the different perspectives, ideas, experience and know-how of functional experts from across the business. This process of challenge and negotiation adds considerably to the quality of the plans, since it represents the combined wisdom of all the participants.

Although the idea is conceptually straightforward, it has proved to be elusive because of over-reliance on spreadsheet-bound processes, a lack of control over data quality, limited use of advanced planning tools and the cultural impediments that afflict many planning processes.

So, how does FP&A meld, for example, people planning, sales planning, project planning, working capital and CAPEX planning in one environment? Central to Prophix’s innovative approach is a unified CPM platform that allows these diverse planning needs to be managed in a single environment that is subject to consistent audit, governance and workflow.

A unified environment liberates the functions from repetitive processes using spreadsheets and proprietary systems and in so doing, allows FP&A professionals to extend their reach and transform their role as business partners and finance leaders, thereby enabling Integrated Financial Planning.

Prophix’s CPM solution is available on-premise or in the cloud allowing customers a choice of deployments depending on what works best for their organizational requirements. The cloud lends itself to a collaborative process, such as forecasting, by enabling virtually limitless reach so that different functions have shared visibility of business models and plans. Similarly, modern cloud technology provides the ‘elasticity’ that enables the construction of large and granular models on-demand.

Innovation 1: Mid-market CPM beyond the finance function

But it is the breadth of technology solutions sitting in the Amazon cloud platform (which Prophix uses) that is truly transformational, allowing Prophix to leverage web services such as data-visualization, dashboards and even natural language processors that take the user experience to the next level.

Prophix's innovation is that it has extended the reach of mid-market FP&A professionals and gifted them the same analytical capabilities that in earlier years were only available to much larger enterprises.

Innovation 2: Support for 'natural language' interaction

Extending the reach of financial forecasts and plans outside of the finance function requires a fundamental shift away from grid-based spreadsheets to something that is more accessible and natural for non-finance professionals to work with.

As part of the wider 'consumerization' of business information Prophix has been re-designing the user-experience to make it more interactive, with touch and visualization that gives it the 'look and feel' of familiar consumer applications. In effect Prophix has applied elements often taken for granted in the consumer world into its CPM applications.

Importantly, data visualization, graphing and charting is at the core of Prophix's offering, and FSN's research (The Future of Planning, Budgeting & Forecasting 2017) highlighted the pivotal role of these technologies in driving forecasting performance and insight. The research identified that insightful organizations make far greater use of visualization technologies.

But Prophix, is also driving insight by enabling a more conversational approach to interrogating corporate data without having to understand the underlying data structures. This is especially important as FP&A professionals extend their reach beyond the finance function to operational areas that are uncomfortable with spreadsheet-style reporting.

For this reason, natural language processing is an area of intense focus for Prophix as it seeks to leverage tools available on cloud platforms to help non-financial users obtain answers to their most pressing questions. For example, users should be able pose natural language questions in a 'Siri-like' fashion, such as, "What were my last 12-month sales in the North America region?", "Why did sales go up during that period?", "Who were my most profitable customers during that time?"

Natural language processing (NLP) has progressed through the proof of concept stage and Prophix says it hopes to release its initial capability in late 2018. The company is also investing in Artificial Intelligence to humanize the user experience alongside natural language processing so that users could, for example, use a NLP request to generate a one-off report and have it delivered by email to a specified list of recipients. And in parallel, Prophix is looking at how its solution can automatically generate commentary from its data by leveraging specialist cloud-services for natural language generation.

Although at an early stage, machine learning is being actively explored to augment the productivity and skill sets of FP&A professionals. Looking for trends and patterns is limited using present day toolsets and FP&A is not well equipped to deal with very large data volumes that emanate from other business functions, such as marketing, sales and operations. Machine learning is being used to create 'trained' business models from data that has been collected and these are improved with yet more data over time. The aim is then to use the output of trained models in Prophix to drive up confidence in forecasting.

Innovation 3: Collaborative transformation

It takes more than a set of applications to transform the capabilities of financial and operational forecasting. Regrettably, few organizations fully seize the opportunity to change the way they work, especially their underlying processes, when migrating to a new CPM environment. For instance, FSN's Future of Planning, Budgeting and Forecasting 2017, highlighted that just 11% of companies moving to the cloud changed their processes. While they benefited from some of the basic advantages of cloud migration, many missed out on the transformational potential of such a move because they simply resorted to replicating their on-premise processes, in the cloud instead.

Many of these projects fail to realize their potential because of lack of adequate challenge, the tools to help visualize how processes can be transformed and a vendor relationship that is too remote.

By contrast, Prophix's ethos of continuous, rapid transformation runs through the veins of the organization and the level of partnership that it seeks with its clients. From initial implementation to operation and support, Prophix works closely alongside FP&A professionals to make effective changes that provide a strategic advantage for their organizations.

Rather than being technology-led, Prophix uses a more process-led approach from the start, utilizing its workflow manager to capture a visual model of the present "as-is" process, and collaborating with its users to explore what the "to-be" process could look like as well. This highly visual approach is more engaging and challenging. For example, when the processes are reduced to a series of workflows it is much easier for FP&A professionals and other stakeholders to see inefficiencies and overlaps as well as prioritize areas for change. In addition, an external organization such as Prophix can bring welcome challenge to process design especially where this is grounded in deep domain expertise and vertical market knowledge based on more than 3,000 mid-market implementations.

Following collaboration and agreement across the user community, the visualization can form the foundation of the Prophix application(s) to be built by the organization, whether it's people planning, sales planning, project based or intercompany reconciliations. FP&A professionals are encouraged to prioritize the process improvements that will provide the biggest impact across the organization, and ultimately show quick progress and better buy-in from across the company – something that is especially important in mid-market enterprises

Ultimately, Prophix's more collaborative style of working has been found to accelerate the implementation, achieve better user buy-in and achieve higher levels of project satisfaction, innovation and success.

Case Study: RACER Trust

INTRODUCTION – FSN'S VIEW

Racer Trust is a unique organization which exhibits some of the complexities of a large organization and yet is fundamentally a mid-sized organization. In earlier times organizations such as Racer Trust would have found traditional CPM systems too expensive and the IT infrastructure requirements overly elaborate, but this case study amply illustrates Prophix's innovation in bringing full-range CPM functionality to the mid-market, packaged for ease of use.

INNOVATION IN ACTION

The stand-out innovation in this case study is to use the very same infrastructure that serves corporate performance management (CPM) to provide a tax data collection and provisioning system that sits comfortably alongside the statutory reporting process allowing the financial view of profit to be easily reconciled with what the tax man calculates as profit.

VARIETY OF PLANNING NEEDS

Budget models in RACER reflect its core property portfolio, its maintenance activities as well as the wide variety of professional disciplines engaged in supporting the Trust's endeavors. Separately identifiable, yet linked, financial models simplify and automate the budget process putting maintenance firmly in the hands of a small team of finance professionals. The innovative Prophix system shows how readily it can absorb complexity. For example, it is readily able to handle budgeting in several dimensions as well as three versions of economic growth and an environmental planning horizon of 100 years.

BEYOND THE FINANCE FUNCTION

Although RACER has a modest full-time team of just 30 personnel it also engages with around 600 subcontractors. Separate but linked budget cubes have been developed for in-house personnel as well as the activities and billings of the sub-contractors. The ability to easily extend budgeting models into different functional and operational areas means that the entire organization can benefit from Prophix's capabilities.

Revitalizing the Finance Environment at RACER Trust

Revitalizing Auto Communities Environmental Response Trust (RACER Trust) was formed to clean up and position for redevelopment the facilities formerly owned by General Motors Corp. before their 2009 bankruptcy. With a \$500 million budget to revitalize 60 locations, RACER Trust needed a budgeting and reporting solution that would allow them to track and update holding costs for each property including maintenance, insurance and security expenses. With Prophix, RACER Trust can project these holding costs 100 years into the future to reflect their ownership responsibilities.

Business Challenges

Each of RACER Trust's 60 properties have key attributes that need to be monitored including the status of property (i.e. owned, sold, etc.), its location and the necessary maintenance (i.e. mechanical, fire, electrical, alarm, general, janitorial, landscaping, elevators, etc.).

In addition, RACER Trust needs to account for a variety of managers (i.e. cleanup, site, etc.) and other personnel, including engineering, environmental and industrial consultants, that are necessary to maintain and position their facilities for redevelopment.

Their properties may also incur additional expenses including equipment removal, permits and environmental concerns, which must be incorporated into the budget.

Changing attributes made it difficult for RACER Trust to keep track of the status of their properties, while also working towards revitalization. This process was further complicated by RACER Trust's 100-year environmental responsibility for their assets.

RACER (Revitalizing Auto Communities Environmental Response) Trust is one of the largest holders of industrial property in the United States and is the largest environmental response and remediation trust in U.S. history. When the Trust was formed, it owned properties at 89 locations in 14 states, principally in the Midwest and Northeast. The Trust was created by a settlement agreement in the U.S. Bankruptcy Court between the U.S. Government, the 14 states where the former GM properties are located, and the St. Regis Mohawk Tribe, which owns land adjoining one of the properties in Upstate New York.

Operating: Since 2011

Website: www.racertrust.org

Operating Budget: 500 million USD

Employees: 30 full-time employees, 600 contractors

ERP: Sage



Why Prophix?

RACER Trust considered a number of Corporate Performance Management (CPM) vendors in their research. RACER Trust chose Prophix for three primary reasons: automated reporting, a flexible number of attributes in financial models and Prophix's commitment to building a 100-year time dimension. Each of these key features positions RACER Trust to revitalize GM properties in over 14 U.S. states.

Results

RACER Trust established several models within Prophix to effectively manage their property trust including holding costs, financial, personnel and professional.

Using their 100-year projection, RACER Trust can budget based on the predicted sale date of each property, while also monitoring the associated costs. Using this model, RACER Trust prepares three separate budgets based on different economic conditions: natural, slowdown and recession. These budgets are monthly for the first five years and yearly after that.

Within their personnel cube, RACER Trust budgets for over 30 internal job titles, which includes benefit plans, dental and life insurance plans, 401ks and different compensation categories.

RACER Trust also accounts for professional fees, which includes over 600 possible contractors. This includes legal services such as audit, tax advisory, public consulting and related services. Each unique contractor title is broken down with additional fees, allowing the Office of Finance to generate a variety of expense reports.



Similarly, RACER Trust's financial model is used primarily for reporting purposes and consolidates the data from the other models to produce a series of reports that are used for internal and external reporting.

Future Plans

RACER Trust plans to continue to use Prophix until all of their assets have been sold, at which point the Trust will be dissolved.

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation and reporting – improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.



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Case Study: Queen's University Office of Partnerships and Innovation

INTRODUCTION – FSN'S VIEW

Queen's University Office of Partnerships and Innovation organizations (OPI) knows only too well the value of innovation, and that includes innovation in the office of finance – which is refreshing because FSN's 2018 research (Innovation in the Finance Function) identifies that only 12% of investment in innovation is finance inspired.

INNOVATION IN ACTION

There are two stand-out innovations in this case study. First, the introduction of Prophix CPM to replace a swathe of Excel spreadsheets with highly automated consolidation, planning and budgeting, and secondly; how the platform has enabled agile reporting.

MID-MARKET CPM

Innovation is very much in the 'eye of the beholder' but for 20% of finance functions, the introduction of CPM is truly innovative. FSN's 2018 research into financial reporting identified the root causes of the so called "spreadsheet spiral" is largely down to the inflexibility of reporting system and an over-reliance on IT functions to make business changes. That's why Prophix's innovative mid-market CPM solution is a game-changer. It is designed specifically for the mid-market, enables finance functions to be the masters of their own destiny and allows core financial processes, for example, consolidation, budgeting and planning to be highly automated, releasing valuable time for reporting and analysis.

AGILE REPORTING

Sweeping away spreadsheets, automating data capture, for example, through integration with SAGE Accpac and leveraging a unified CPM environment sets the groundwork for agile reporting. Budgets and actuals can 'naturally' be brought together in Prophix, updates can happen quickly, (rather than relying on spreadsheets) and reporting can straddle the whole environment as well as accommodate complex reporting needs such as cashflow modeling.

Making the Finance Grade at Queen's University Office of Partnerships & Innovation

Formerly PARTEQ Innovations, the Office of Partnerships & Innovation (OPI) at Queen's University helps innovators to connect and network. They provide support for entrepreneurs and startups by promoting research partnerships with industry, government, and not-for-profits, including other academic institutions. OPI struggled to complete their financial planning due to their unique business model, which is dictated by the success of their licenses, startups and investors.

Business Challenges

OPI's Office of Finance struggled to analyze their financial information because of the amount of manual work needed to collect and consolidate their data. This time-consuming process meant that they also found it difficult to explain variances between their budgeted figures and their actuals.

Once a year, OPI created an operational plan, which meant that as year-end approached, their finance team had minimal insight into the first quarter of the following year, which limited their foresight.

Why Prophix?

Frustrated with spreadsheets and database files, the Office of Finance at OPI sought to automate their financial processes and build more robust operational plans with a Corporate Performance Management (CPM) software solution. The Office of Partnerships & Innovation at Queen's University chose Prophix for its ability to model "what-if" scenarios, plan for license revenues, and compare budgets to actuals, increasing accountability across the organization.

In 1987, the university founded PARTEQ Innovations, a not-for-profit organization, to provide Queen's researchers with the commercial and intellectual property expertise required to advance their discoveries to benefit the public. PARTEQ supported the founding of over 45 startups, transformed more than 1,200 invention disclosures into over 200 technologies, each covered by at least one patent, and returned more than \$40M to Queen's, partner institutions, and inventors. In May 2017, Queen's University consolidated technology transfer, industry partnerships, research contracts, Innovation Park, and regional innovation ecosystem activities to form the Office of Partnerships and Innovation.

Operating: Since 1987

Website: www.queensu.ca/partnershipsandinnovation/

Annual Revenue: ~9 million USD

Employees: 18

ERP: Sage Accpac

Results

With Prophix, the Office of Partnerships & Innovation now enjoys continuously updated budgets. A direct integration with their license database, Sage Accpac, gives OPI a single source of financial truth with which to conduct their financial planning. As a result, their Office of Finance can now accurately model budget scenarios on each license agreement.

In addition, OPI can model direct cash flow and address the risk profile and development stage when budgeting the license revenue of hundreds of disparate agreements. This allows their Office of Finance to focus on value-add activities, which continually provide insight to the rest of the organization.



About Prophix

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Methodology

All of the products which have been showcased by FSN are extremely complex and sophisticated and in all cases have taken many man years of development effort. FSN has independently desk reviewed publicly available information (for example, websites, customer testimonials, videos, demonstrations, technical details and white papers) about the organization and its products. We have then identified independently three areas that we consider to be differentiating and interesting innovations to bring to the attention of the FSN Modern Finance Forum on LinkedIn and discussed their development history, the ideas behind their creation and their direction with senior members of the management team. As such, this document is not a product review, and neither is it an exhaustive list of all the innovative ideas in the product. It simply represents what we consider, in our experience of the market, to be great examples of innovation in finance processes.

About FSN

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Innovation Showcase 2020

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