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Dear Colleagues,

FSN's Innovation in the Finance Function Survey 2018 is one of the largest surveys of its kind covering responses from more than 1,000 senior finance professionals worldwide. It is the first time that there has been an in-depth study of attitudes to innovation in the finance function and it reveals startling insights about the appetite for finance innovation, including the impact of culture, attitudes to risk, organizational politics, style of project investment and levels of confidence in measuring return on investment. (You can download a free copy of the full report and analysis [here](#))

The research shows unequivocally a strong link between innovation and performance. Those organizations that are early adopters of technology or invest in innovation in a balanced way across the enterprise outperform organizations that are diffident and risk averse. These leading finance functions close their books faster, produce more accurate financial forecasts and are less tied to legacy systems and traditional ways of working.

Regional differences, especially between economically advanced and developing nations, colors attitudes to where investment is most needed in the finance function. Nevertheless, wherever finance professionals reside and no matter how sophisticated their investment plans, all agree that the number one priority for innovation is around the need for better business insight.

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. Determining the innovations that will help companies achieve better business insights is the first step on their journey.

With this in mind, FSN has created the “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. Our work this year covers ten leading vendors and, in this document, we showcase the work of Prophix, a leading provider of Corporate Performance Management (CPM) solutions in the mid-market.

We hope that you find the innovations set out in this 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 how you can leverage these developments to take your finance processes to the next level.

*Gary Simon*

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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.

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. 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.

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 'consumerisation' 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.

## 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.

For more information, visit [prophix.com](https://www.prophix.com)

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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

[FSN](#) is a global publisher of thought leadership, research and “must-have” content for CFOs and senior finance professionals around the world. FSN’s highly popular and active [Modern Finance Forum](#) on LinkedIn has a membership of more than 51,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular [www.fsn.co.uk](http://www.fsn.co.uk) website and regularly holds networking dinners and events for its members.

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