

# STRATEGIC COST REDUCTION CFOs CAN GENERATE PROFITS TOO

## Business Advisory Services

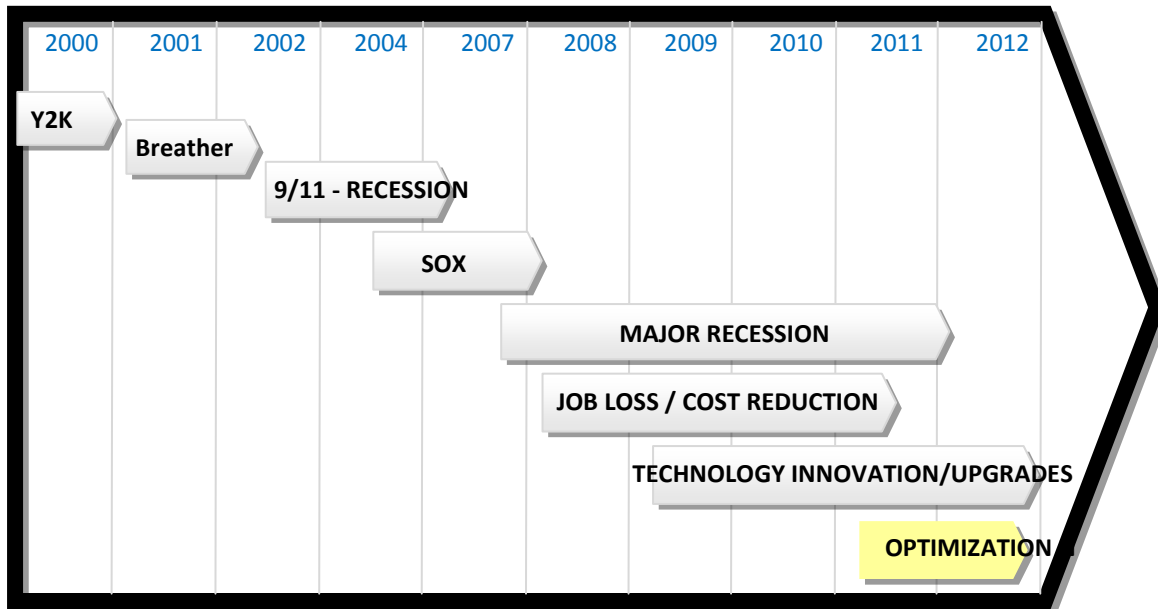


Kaufman, Rossin & Co. White Paper Series

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# Strategic Cost Reduction

Today's chief executives have faced significant corporate demands in the last few years. Beginning with the rapid implementation of IT and ERP systems prior to Y2k in the late 1990's, then 9/11 followed by a recession. Then by 2003, Sarbanes-Oxley compliance became a significant undertaking and now followed by a major recession. Consequently, 2011 and 2012 have become the opportunity for optimization and strategic cost reduction.



*CFO's are dealing with the after effects of 3 monumental changes in the past 8 years but most do not understand how they can address these issues without taking on more cost and committing more time & resources.*

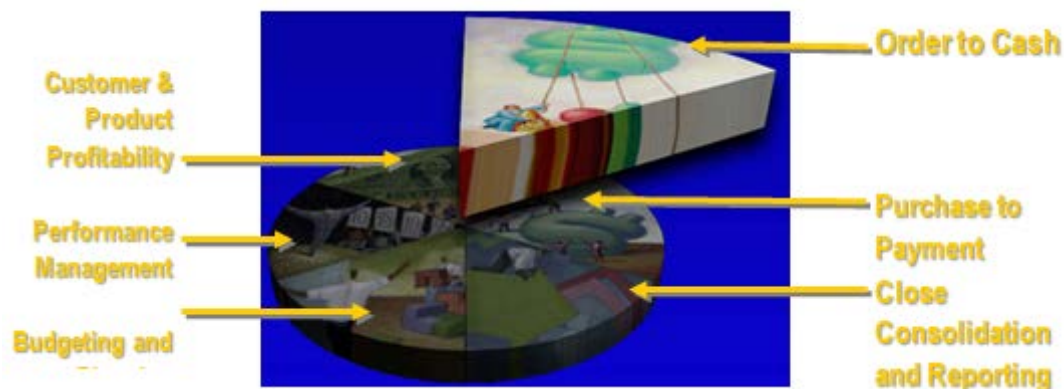


# Process for Identifying Cost Reduction Opportunities

CFO's and CEO's must find time to review the most important elements of their business and craft strategic plans to enhance their business while also increasing profits. This takes an objective approach to analyze the company and reassess all the "well we've always done it this way" factors. The first step is to develop some understanding of the corporate history and culture. What made the company successful and what attracts/retains their customers as well as employees. The next step is an initial diagnostic that should be conducted in a couple of days. Through a series of data gathering and benchmarks, we work with the CFO to determine where potential cash and profitability drains are.

During this diagnostic, we can focus on any of the following areas:

- Order-to-Cash
- Purchase-to-Payment
- Close, Consolidation & Reporting
- Budgeting and Planning
- Performance Management and Analytics
- Customer and Product Profitability
- Information Technology and Telecommunications
- Systems, Services, Processes, and Infrastructure



Through the diagnostic process for each of these areas, you can begin to uncover 'disconnects' in the corporate business processes as well as ineffective use of management information systems. These 'disconnects' occur for many reasons:

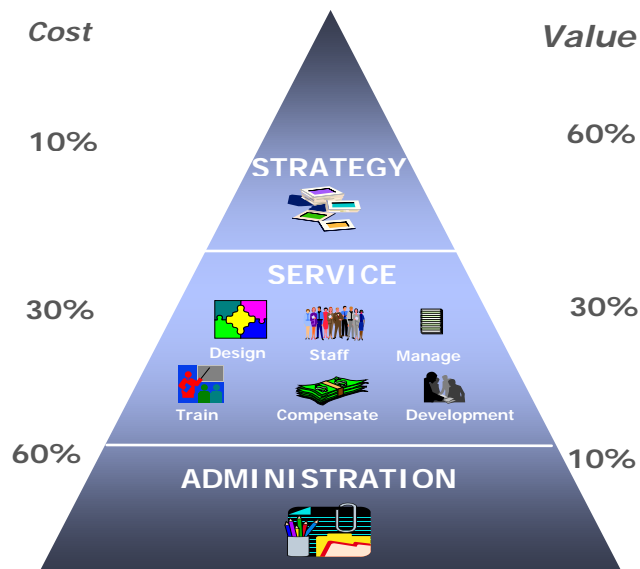
- Turnover of Personnel
- Lack of Training on IT Systems
- Not Using IT Systems Properly
- Key Processes have never been Objectively Analyzed or Challenged
  - "We've Always Done it this Way"

It is also not uncommon to find that CFO's cannot provide key analytics that are vital to benchmarking their company. Furthermore, we often find many 'shadow systems' using redundant, un-audited data that are being relied upon for significant management decisions.

What also makes this diagnostic process successful is to take an approach that results in 'quick hits' prior to doing any long term business process redesign, thus providing traction and acceptance within the organization.

***Traditional Finance Departments Spend Most of Their Time and Resources on Low-Value Activities***

- 10 percent of costs and effort is devoted to strategic planning: compensation, executive development and predicting future Finance resources and requirements.
- 30 percent of costs and efforts is devoted to Finance and Operations performance management.
- 60 percent of Finance and Operations costs, activities and people are devoted to administration: record keeping, compliance, and document management.



*The value in finance has shifted from transactional level to an enterprise level. Leading companies are transforming their Finance and Internal Audit functions to become a Value-added Business Partner.*

# Methods for Growing Profits

Besides watching cash, do you really know how your business is currently doing?

Improved management reporting effectiveness is driven by the need for more relevant information...

- Customers
- Product and Service/Support/Maintenance Analysis
- Vendors



The desire to improve management reporting efficiency is driven by several factors:

- Timing
- Frequency
- Technology



All too often we find entrepreneurial companies that are 'running as fast as they can to keep up'. But rarely do they analyze who, why, when and what. This may not mean that you need to invest in new information systems, but rather doing a better job of analyzing what data you have from your current information systems. Closely linked to this topic, is the issue of data quality. Unless your transaction level data is clean and reliable, graphical analytics are very misleading. Numerous studies have proven the top performing companies are taking the actions we recommend above. This makes them leaner companies for the present economic situation and better positioned to be at the forefront of the recovery.

# About Kaufman, Rossin & Co.

*Kaufman, Rossin & Co. is one of the largest accounting and consulting firms in the United States, with proven expertise in audit, tax and advisory services. Kaufman, Rossin's technology, processes and team assist a variety of organizations in improving performance, aligning business strategies, and obtaining ROI from their information systems. From strategic systems planning, to independent and objective systems selection processes, to helping clients unlock the benefits of IT investments by taking a business process-driven implementation approach, Kaufman, Rossin can be a valuable resource to you.*

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