

## The CFO's Supply Chain Advantage

### Improved Predictability, Reduced Risk & Better Cash Flow Management

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ArrowStream is committed to helping customers and their supply chain partners improve operations and the bottom line. ArrowStream transforms the foodservice supply chain through patented, innovative solutions that help trading partners achieve results collectively that they could not reach individually. The company's Network is the largest, most extensive collection of restaurant operators, distributors and manufacturers in the foodservice industry. More than \$15 billion of product moves through and is tracked in the ArrowStream Network providing operational efficiencies, economies of scale and financial benefits to all trading partners in it.

Founded in 2000, ArrowStream quickly earned a reputation as a premier provider of supply chain solutions for the foodservice industry serving blue-chip customers such as Wendy's, Church's Chicken, Steak n Shake, and ARCOP, Arby's purchasing cooperative group. To learn more, visit [www.arrowstream.com](http://www.arrowstream.com).

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A CFO's job is not what it used to be. It's more. Decades ago when information flow was slower and go-to-market cycles were epic in length compared to current product delivery rates, executing the company's financial plan and delivering predictable revenue was not an easy job but a simpler one. A CFO had more time to analyze months worth of numbers and business information in order to make thoughtful, long-term revenue predictions and financial plans. Today's global and techno-intensive marketplace has turned a CFO's window of time for financial analysis, prognostication and planning into a quickly shrinking keyhole.

Rather than wishing for more time to analyze, smart CFOs are jumping into the operational side of the business to better understand what is impacting business revenues and to more effectively influence profitability. Rather than waiting for better information to arrive, they are going out to get it by diving headlong into today's most valuable source of operational data: the supply chain.

The supply chain, one of the first and very best tools for identifying, measuring and influencing operational activity, has rapidly become an essential component of the successful CFO's toolkit. Not just another data set for CFO analysis and monitoring, a well managed supply chain and the rich business insights it offers give CFOs three major management advantages:

- The ability and insight to more accurately predict profitability
- A tool for better understanding and reducing risk
- A way to improve cash flow management

#### Improving Forecasting via the Supply Chain

The first advantage of integrating the CFO role more closely with the supply chain is improved predictability. By becoming more involved in supply chain management, CFOs dramatically increase their ability to accurately forecast business revenues and profits. The firsthand look at supply and demand numbers alone offers an eye-opening vantage point. By studying product

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movement through the supply chain, CFOs quickly learn to identify business peaks, challenges and opportunities and incorporate them into financial plans and execution.

The supply chain also moves the CFO several degrees closer to other key factors that significantly affect the bottom line, such as purchasing, pricing and customer satisfaction. Data in a reporting system or line items in a spreadsheet come alive in the supply chain where a change in pricing or cost cutting can immediately be analyzed in terms of customer reaction and revenue. Like a live testing ground, the supply chain offers the CFO a way to see the impact of financial plans and adjust them for better execution and results.

The supply chain also greatly benefits from the CFO's increased role and insight into its operations. CFOs have been long-trained to sort through vast complexity, such as reams of data pouring in from business units, to derive important big-picture understandings of how a company is functioning and earning. By turning those rich analytical talents on the supply chain, CFOs can have a profound impact on the bottom line doing what they do best — using well informed forecasting to set targets that push the organization to greater performance and results.

### Controlling Risk via the Supply Chain

The supply chain offers important insight into promotions and special offers that can dramatically improve risk mitigation when proactively utilized and analyzed. While the rewards for store promotions and limited-time offers can be very high, they must be balanced against the losses that occur if the promotion fails or exceeds expectations. The cost of stockout (when demand cannot be met by inventory) is a huge and often long-lasting hit to customer satisfaction.

As risk management experts, CFOs can provide critical counseling to supply chain leaders on how to mitigate risks as they plan, promote and deliver programs. For example, a business promotion could require more purchasing than normal at the front end of the supply chain to mitigate negative PR and customer satisfaction losses that pile up on the back end of the supply chain should supplies run out and a client backlash occur.

Supply chain management risk can also be mitigated and better managed by giving CFOs insight into exactly who is spending how much along the supply chain and when. Without a doubt, unchecked spending is a serious risk to business health and profitability. The supply chain offers up critical spending and purchasing data that can greatly inform CFO decision making in terms of cash flow and investment assessment. CFOs without access to this data will never have a complete account of organizational spending and purchasing practices, which increases risk to the bottom-line health of an organization.

### Improving Cash Flow via the Supply Chain

The supply chain offers CFOs a deep level of cash flow insight and even the ability to improve the company's cash position through the strategic management of funds and payments. In 2008, Church's Chicken, the national quick-serve restaurant chain, saw its cash flow and payment processes improve dramatically by integrating incoming invoices immediately with back office data. This supply chain enhancement allowed managers to reconcile bills in a fraction of the time it previously took and with vastly greater accuracy. Because the finance and supply chain teams were able to accelerate invoice reconciliation processes, Church's Chicken now qualifies for early payment discounts with numerous vendors. This essential upgrade not only keeps finance and management better attuned to cash flow, it actually increased cash flow by providing a new avenue for paying less and saving more.

### Ideas for Integrating the CFO into Supply Chain Management

Integrating the CFO role more closely with supply chain management (SCM) not only improves the CFO's ability to successfully fulfill his/her mission, but also brings vast business insight and widespread operational insight to the supply chain. The CFO's extensive organizational knowledge, combined with the rich and constantly refreshing operational data of the supply chain, together become a powerful tool for improving enterprise wide efficiency. To help your organization better integrate the CFO role with the supply chain management operation, ArrowStream suggests the following steps:

### Give the CFO a SCM Leadership Role

For some businesses, having the supply chain team report to the CFO is the best way to ensure integration. The constant reporting and regular meetings allow CFOs to stay on top of the supply chain changes, issues and opportunities that directly affect revenue. At the same time, the supply chain benefits from expanded operational insights of the business.

The challenge for some CFOs will be the learning curve. Executive training, peer development and a longer transition may be required in order to educate CFOs to a point where they are competent at managing supply chain and the people who make it work. For other organizations, putting the CFO in charge of supply chain is a natural migration that elevates the status of supply chain operations and performance.

### Indoctrinate the CFO to the SCM System

Rather than bringing CFOs prepared SCM reports, bring them the entire technology. Give the CFO a deep and detailed tutorial in the supply chain management system. As data-driven professionals, CFOs are well-heelled in rooting through complex IT systems to better understand the business and the factors that influence it. Review all reporting within the system — not just financials, but operational and service reports as well. Then the supply chain team and the CFO can partner to build the most effective reports for supporting the CFO's needs and educating senior management on supply chain performance.

### Build a Partnership Among Teams

Finally, businesses should work to create a strong and continuous partnership between the CFO's financial team and the SCM team. The better integrated these teams are, the better they will share business-critical information and opportunities. A business can enhance interdepartmental partnerships by:

- Sharing and reviewing reports to ensure information is understood, challenged and acted on
- Establishing a liaison role between the two organizations to ensure organized communication and regular information sharing
- Involving the CFO in the selection of supply chain software and logistics services

### Create Shared Incentives

Motivate finance and supply chain teams to increase supply chain effectiveness in the same way sales teams are motivated to increase business development — with good incentives. Here are a few examples of how shared incentives might work:

- Introduce a post-promotion bonus or prize for both teams if no stockouts occur during the life cycle of the promotion. Promotions are an excellent place to start an incentive program as they directly impact revenue and can be monitored and measured
- Create a reward for the group/individual that secures the lowest pricing from a distribution center over a certain time period
- Build a reward system for excellence in contract management, which means rewarding individuals and/or interdepartmental teams that keep contracts current and compliant

### It's Not a Crystal Ball. But It's Close.

While supply chain and the business insights it provides are not a crystal ball into a company's future, in the world of business it is as close as you come. Offering immediate insight into the ebbs and flows of business operations, performance and spending, the supply chain is a brilliant prism through which today's CFOs can win a better view of the business.

By tightly integrating the CFO role with supply chain management, businesses will garner the clear-cut advantages of increasing forecasting capabilities, reducing risk and improving cash flow. At the same time, the integration also pulls the CFO into an expanded and essential operational role. A supply chain-savvy CFO is able to build financial plans that reflect the true operational realities and capabilities of their organizations. And that's as close to a crystal ball as any CFO can hope for.

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