

Made of more

The finance guide to manufacturing growth

Unlock Next.



Make a difference

UK manufacturing is a success story. However, for its finance departments, it's often a story of stress.

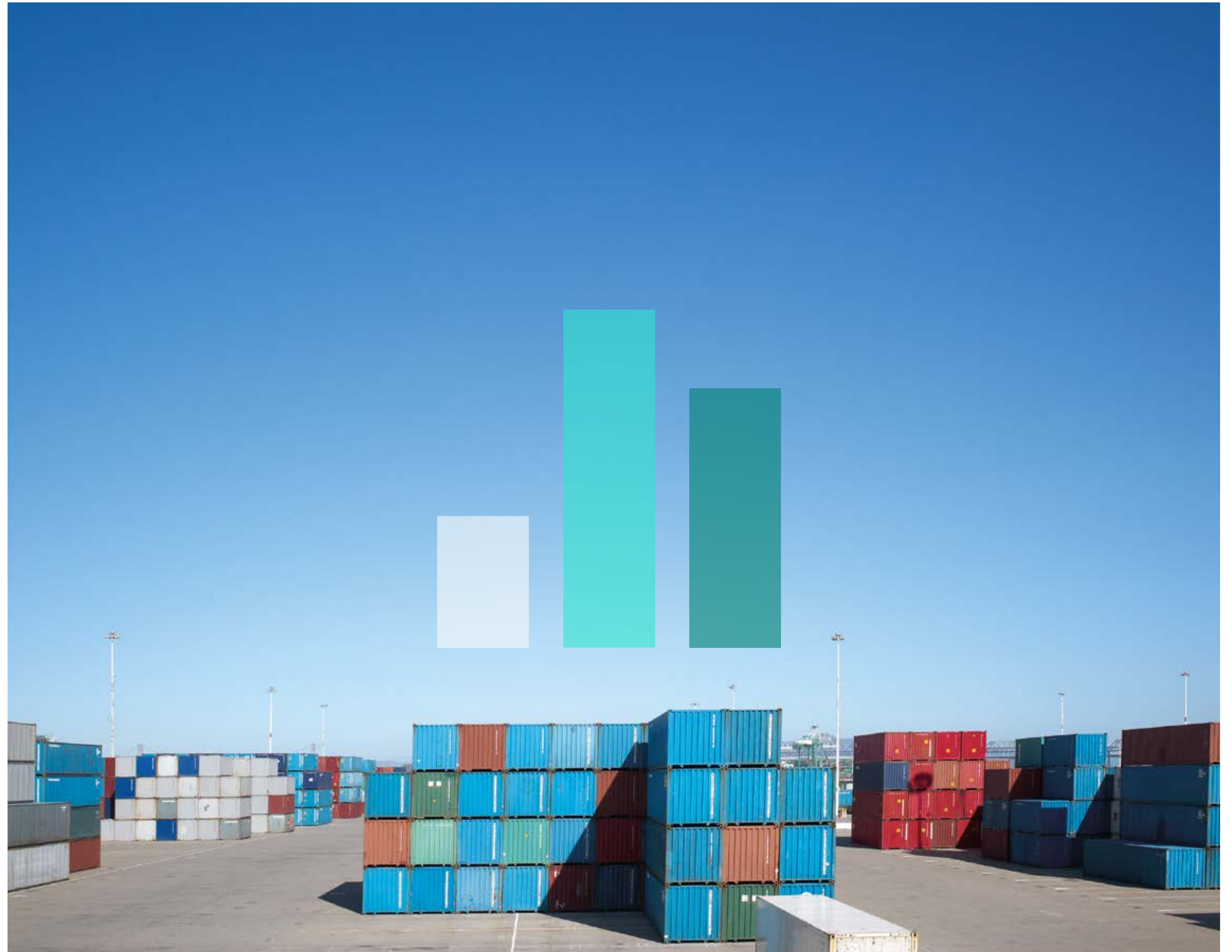
70 percent of the UK's financial investment in R&D is made by manufacturers¹ and the sector provides 13 percent of business investment.² 2.6 million people are employed in the sector³ – around 12 percent of the UK's workforce.⁴

In short, not only is the UK the world's ninth-largest manufacturing nation,⁵ the UK manufacturing sector is a significant contributor to investment and employment. Manufacturing itself is expected to grow by up to 33 percent over the next couple of years.

This level of growth comes at a tough time for many manufacturing organisations. They already face challenges in making sure that processes and technology can cope. Compliance with the General Data Protection Regulation (GDPR) has become finance's responsibility as well, while HMRC audits now take place every three years instead of every six. In addition, while online activities can find and bring in new customers and new orders, they can also increase the chance of fraud.

So, how can you minimise these growing pains? Because, if you can reduce the pain, you'll find it easier to help increase the gain and achieve sustainable growth.

Over the next few pages, you'll find out where and how you can make a difference. Read on to discover the three growth challenges for finance departments – and how you can tackle them.



Sustaining success

Nearly two-thirds (65 percent of small to medium sized businesses are confident they'll see growth of up to 40 percent in the next two years.⁷ Sustaining this is a major target for manufacturers. Which also makes it a serious concern for finance.

Business needs continually change, and in many cases the existing financial systems can't keep up. Small and medium companies like yours need a flexible solution that can meet the demands of the business as it evolves and grows. However, this means coping with a new set of challenges.

Challenge one: Making sure your financial processes don't prevent growth

You probably already know just what effect an unusually successful period can have on your month end. Most finance departments have processes geared for their current level of business. You'll need to make sure you've built in capacity to cope with more sales, more suppliers, more stock, more staff, and more overheads, on an ongoing basis.

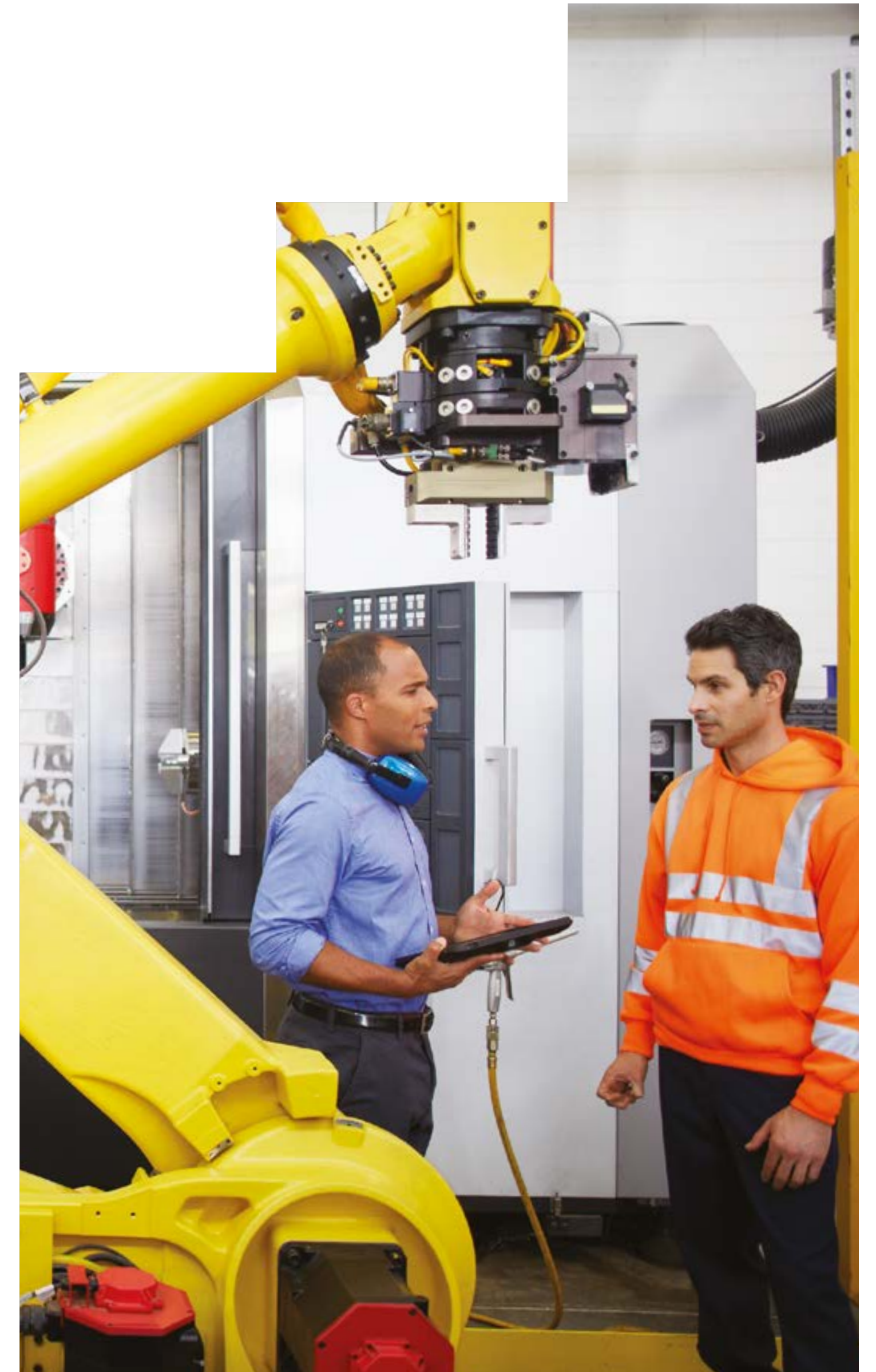
Challenge two: Understanding how legacy systems can be part of your success story

It's tempting to keep and rely on processes that have served you well in the past. But that could be a bad move. Instead, you'll need to find a solution that can give you the best of both worlds. By connecting the old and the new, you'd have better access to all kinds of data and applications.

Challenge three: Stopping compliance and security from slowing you down

Making sure you're compliant with legislation is one of today's major pressures. So your data – in fact, the whole of your business – needs to be secure, even in the face of powerful cyberattacks.

If you can tackle these three challenges successfully, you'll open up the bottlenecks that come with rising demand. You'll stop data slowing everything down as it passes through countless systems. You could even get your accounting processes ready for your entry into international markets. Next, we'll look at each of these challenges in turn and recommend some actions that could help you overcome them.



Challenge one

Making sure your financial processes don't prevent growth

The market for manufacturing is growing. The big question for finance departments: can they cope?

When they're set to grow, smaller organisations gear up their resources to handle the extra demand. Financial processes that can't easily expand to accommodate growth, can hold the company back.

Many financial departments run on existing stand-alone systems and disconnected processes. These can be tricky to work with in today's environment, and they can get in the way of the predictive insights that can drive your business forward. However, you need to be sure that change won't disrupt the business and workflows. Growth will affect financial departments in many ways – and you don't want those growing pains to be felt by other parts of the business.

"...automation and process improvement can reduce costs by 35%-46%."⁷

Six key areas where growth could affect finance

1. A longer supply chain

Whether procurement takes on new ranges of products or adds backup suppliers to its roster, you'll probably need to manage and pay more suppliers.

2. Higher stock levels

Growth means more investment in stock. That means extra payment upfront. If forecasts are too optimistic, stock could sit around in the warehouse and tie up working capital.

3. More demands for innovation

It's not enough to rely on extra sales of existing products for increased revenues. Customers today expect new ideas, which means you may need to find extra funding for R&D, particularly if your business is to stay ahead of the competition.

4. A larger workforce

Your business may be able to operate successfully with its existing resources in the early stages. Eventually though, it will need to look at taking on additional sales people, production staff, warehouse operatives, delivery drivers, and others. All of these will increase payroll, recruitment, and the cost of benefits.

5. Extra overheads

Even with additional staff, extra business could mean more overtime on the production line, and more overheads, such as lighting and heating.

6. More invoicing

Depending on your route to market, some of your growth might come via bulk purchases that you need to invoice for. The finance department will have extra work to do, and could need to take alternative payments into account.

Three things you can do to make your processes fit for tomorrow's purpose

If you can take these actions, you'll find your processes are able to support growth.

1. Optimise financial processes

You need to cope with the increase in suppliers, stock, warehousing, and deliveries. This will help you to make a major contribution to your company's ability to meet customers' needs. As a result, you'll be able to sustain your profit, revenue, brand, and customer loyalty.

2. Invoice or collect from customers on time

The extra business that comes with growth might stretch your department's resources. Make sure you keep your accounts payable and accounts receivable working smoothly, so that you'll have the positive working capital you need to keep on growing.

3. Don't let growth get in the way of seeing what's happening

Carry on analysing your data, even if it seems to have vastly increased in volume. No matter what, you'll need visibility of the state of the business. This means having the right balance between accounting, audits, and the other financial functions your business needs, and business elements such as budgets, reporting and planning.



Challenge two

Understanding how legacy systems can be part of your success story

Customer expectations are on the rise and their demands on brands and organisations continue to increase. If you can't deliver, you can expect your competition to end up the winner.

More than ever before, businesses give their people tools that put information at their fingertips.

However, some finance departments in smaller organisations still use legacy applications, including spreadsheets or money management software. This is often because these applications have been developed especially for their needs.

“A quarter of British small businesses admit that day to day financial management is one of their biggest concerns.”⁸

If that's the case in your business, you should consider these two points.

- Legacy applications slow down your processes, in part because they're usually not optimised to integrate with modern applications.
- Legacy apps often use data that's stored away in separate silos. This makes it hard to access information quickly enough to handle customer queries, or easily enough to create and configure reports. You might not even be able to find information you need about your cash flow, inventory, and customers. In addition, if your data isn't consolidated, you can't unlock its value with predictive insights.

Four reasons why legacy systems could hold up growth

If new financial technology isn't in place, there could be serious consequences. You could find:

- 1.** You're working with data that's in silos, which is then inconsistent and out of date.
- 2.** Key financial year milestones take a long time because there are more transactions to process and reconcile.
- 3.** Information and finances that you can't reconcile affect investment in new areas and stop sales.
- 4.** Productivity drops due to duplication of work.

This lack of information could make your processes challenging and put a stop to accurate management and visibility of your finances. If you can't tell how your business is doing, you can't know where and when you should grow, or invest to grow.

Four things you can do to prepare your legacy systems for growth

You may want to obtain the maximum value from your legacy systems – but that doesn't mean you should carry on using them indefinitely. These actions will allow you to carry on using them as part of a heterogeneous system. You'll also be ready to base your activities purely on new technology when the time comes.

1. Find a single solution that can connect old and new technology

You'll have more efficient access to all kinds of data and applications, from customer and supplier information, to stock and forecasting, along with greater visibility and control. This connectivity will start to unlock the real power of your data and turn it into insight.

2. Find out which systems still have positive value

Some of your existing systems may be more expensive to run than they're worth. Before you connect them to your new solution, audit them and establish which have ongoing costs that are too high, either because of maintenance or reduced productivity.

3. Make sure you focus on what's best for your customer

The solution you adopt should be one that's up and running fast. That way users won't feel any effect and you can maintain business as usual. Doing what's right for internal and external customers is more important than doing what's right for your department.

4. Make sure people are familiar with the technology you choose

The last thing you want is to have a steep learning curve – or even a system that's impossible to get to grips with.



Challenge three

Stopping compliance and security from slowing you down

Today, compliance and security are the number one priorities for most companies. That's not only because of legal requirements – it's also essential to make sure they can retain customer trust.

Most small and medium manufacturers now have a compliance officer (CO). They've a dual role: first, to make sure they're fully compliant with the General Data Protection Regulation (GDPR). Second, to stop sensitive and other customer information from leaving the organisation.

However, the GDPR isn't the only area where organisations in the sector need to think about compliance. They may also need to show they conform, for example, with the Gender Pay Reporting Regulations and the National Living Wage.

As a result of the GDPR, the way small businesses in general, and finance departments in particular, see data has changed. It's always been your biggest asset. Now, it's your biggest responsibility too. Among other pressures, you need to prove that you're compliant with the GDPR when you're asked. If you're not, it could affect insurance, lead to legal action and result in massive fines. This means that you need to have accurate, accessible information and audit procedures in place.

You'll need to have robust security policies and procedures too. Many smaller organisations can be hit by cyberattacks up to 10 times a year.⁹ And, as your company grows, it will become more and more exposed.

Four things you can do to turn compliance and security into benefits

1. Make sure your solution offers the right levels of security

To mitigate the risks of compliance failure and security, you'll need to specify an integrated solution that offers full security for your financial data, and creates audit trails. It will also need to cover financial applications, and possibly even connected devices.

2. Specify a solution that isn't just secure

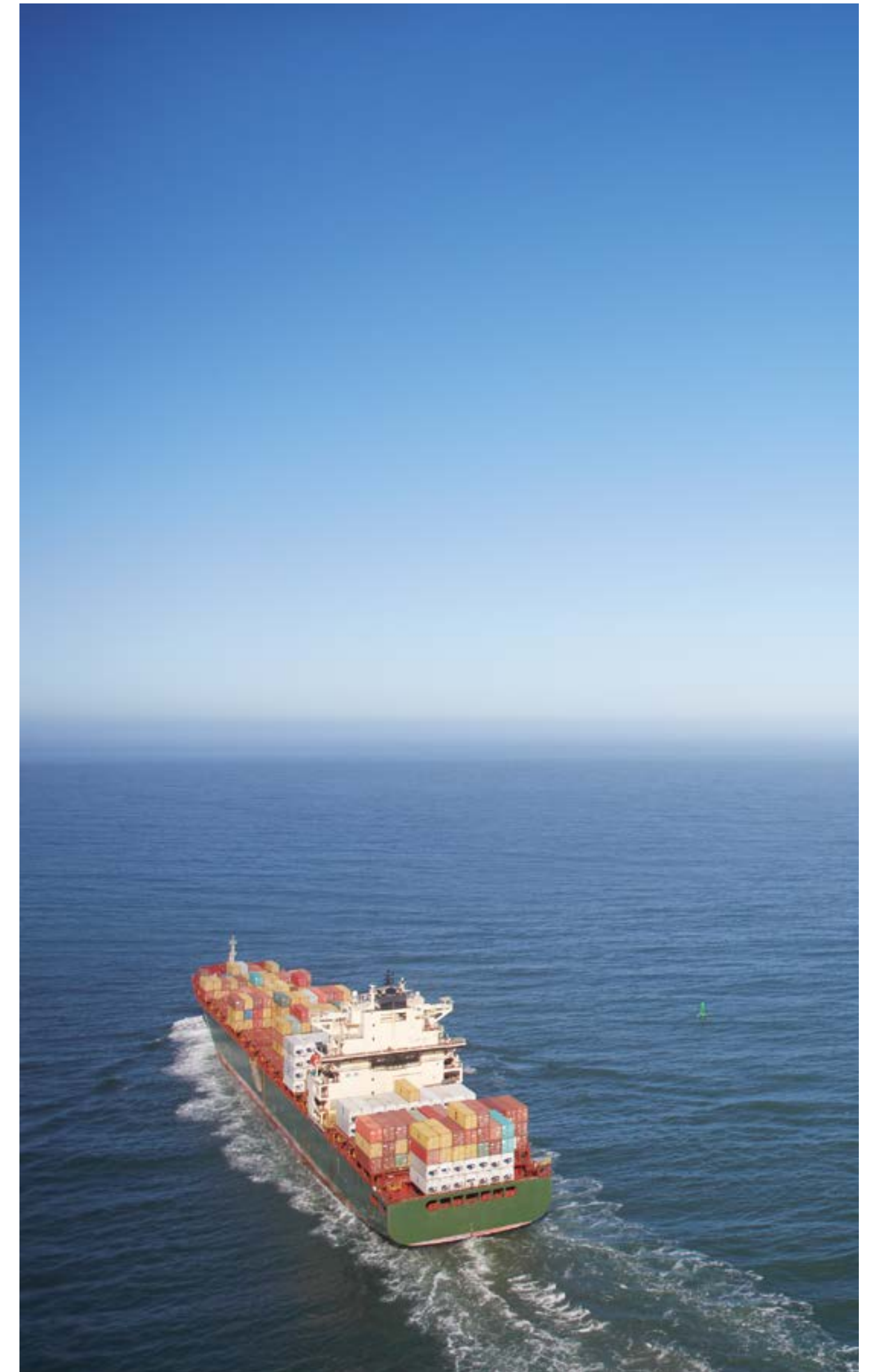
Security isn't enough these days. You need to have a policy that everyone in your department understands and follows. Make sure the IT department understands what you need and that the system can support it.

3. Give the right people the right responsibility

Most successful companies, even growing ones, put dedicated people in place to ensure compliance and security. In the past, your priorities would have been based around compliance with financial regulations. Now, however, you also need to make sure confidential financial and customer information are safe from unintended release.

4. Show customers you're compliant and secure

Customers trust companies that can show this. By telling people about the steps you've taken and making sure that you always stick to the standards, you have a compelling story that HR, sales, and marketing can use to help drive your business on.



How to get finance ready for growth

Over the last few pages, we've looked at the challenges that could get in the way of sustainable pain-free growth. We've also covered a few points that you should consider. Now, let's look at how you can take full advantage of your growth by optimising your processes, getting longer-lasting value from your legacy systems, and turning compliance and security into benefits.

Your best approach is to connect your systems. This will allow you to address the three challenges effectively. One option is Microsoft Dynamics 365 Business Central. This all-in-one business management solution is designed for small to medium sized manufacturers. It helps companies connect their financials, operations, sales, and service. Business processes, workflows and financial insight and decisions all improve. So, you can unlock what's next for your business.

With Microsoft Dynamics 365 Business Central, you can tackle the three challenges head-on.

Stop compliance and security from slowing you down

- Use built-in templates to help comply with the GDPR.
- Control the way people access and use data to ensure security.

Make sure your financial processes don't prevent growth

- Streamline and reconcile accounts more quickly and accurately.
- Create even complex forecasts and financial reports with ease.
- Develop easy-to-create workflows and audit trails, all with enterprise-level security.
- Scale your processes as your business grows.
- Connect data from all over your business, so you have a complete picture of the company.

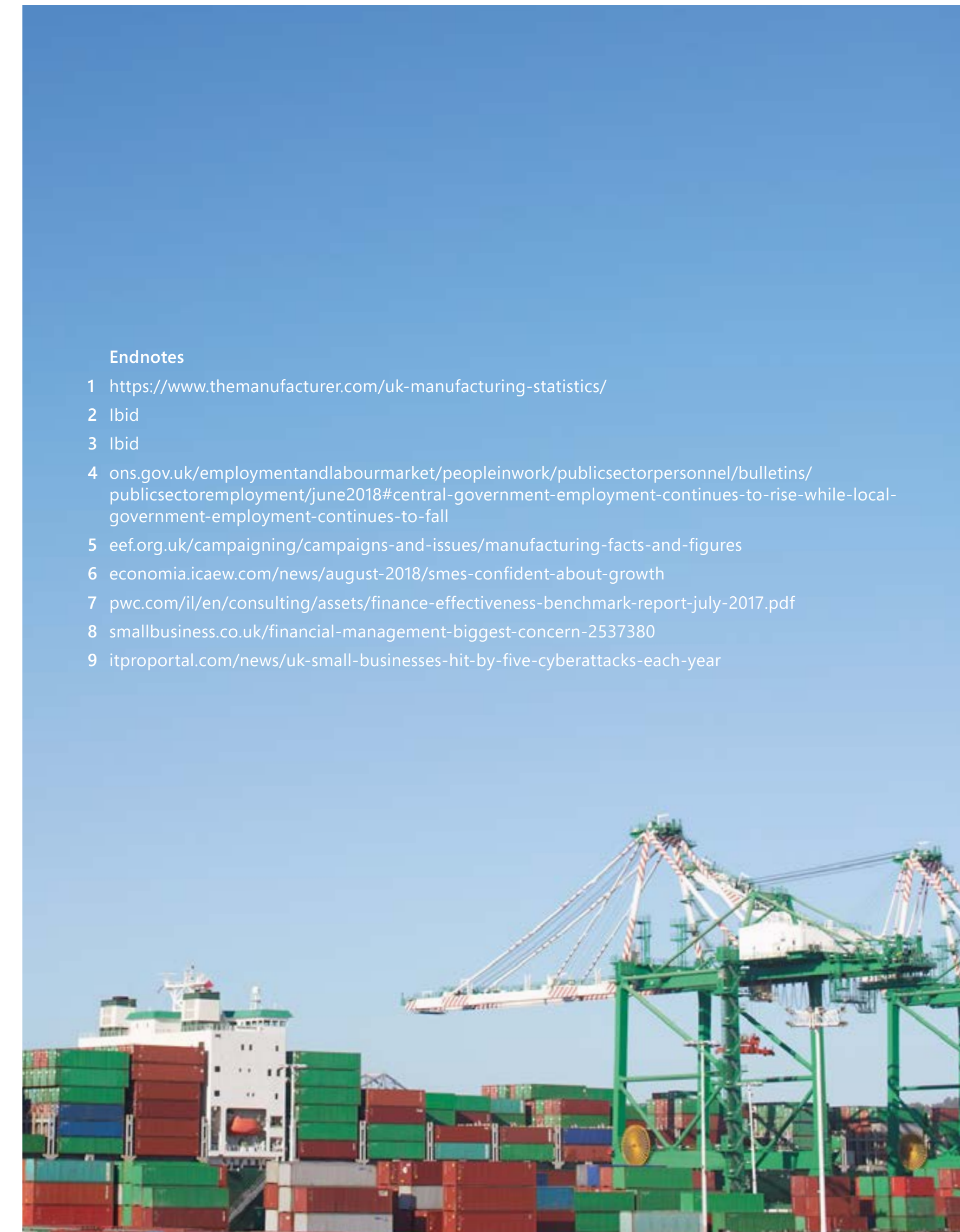
Get legacy systems to be part of your success story

- Join legacy systems and data with new technology to create lasting value.
- Integrate them with your existing Microsoft applications..

Discover how Dynamics 365 Business Central can help you grow without growing pains.

Endnotes

- 1 <https://www.themanufacturer.com/uk-manufacturing-statistics/>
- 2 Ibid
- 3 Ibid
- 4 [ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/june2018#central-government-employment-continues-to-rise-while-local-government-employment-continues-to-fall](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/june2018#central-government-employment-continues-to-rise-while-local-government-employment-continues-to-fall)
- 5 [eef.org.uk/campaigning/campaigns-and-issues/manufacturing-facts-and-figures](https://www.eef.org.uk/campaigning/campaigns-and-issues/manufacturing-facts-and-figures)
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- 8 [smallbusiness.co.uk/financial-management-biggest-concern-2537380](https://www.smallbusiness.co.uk/financial-management-biggest-concern-2537380)
- 9 [itproportal.com/news/uk-small-businesses-hit-by-five-cyberattacks-each-year](https://www.itproportal.com/news/uk-small-businesses-hit-by-five-cyberattacks-each-year)



One solution. Perfect visibility.

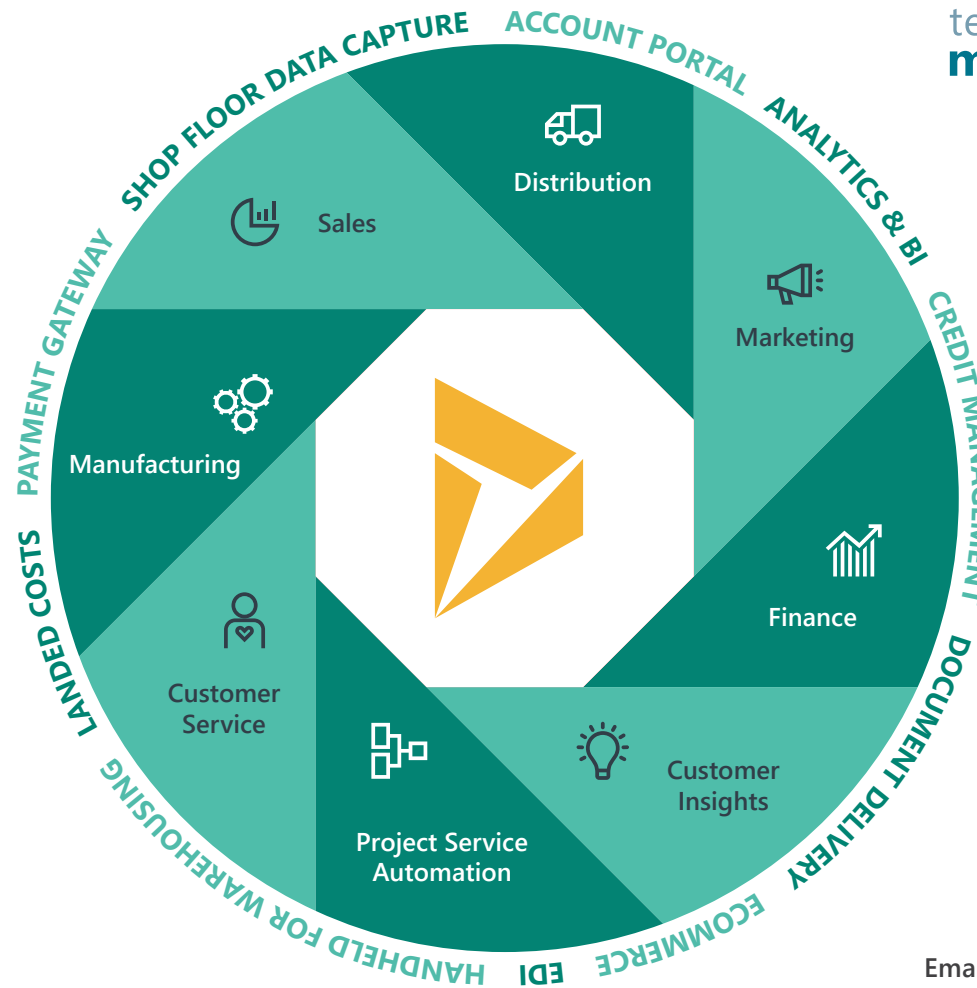
Technology Management helps Manufacturing and Distribution companies enhance performance with Microsoft Dynamics 365 Business Central and Office 365. Having delivered over 5,200 successful projects, we've plenty of experience implementing business systems, Microsoft Dynamics solutions and the technical infrastructure to support them.

We are a Microsoft Gold Certified Partner for ERP & CRM and can deliver Microsoft Dynamics solutions on your own IT infrastructure, hosted in our UK data centre or in the Microsoft Cloud.

Based in the Midlands, we support clients across the UK and further afield.

Learn more about Microsoft Dynamics & book a place on our FREE event

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