Microsoft Dynamics 365 for
Operations

Seven emerging trends that are changing finance

Microsoft

Empowering finance

The role of finance is undergoing a major evolution. In today's business environment, finance organizations are becoming even more elevated as corporations increasingly rely on the financial and strategic prowess of their financial leaders. Today, finance professionals are facing an array of new risks, responsibilities, and challenges, from managing a globally diversified business to mitigating new technology risks. They are responsible for reporting on the past, managing the present, and creating the future. Their role of finance has become ubiquitous throughout the organization, and its influence only appears to be growing.

As finance professionals look to manage the new risks and challenges that have evolved with their role, many are leveraging new technology to help them thrive in this modern environment. With the tools available in Microsoft Dynamics 365 for Operations, finance leaders are able to drive corporate performance with real-time access to organizational and market data, better assess and manage risk with increased visibility with a single, integrated view into their organization, and growth their business with greater agility and efficiency. In this new era of finance, Microsoft is empowering finance leaders to transforming their organizations by increasing the speed of doing business, driving success today and into the future.

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Emerging trends

The world is changing. Business is changing. A new generation of employees is forcing organizations to rethink how work is done, the rise of big data is providing business leaders with access to more information than ever before, and globalization has opened up new opportunities as well as new risks for businesses.

As business has changed, so has the role of finance. Over the last half century, finance leaders have gone from bean counters to the boardroom; the responsibilities of finance leaders have evolved to encompass everything from business strategy to operations to IT risk management. The role of finance now permeates all areas of business as its influence continues to grow.

The following will explore seven emerging trends in finance that will help empower finance professionals to drive performance, better assess and manage risk, and drive corporate strategy and growth for their business.
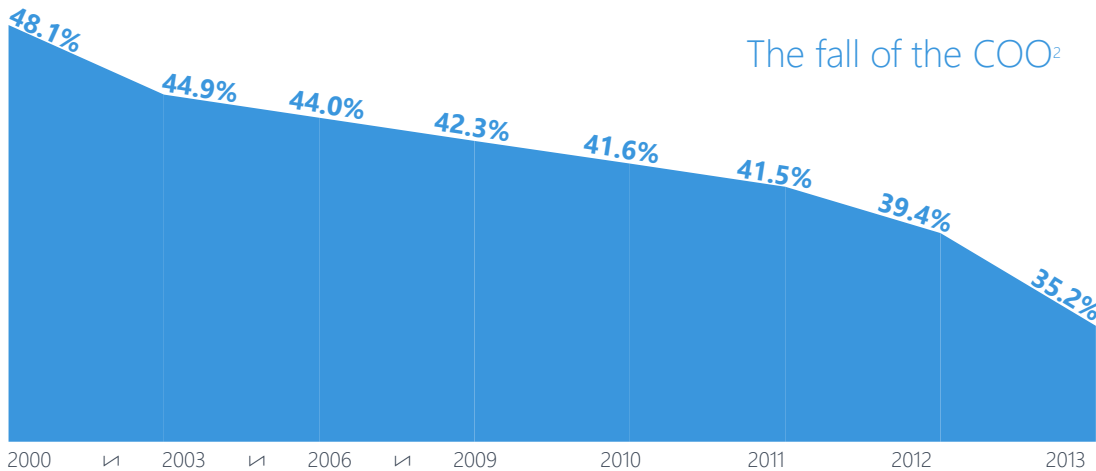
Evolving CFO role

Executive summary
The role of the CFO continues to evolve to include IT management, operations, and business strategy responsibilities.

Highlights
- *Technology was identified by business executives as the most important external force shaping businesses.*
- *Only 35% of Fortune 500 and S&P 500 companies still have Chief Operating Officers, a decrease of 37% from 2000.*
- *75% of CFOs reported spending 50% or more of their time on strategic aspects of their business.*

The fall of the COO[2]

- 2000: 48.1%
- 2003: 44.9%
- 2006: 44.0%
- 2009: 42.3%
- 2010: 41.6%
- 2011: 41.5%
- 2012: 39.4%
- 2013: 35.2%

The expanding reach of the CFO

From bean-counter to the boardroom, the role of Chief Financial Officer has gone through some major changes since its inception. Today, the role of the CFO has become even more elevated, as corporations increasingly rely on the financial and strategic prowess of their most senior financial leader.

A decade after a series of high-profile corporate scandals, CFOs have been thrown into the spotlight and placed under the microscope like never before. They face an array of new challenges, from managing a globally diversified business to mitigating new technology risks. They are responsible for reporting on the past, managing the present, and creating the future. Their influence can be felt throughout the organization; there is no longer a singular definition of the CFO role.

CFO as the IT leader

One of the most discussed changes in the CFO role over the past decade has been taking on the management of technology. This change has been the result of two major factors. The first is simply the growth of technology in all aspects of the corporate world. In a 2015 study by IBM[1], technology was identified by business executives as the most important external force shaping businesses. Technology is ubiquitous throughout modern businesses, and while CFOs may not be able to code a website or set up a database, like tech-nology, CFOs have also have become ubiquitous throughout the organization. Because CFOs have such a deep understanding of all the organization's operational units, they are a natural fit to oversee the technology that inte-grates these units.

Also, as a result of growing technology demands in the workplace, technology has become both a major expense and capital asset. Because of the financial demands technology has created, it is important that CFOs have a compre-hensive view of these large financial line items.

The decline of the COO

The second reason CFOs have taken on a larger role in IT is the decline of the COO. In many organizations, as the COO role has been removed, their du-ties have been divided between the CEO and the CFO. According to Crist|Kolder Associates[2], only 33% of Fortune 500 and S&P 500 companies still have Chief Operating Officers, a decrease of 45% from 2000. This is, in part, due to the fact that so many CEOs of major cor-porations came from the COO role, as is the case at 40% of Fortune 500 and S&P 500 companies. While this dis-tribution of tasks between CEO and CFO certainly varies by company, often the CEO, with their operational back-ground, takes over manufacturing and supply responsibilities, while CFOs take over procurement and IT.

Strategy leadership

The CFO's rise to being a strategic ad-visor should not be a surprising one. A background in finance gives CFOs a unique ability to apply a systemic and objective lens to business operations. And while CFOs remain burdened by stigmas of being penny-pinchers and number-junkies, the shift to a more quantified approach to business has provided an important balance to the "gut-instinct" style of management from previous times.

Additionally, technology and low cost labor abroad have made the CFO's cler-ical tasks, such as monitoring and re-porting on finances, faster and less ex-pensive. As a result, the CFO has taken on more strategic planning responsi-bilities, especially over the last decade. In a recent study by EY[3], 75% of CFOs reported spending 50% or more of their time on strategic aspects of their business, with 2 out of 3 saying they are the face of the company on all strategic issues related to financial performance. These statistics were reiterated in IBM's 2013 Global CFO study[4], where 70% of CFOs reported playing a critical role in decision making. Furthermore, 78% said that business model innovation was a major part of their role as CFO, and 88% said they were responsible for helping select the key metrics linking performance to strategy execution.

Changing workforce

Executive summary

The workforce is changing. Millennials have different values and working styles than many older employees, and new technology is enabling a more mobile workforce.

Highlights

- *Millennials will make up roughly 44% of the U.S. workforce by 2025.*
- *Upwards of 71% of office employees work remotely at times.*
- *39% of finance executives felt they were "barely able" or "unable" to procure the talent needed to successfully run their organization.*

Changing workforce

The workforce is changing. The recession has caused many older employees to delay retirement or go back to work. Older adults, people 55 and up, are now the fastest-growing segment of the American workforce[5].

At the same time, a new generation of Millennial employees are making their own stamp on the workforce. This highly motivated, highly educated, and tech-savvy group of young professionals are forcing many businesses to redefine the work environment.

Yet even with the growing number of workers, this dichotomy of aging employees, many of whom struggle to adapt to the new fast-paced, tech-heavy business environments of today, and young Millennials, many of whom are still getting their feet wet in the "real world," has left many business leaders struggling to obtain the talent they need to successfully run their organizations.

The rise of the Millennial workforce

Millennials are already having a huge impact on today's work environment, and their influence is on the rise. The offspring of the Boomer generation now make up the largest generation in American history, with over 75 million individuals born between 1977 and 1998 in the U.S. According to data from the Bureau of Labor Statistics[6], Millennials will make up roughly 44% of the U.S. workforce by 2025.

Millennials are extremely well educated, tech savvy, entrepreneurial and diverse. Easy transportation and digital connectivity has made Millennials the first global generation. In fact, they're the world's most diverse and globally minded generation in American history. Hispanics, Blacks, and Asians make up well over a third of the Millennial population, and in 2012, Millennials accounted for 29% of Americans who traveled abroad[7]. Not only do they want to explore the world, Millennials want to make it better. Seventy-nine percent of Millennials said they want to work for a company who positively impacts society, with 44% stating they'd actively pursue such companies[8].

Millennials bring many different and new values to the workforce. Millennials are incredibly entrepreneurial minded; 27% of Millennials are self-employed[9]. They also place greater value on flexibility and work-life balance. Eighty-nine percent of Millennials would prefer to choose when and where they work instead of having a traditional 9-to-5 job, and 45% said they would choose workplace flexibility over pay. In a survey by Millennial Branding[10], 60% of Millennials reported leaving their jobs in less than three years, with the primary reason cited for staying at a job was if it was a "good cultural fit."

Additionally, Millennials are incredibly well educated, more likely to have a college degree than Boomers and Gen-Xers — 27% and 15% more likely, respectively. The opportunity with Millennials is great; however, to get the most out of this emerging generation, business leaders need to adapt their way of operating, including how they think about pay, benefits, and the work environment.

The mobile workforce

Technology has enabled a massive revolution in how we work. Between smartphones, near ubiquitous internet connectivity, and ever-shrinking laptops, work no longer happens just at work; work happens wherever the worker is. This could mean a home office, sending emails from a coffee shop, or taking phone calls on the bus. Upwards of 71% of office employees work remotely at times[11], an 80% increase since 2005. This type of mobility enables a more responsive workforce while providing employees greater flexibility to control their work schedule.

But along with the benefits of a mobile workforce, including greater productivity, efficiency, and agility[12], there are risks that businesses need to acknowl-

Millennials will make up 44% of the U.S. workforce by 2025.

27%

Percent of Millennials who are self-employed.[9]

45%

Percent of Millennials who said they would choose workplace flexibility over pay.[9]

edge as well. When employees take their work laptops and smartphones out of the office, the chances of loss and theft increases significantly. While the cost of simply replacing devices is certainly a concern, the threat of lost data and IP is particularly dangerous. Apple saw this fear come to fruition when an employee lost a prototype of their upcoming iPhone at a bar in the Bay Area (twice). This risk is compounded by the fact that employees remain incredibly relaxed about password protection on their devices. A 2013 Trend Micro study[13] reported that 63% of respondents had no password protection on their phone.

Beyond theft and losses, employees working remotely are vulnerable to attacks if they use unsecured Wi-Fi networks. Employees replying to emails from their local coffee shop may be inadvertently connected to the Internet via a cloned Wi-Fi network. In other words, someone creates a public network called "Starbucks Free Wi-Fi" and is able to collect any data that is passed through. To give you a sense of just how easy this is to do, consider that there are dozens of free, publicly available apps that can do this. Whether in a hotel, airport, or coffee shop, employees should be prudent about only using secured private networks, especially if they are handling confidential information.

Lastly, employees working in public places face the threat of old-fashioned eavesdropping. This ranges from a bystander passively overhearing a phone conversation on a bus to

someone actively snooping over their shoulder in a hotel lobby. And while the intention may not always be malicious, like a bystander casually repeating information that they overheard, the potential consequences are real, from lost IP to breaking compliance laws.

Another effect of the mobile workforce has been the blurred line between work and personal devices. Employees are increasingly using their personal devices to access work email, documents, and data, what has become known as BYOD (bring your own device). In a 2015 study by the Ponemon Institute[14], 68% of corporate IT managers said their greatest security concern stemmed from employees using personal devices to connect to the corporate network. This creates an enormous security risk as employers have little to no control over the security measures (such as password requirements and malware protection) in use on personal devices than they do on work issued devices.

39%

Percent of finance executives who felt they were "barely able" or "unable" to procure the talent needed to successfully run their organization.[15]

Conversely, these blurred lines also extend to employees using work devices for personal uses. As more employees are taking work devices home, businesses have much less control over what employees are doing with their devices. Also, personal web browsing while at work, like visiting social networks on company time, is becoming more accepted, or at least more tolerated. Employees may feel empowered to download unsanctioned software

and files onto their devices, such as a favorite productivity app or personal music collection, and while many of these may be harmless, it could lead to employees inadvertently downloading malware or a piece of software than creates a vulnerability in the network. Finance leaders need to find a way to balance security with the flexibility that many employees now expect with regards to personalizing their devices.

Managing a growing skills gap

Perhaps one of the more under-represented responsibilities of the CFO is to develop talent within their organization. In IBM's 2013 Global C-Suite study, nearly 90% of CFOs listed talent development as an important part of their job[4].

But this task may be more daunting than it sounds. There appears to be a large talent gap developing as many academic finance programs remain heavily focused on traditional financial tasks and not enough on the new responsibilities of corporate finance, like managing technology and operations. In Deloitte's 2013 Global Finance Talent survey[15], 39% of finance executives felt they were "barely able" or "unable" to procure the talent needed to successfully run their organization. In a survey commissioned by Bentley University[16], 58% of respondents, including business decision makers, recruiters, and students, gave recent college graduates a letter grade of "C" or lower on their preparedness for their first jobs, with nearly two-thirds of respondents calling the lack of preparedness among Millennials a "real problem." Sixty-four percent of corporate respondents remarked that the lack of preparation of new hires harms the productivity of their day-to-day business, while 74% said the lack of preparedness has an impact on the economic challenges facing the U.S. today.

Beyond poorly prepared graduates, the skills gap is compounded by rapidly changing compliance standards and regulations, which requires ongoing

employee training. The most recent example is the new Revenue Recognition Standards by FASB and IASB.

Succession planning has also become a more complicated task for CFOs as their roles have become much more diversified. The path to CFO no longer entails climbing the ladder through the finance department, but frequently follows more operations-focused and business leadership roles. On their way up, many CFOs are given the responsibility of managing key business units or customer segments in conjunction with their finance responsibilities. The CFO position is no longer just a functional role but a business-leadership role.

Today, most CFOs are recruited internally, with 69% of Fortune 100 CFOs having been promoted from within their organization. Of those internally promoted CFOs, 70% spent more than 11 years at the company prior to their promotion and 41% were there for more than 20 years[17].

Greater visibility

Executive summary

As new technology improves data collection and accuracy, advanced analytics technologies are making big data more accessible, giving finance professionals greater visibility into their organizations.

Highlights

- *41% of finance professionals cited inconsistency in measurement methodology as their biggest obstacle to analytics success.*
- *New technology, from smaller sensors to more ubiquitous Internet access, now provides finance professionals access to faster, more reliable data.*
- *New analytics tools help finance professionals with detection, classification, probability, and optimization.*

CFOs get greater visibility into their business

As finance professionals adjust into more strategic business leadership roles, the importance of having objective data to analyze is increasingly important. Big data has delivered big promises, but one of the most significant challenges for big data has been managing the volume and speed. A 2015 study by IBM[18] reported that 2.5 quintillion bytes of data are created every day, so much that 90% of all data in the world has been created in the last 2 years. Without the tools to better leverage their data, its users have remained relatively niche, but with more intelligent and powerful cloud computing, big data is finally moving into new areas, helping finance leaders close books faster, deliver more accurate reporting, and build more intelligent business strategies.

Big data becomes accessible

The merging of big data with new technology has made processing large data sets easier than ever. From mining big data to predictive analytics, finance leaders have tools available to them that did not exist previously. These professionals have been asked to apply their systemic approach for numbers to data that reaches beyond financial data. This often includes assessing consumer data to forecast purchase trends, economic indicators to predict market trends, and operations metrics to help streamline processes and cut costs. Beyond dollars and cents, CFOs possess the ability to extract knowledge from numbers and apply that knowledge to make strategic decisions about the business.

Beyond data analysis, CFOs face another new, modern day data challenge. As they've taken on larger roles within IT and analytics, CFOs are forced to tackle the growing issue of data management. This includes both data storage, as well as monitoring and managing data quality. These important tasks not only enable CFOs to do their job, but they allow other functions to operate more efficiently. Without data quality control, CFOs and other business leaders risk making decisions based on flawed insights.

While faster, more reliable data is a stride in the right direction for big data, it also creates new challenges, what IBM has coined, "The Four V's of Big Data."[19] The four V's include volume (scale of data), velocity (analysis of streaming data), variety (different forms of data), and veracity (uncertainty of data).

With the growth in big data, finance professionals are definitely feeling these challenges. In a 2014 1010data study[20], 41% of finance professionals cited inconsistency in measurement methodology as their biggest obstacle to analytics success, while 38% cited a lack of granularity, and 34% saying that they had insufficient access to the data they needed. In short, big data is too big. To date, companies' ability to leverage their data has been limited due to a lack of internal knowledge, limited tools, and prohibitive costs, but corporate capabilities are finally catching up.

Insights into operations

New technology, from smaller sensors to more ubiquitous Internet access, now provides finance professionals access to faster, more reliable data. Remote data sensors are becoming increasingly common, and they're just getting started. This trend is fueled by four factors: 1) the ability to produce smaller microchips, 2) the development of low-power sensing technologies, 3) the ubiquity of Internet connectivity, and 4) improved computer processors that are able to manage a growing number of concurrent data streams. Perhaps the fifth variable would be the increasing comfort level consumers have with data collection.

These advancements allow finance organizations to collect data from a much wider range of sources than was previously possible, including data from retail accounts, online transactions, manufacturing operations, customer

35%

Percent of finance executives who said they would increase investment in business intelligence and analytics in the next 12 months.[21]

profiles, economic data, and other KPIs. With more accurate, comprehensive, and real-time data, finance professionals can gain a greater understanding of who their customers are, how their business is running, and how different growth strategies may affect their bottom line.

Tools to help anticipate business needs

Finance professionals are now relying on a new breed of analytics tools that make big data more easily accessible, including machine learning, predictive analytics, and automation tools. Big data, in and of itself, is not useful; it becomes useful when it can provide knowledge, make processes more efficient, and allow finance professionals to deliver better experiences. These tools help finance professionals with detection, classification, probability, and optimization.

Detection involves identifying patterns (trends), targets, and outliers. Data visualization tools that convert large sets of numbers into charts and graphics makes trends much easier to identify, and allow for simple, visual comparisons that can make outliers jump out. The addition of real-time data adds speed to the simplicity that data visualization provides. Finance professionals may use these tools to track competitive changes, news, campaigns, or promotions; detect emerging market trends; or to identify potential supply chain issues before they materialize.

Classification is used quite often in business, although we may

not consciously define it as such. Classification allows us to isolate, sort, filter, sequence, and compare data. Classification helps finance professionals become more agile by enabling them to isolate and/or rank audience segments, campaigns, or products. Tools that provide the ability to automate these processes can streamline personalization and allow finance professionals to be more targeted with their outreach. This also empowers finance professionals to create personalized experiences and conduct more intelligent cross-selling. In Q1 of 2015, Microsoft Australia dropped bounce rate on their website by 35% and increased add-to-cart rate by 10% by creating fully personalized product recommendations into a fully personalized web experience for customers.
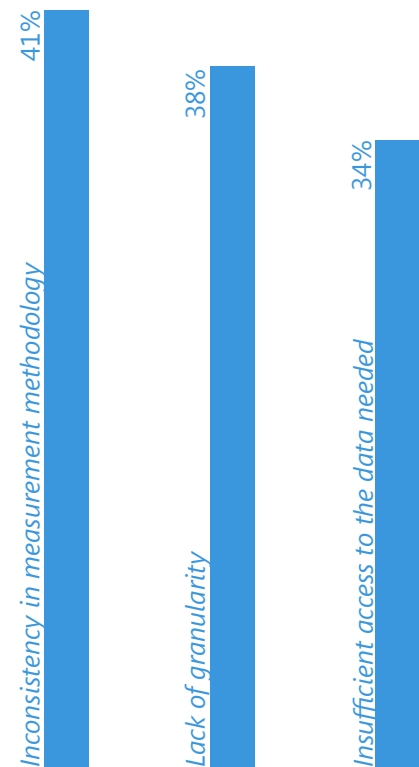
Understanding the probability of future events is critical to making strategic decisions. Probabilities can be used to demonstrate the likelihood of an occurrence, to compare multiple events, or to show distributions of potential out-

comes. Predictive analytics tools help finance professionals master inventory management, determine optimal pricing for new products, offer more targeted product recommendations, predict sales and support needs, and better manage cash flow.

As agility is becoming increasingly important for finance professionals, optimization is an important use of analytics that helps finance professionals become more nimble. This can be done by optimizing the three pillars above: better and faster detection, categorization, and probability. As more real data becomes available, new machine learning tools help finance professionals improve performance by comparing the expected results against their actual results and optimizing their algorithms accordingly.

While many of these methods are not new, new tools, like more powerful processors paired with cloud computing, are now enabling finance professionals to take full advantage of their data.

Biggest obstacle to analytics success[21]

41% — *Inconsistency in measurement methodology*

38% — *Lack of granularity*

34% — *Insufficient access to the data needed*

Microsoft

New growing pains

Executive summary
As they grow their business, many finance professionals have to manage new challenges, from managing business growth in a complex economic environment, to managing businesses that are more global than ever before.

Highlights
- *Since 2010, there has been a major shift in corporate acquisition types, from absorption deals to transformational deals.*
- *IP theft cost U.S. businesses more than $300 billion in 2013, with China accounting for roughly 80% of all IP theft from US-headquartered companies.*
- *87% of global consumers consider CSR when making a purchase decision.*

Challenges in managing growth

As many businesses have enjoyed growth, this success has not come without its challenges. Many of these new growing pains have fallen on the shoulders of finance professionals, from managing business growth in a complex economic environment, to managing businesses that are more global than ever before. On top of this, they need to manage customer trends and preferences that are evolving with the growing economic power of the Millennial generation.

M&A is changing

Finance leaders are being tasked with the difficult challenge of managing business growth. Many businesses have looked to M&A to grow their businesses, but in a post-recession economic environment, the M&A landscape has changed, creating new challenges for these business leaders.

Between 2010 and 2013 there was a major shift in corporate acquisition types. Transformational deals have experienced a 52% increase, from 29% to 44% between 2010 and 2013, respectively, while absorption deals have seen a 28% decrease, from 40% to 29%. Smaller tuck-in deals have decreased from 18% to 15%, as have stand-alone deals, from 13% to 11%, over the same period.[22]

This shift did not occur by chance. Analysts suggest[22] this change is due to a surge in absorption deals following the 2007-2009 recession. Now, as technology is causing major disruptions to existing markets, businesses are seeking deals that can lead to more fundamental business shifts, such as entering new markets or establishing new operational capacities.

These changes have not come without challenges. Because of the complexity of transformational deals, compared to absorption, tuck-in, and stand-alone deals, many businesses are struggling to achieve their pre-acquisition goals. Business leaders listed integrating tech-

nology and systems, and aligning operational and business procedures as the two biggest post-close challenges, with 45% reporting difficulties with each. These challenges, commonly associated with transformational deals, may be due to a lack of experience. Only 24% of companies reported a core competence in transformational deals.[22]

Managing a global workforce

In today's global work environment, more companies are opening offices abroad in search of new talent, resources, and lower labor costs, but with all the benefits comes new risks, perhaps the most prominent of which is IP theft.

IP theft cost U.S. businesses more than $300 billion in 2013, according to The National Bureau of Asian Research[23], with China accounting for roughly 80% of all IP theft from US-headquartered companies. As businesses move into these new markets, they often fail to fully understand local laws and legal systems, and how IP is viewed in the local culture. In China, for example, IP theft and imitation is widely accepted, as it is viewed more as "adoption" than theft. The Chinese government has even coined the phrase "re-innovation" in describing this practice. Companies who set up offices abroad may also face new security risks, particularly if these offices reside in parts of the world where technology and infrastructure is less advanced or less controlled.

Businesses need to be deliberate in their approach to risk mitigation in foreign countries. This starts with gaining a firm understanding of the local culture. Don't assume that local employees are familiar with your perspectives with regards to IP and security. Be explicit with your policies and expectations, particularly as it relates to IP and security. Also, wherever possible, disaggregate knowledge, particularly if it pertains to proprietary processes or confidential information.

Additionally, the sheer logistics of managing a global workforce can be a chal-

Transformation through **M&A**[22]

Transformational
Acquiring new markets, channels, products. Transformative to fully integrated organization.
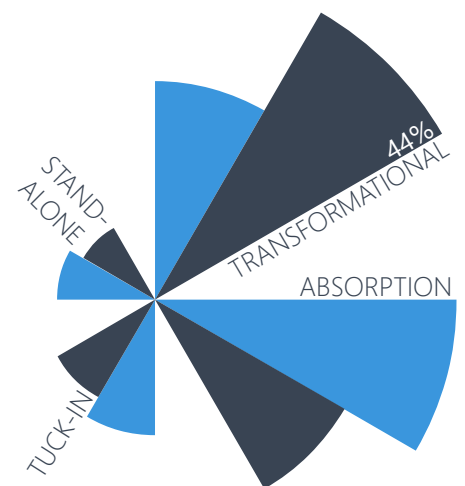
Absorption
Integrating similar company into existing organization.

Tuck-in
Acquiring and integrating small companies.

Stand-alone
Acquiring, but not integrating, a company that will remain separate.

lenge for finance leaders, from managing various time zones and languages, to collaboration and productivity. Many financial professionals have turned to technology solutions that allow them to aggregate and centralize information across all of their global business units, and productivity tools supported by the cloud help ease the burden of collaborating with employees on the other side of the world.

The demand for sustainability

Over the last few years, there has been much debate over the growth in consumer demand for environmentally and socially friendly products. While many people say they want responsible products, purchase behaviors haven't always supported that. That trend is starting to shift.

While there has been a decline in individuals saying they'd pay more for responsible products, there has been an increase in the percent of individuals stating that a business's social and environmental record is important to them.[7] A 2013 study by Cone Communications and Echo Research reported that 87% of global consumers consider CSR when making a purchase decision.[24] Interpreted another way, good CSR is the new baseline, and while consumers may not reward those for doing extra, they will certainly turn on those who fail. Businesses need to consider CSR both as a defensive strategy and an offensive strategy.

Today, information is easy to obtain and spreads quickly.

Exposed unethical business practices have resulted in swift backlash from consumers. This has forced many businesses to revisit their own practices, as well as the practices of vendors in their supply chain, to become more socially responsible organizations. It has also pushed many organizations to improve transparency. In 2015, CorporateRegister.com has aggregated CSR reports from over 12,000 companies, up from a mere 20 in 1994.[25]

Additionally, an increasing number of businesses are using CSR to grow their businesses, from American Eagle, who recently reported a 10% increase in sales of their lingerie, Aerie[26], after a pledge to stop Photoshopping models in their ads, to Goldman Sachs[27], who is investing in training and education for 10,000 female entrepreneurs. Improving internal business practices can have a positive impact as well. Research by the World Green Business Council[28] has shown productivity gains of 8-11% in businesses that have taken initiatives to improve air quality in their offices. The research also suggests that companies with a strong CSR record have an easier time recruiting and retaining workers, and a 2011 study conducted by the Harvard Business School and the London Business School showed that businesses with strong CSR performance had easier access to financing.[29] While CSR initiatives have gotten a mixed bag of reviews in the past, the waters are shifting and the importance — both ethically and financially — of investing in CSR is becoming clear.

Sustainable and responsible investing in the United States[30]

Sustainable and responsible investing is on the rise, forcing businesses to consider their social and environmental impact.

ESG Incorporation Only   Shareholder Resolutions Only   Overlapping Strategies

Microsoft
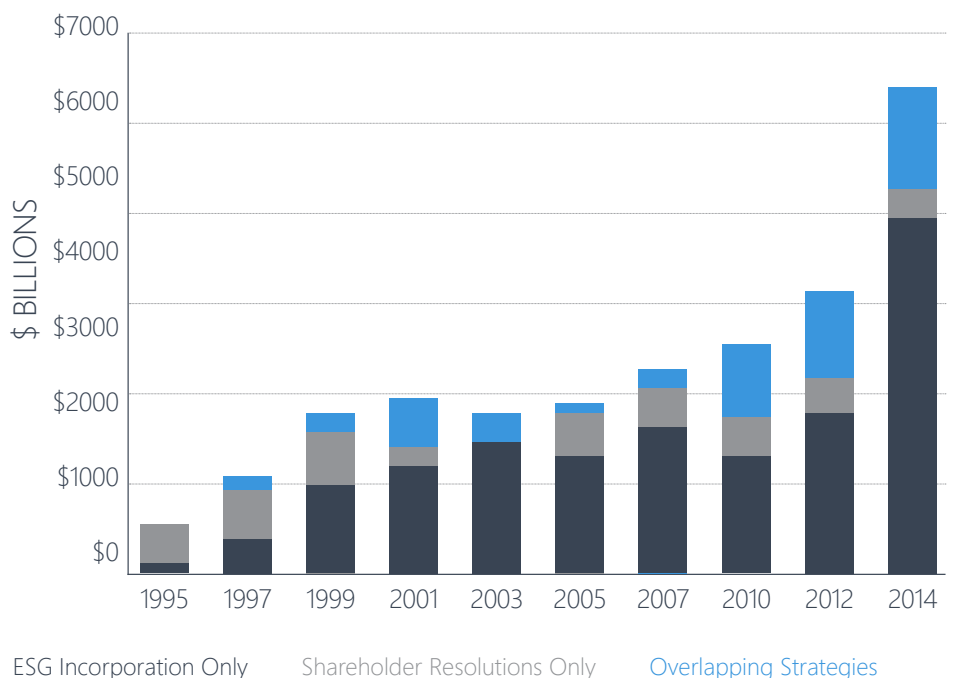
Emerging risks

Executive summary

With new responsibilities comes new risks for financial professionals, including new IT security risks, risks of globalization, and risks pertaining to changing workforce demographics.

Highlights

- *The estimated the cost of a data breach in 2015 was $3.8 million.*
- *Virtually all of the world's largest retailers, from Walmart to Tesco to Carrefour, have had to pull out of foreign markets after attempting to establish a local presence.*
- *41% of CFOs reported that employees who are unprepared for retirement make it difficult to control workforce costs.*

CFO as a risk manager

With the laundry list of new capabilities and responsibilities comes a list of new risks. Perhaps foremost on that list are legal regulations. From the anti-monopoly laws of the 1950s to the Sarbanes-Oxley Act of 2002, finance professionals have had to adapt to a variety of new regulations throughout time. While some of these have merely altered processes, many have changed the way CFOs lead their businesses altogether. Even within the last few years, new standards and regulations are stirring the pot again, as organizations like COSO and FASB are trying to update to reflect the modern world.

Finance leaders are also facing an expansive new set of risks that come with technology, the most serious of which are perhaps external security risks. From Target to Home Depot, even companies with large and sophisticated security measures in place are still at risk for being targeted by hackers. While data breaches of consumer information can certainly damage a business's reputation, the possibility of leaking confidential financial information and business plans could be detrimental to a business and a finance leader's career.

Social media has created a new type of risk for finance professionals, one that is difficult, if not impossible to control. As many companies have learned the hard way, information spreads quickly on social media. Stories may range from the unintentional release of confidential information to discussions of internal issues, policies, or other employees. Certain regulations regarding employee rights limit an employer's ability to restrict their employees' use of social media. This leaves corporations with few options other than to educate their workforce and encourage them to be on their best behavior.

The last emerging technology risk has risen from the volume of data and ease of transfer within organizations. Twenty years ago, when an employee was let go, they took their personal belongings in a box and were on their way. Nowadays, employees frequently share information between business and personal devices, store it on flash drives and in clouds, and retain duplicate copies of confidential business information, which can be particularly problematic when an employee leaves a company to work for a competitor.

Mitigating IT risks

In today's modern work environment, flexibility is increasingly important. Upwards of 71% of office employees work remotely at times, an 80% increase since 2005.[11] Seventy-six percent of global information workers report using multiple devices for work, and of those information workers who work remotely at least once a month, 66% regularly use a smartphone for work.[31] More workers are using personal devices for work, and vice versa. Nine-two percent of workers believe that their smartphones should be enabled for both work and personal use.[32]

To compound this challenge, a new class of tech-savvy employees are flooding the workforce. These employees are savvy enough to implement their own tools, deauthorize software, and even find ways to work around company regulations that they feel inhibit their ability to do their job. A 2013 McAfee study[33] reported that 81% of employees use unapproved software and applications in the workplace, and that 35% of SaaS applications used within companies are unapproved. Forty percent of IT workers said they use unapproved software to bypass company-regulated IT processes.

Yet at the same time that employees are requiring (and taking) greater flexibility to do their jobs, the need for tight security is greater than ever. According to Microsoft's Cybercrime Center, over 1 million people are victims of cybercrime every day[34], and IBM estimated the cost of a data breach in 2015 averaged $3.85 million.[35] Employees may be a company's greatest vulnerability; in a 2011 test conducted by KnowB4, 43% of employees clicked on a test phishing email sent from a trusted server[36]. Other relaxed applications of security best practices by employees can also create issues.

In a 2010 study by CREDANT Technologies[37], 52% of respondents said they could not remember what was stored on their USB drive, and 34% said at any given time, they didn't know where their USB drive was. To compound the issue, 68% said that they shared USB devices with family members, friends, or colleagues, and 10% admitted losing a flash drive with company info on it. Twenty-one percent of people admitted to using more than 10 USB drives.

In this evolving environment, it is important for companies to protect themselves while still allowing employees to access applications that will make them more productive. Provide the right tools that employees need to excel at their jobs. According to Good Technology[38], there was a 3,000% growth in secure browsing applications between Q3 and Q4 of 2013. Instead of creating rules prohibiting certain uses, create a process that enables employees to work their way safely and securely.

Risks of going global

With growing economies abroad, the lure of global expansion seems inviting; labor costs can be much less expensive and worldwide retail sales are on the rise. According to a recent study by eMarketer[39], retail sales—both in-store and online—reached $22.492 trillion in 2014, and they project that retail sales will reach $28.300 in 2018. Yet to date, many businesses have struggled making the leap. Virtually all of the world's largest retailers, from Walmart to Tesco to Carrefour, have had to pull out of foreign markets after attempting to establish a local presence.

Yet despite these challenges, the unrelenting pressure to grow is leading many businesses into new territories. Global M&A activity has spiked in recent years, reaching an all-time high in 2007 with $4 trillion in deals, nearly half

of which were cross border. In 2013, 25 out of every 100 M&A deals featured emerging markets, an increase of 300% from ten years ago when the number was closer to 8 out of every 100.[40]

There are many challenges with going global. Laws and legal systems vary greatly throughout the world. This has many implications for businesses, including how financial reporting, business setup, and lawsuits are handled. Beyond the law, many businesses going global struggle to adapt to local culture. In countries with less sophisticated legal systems, finance leaders must have a firm understanding the local business culture to help navigate a complex business and legal environment. Furthermore, having a strong cultural understanding is also important when localizing products and messaging, and when hiring local employees.

Perhaps the largest risk for companies expanding abroad is the risk of IP theft. This threat is particularly high in China, where a culture of theft and imitation is widely accepted. Locally, it is viewed more as adaptation rather than theft, often referred to as "re-innovation" by the Chinese government. Centralization can provide significant operational efficiencies, but when trying to protect IP, having too much centralized knowledge can be problematic. Finance professionals can help protect their businesses by disaggregating IP, such as steps in the manufacturing process, especially the elements that have unique proprietary value to the company. This restricts employee knowledge to only a piece of the IP, limiting their ability to replicate externally.

Lastly, as businesses expand globally, finance leaders must address the security vulnerabilities that will arise as well. This is particularly true in parts of the world where technology and infrastructure are less advanced or less controlled.

Changing demographics

Changing demographics within the workplace are proving to be a large risk for businesses and their finance leaders.

As Millennials are growing up, a new generation of employees fluent in technology are taking over the workplace, and the expectations for technology are shifting. Employees who have entered the workforce with smartphones and social media may be unaware of the harm that these tools can do if not managed properly.

In 2015, it's impossible to keep employees from using social media. Nor would we recommend it. Social media is a great way to hear what customers are saying and share your story, but it undeniably comes with risk. The case studies of employee missteps on social media are plentiful. Federal regulations governing employee rights may limit a company's ability to prevent its employees from using social media, but employers should provide clear guidance on how social media can best be used. Business leaders should also reiterate the consequences of confidential information being leaked.

With Millennials, finance leaders are also dealing with a new entrepreneurial breed of employees. While having an "entrepreneurial spirit" is increasingly thought of as an asset for an employee, there are additional risks if that employee is actually an entrepreneur in their spare time. The largest risk with employees starting companies on their own time is IP theft. This threat has played itself out countless times, particularly in China, where employees have left their company only to create nearly identical products at a lower cost.

Beyond IP theft, bootstrapped entrepreneurs may take the liberty to utilize company resources for their personal endeavors. This may include small items, like pens and paper, as well as the use of data subscriptions, or the use of enterprise software. Employees may also be using their work devices for their side business. This creates security risks for the company, and may put you in violation of software licensing agreements. Furthermore, it could create a complicated legal situation should the ownership of

the "side-work" be called into question. An employee's side business may also create problems if there is any conflict of interest. For example, even if the side business is producing a non-competitive service, an employee may harvest certain client relationships for their own business instead of putting all of their resources into helping their employer succeed. Furthermore, employers may find themselves in a difficult position should a group of employees leave simultaneously to pursue a start-up full-time, which could easily happen if their startup gets funded.

Moonlighting in any capacity, whether entrepreneurial or not, can have its downsides for employers. Employees who work excessive hours will be more fatigued, have lower productivity, and will be more prone to making errors. But all that being said, companies may not want to automatically ban moonlighting, as there are some benefits. Along with some of the practical value to allowing it, like lower cost labor, a company that is supportive of its employees' entrepreneurial exploration will foster a culture of creativity and innovation, and denying employees opportunities may simply force these high-value employees to work elsewhere.

The benefits burden

As workforce demographics change, employee benefits are also evolving. Benefits are a great way to gain a competitive advantage in recruiting and retaining talent. In a 2014 Prudential Financial study[41], three out of four CFOs said that providing health insurance, retirement, and group benefits were important for their company. However, with a new generation of workers, many young employees are placing more emphasis on balance versus compensation. Benefits like flexible work schedules and additional time off may be of more value to some employees than a bigger paycheck. In the battle to recruit the best employees, companies are offering a more diverse range of benefits, including a pet friendly work environment, a

clothing allowance, on-site gyms, and even a personal travel stipend.

As CFOs try to balance competitive benefits offerings with employee value, turnover costs, and fiscal responsibility, exploring benefits packages that are more customized to the individual can make for happier employees at a lower cost. In Prudential's report, they noted a trend towards voluntary benefits, an à la carte approach that helps control costs while offering a broader set of benefits. Seven out of ten CFOs said that offering voluntary benefits helped increase employee satisfaction while remaining cost-effective.

At the opposite end of the spectrum in the benefits-risk discussion are the issues surrounding older employees. Companies who have not helped their workforce adequately prepare for retirement find themselves bearing the costs of senior employees who opt to postpone retirement due to inadequate savings. Not only do these employees have higher salary and benefits costs—41% of CFOs reported that employees who are unprepared for retirement make it difficult to control workforce costs—but 27% said that it made it difficult to forecast and manage staffing needs and 26% said that it actually hurt retention by limiting growth opportunities for younger employees[41]. While there is a cost to investing in your employees' retirement, companies need to acknowledge that there is also a cost for not doing so.

Lastly, many CFOs have found themselves recently burdened by the rise in ERISA and benefit plan litigation. These range from revenue sharing and fee arrangements under 401(k) plans to the elimination of certain benefits for retirees. CFOs need to be prudent in managing their benefits plans, especially as more 401(k) and defined benefit plan decisions are driving material value for the company. A bad decision regarding pension plans could expose both the CFO, the participants, and shareholders to fiduciary risks.

Evolving regulations

Executive summary
New regulations are changing how businesses approach finance.

Highlights
- *Regulation compliance cost American businesses $1.86 trillion in 2013.*
- *At any given time, roughly 20% of public firms are deliberately misrepresenting economic performance by an average of 10% of earnings per share.*

Regulations continue to change

Evolving regulations have proven to be a large challenge for finance professionals, creating political uncertainty, compliance issues, skill gaps, and legal woes. Additionally, they can also create a large financial burden for businesses. A 2014 study by CEI[42] found that regulation compliance cost American businesses $1.86 trillion in 2013, more than the world's 10th largest economy. From Rev Rec to internal controls to managing local laws as businesses move abroad, finance leaders are tasked with managing these changes.

Rev rec is shaking up finance departments

On December 15, 2016, the new revenue recognition rules will be in effect for most public entities. These new rules, created by the FASB and IASB, are attempting to simplify and clarify the rules by which revenue is reported by breaking it down into a five step model. The steps are largely focused around defining a contract and identifying the point at which goods are exchanged. While meant to be easier, these new simplified rules are complicating things for some businesses, particularly for businesses with complex contracts — those that include pricing protection rebates — and for emerging business models, like SaaS businesses where "transfer of control" of goods is not as clear as it may be with selling software via a download.

According to surveys by PwC[44] and Grant Thornton[45], 33% of businesses said they expected these new standards to change their business model; however 65% of CFOs did not expect the new Rev Rec standard to change the numbers they currently report, while only 6% felt that they would produce numbers that more accurately reflect the economics of their business model.

Beyond revenue recognition itself, the new Rev Rec rules will also have an impact on other areas of business, from how revenue-based triggered compensation, like sales commissions and bonuses, are calculated, how taxable revenue is calculated, how financial performance is evaluated for companies seeking loans, and in the short-term, how finance departments manage data aggregation, analysis, and financial reporting as they begin to implement the new standard.

Updating internal controls

With the Sarbanes-Oxley Act of 2002, CFOs became personally responsible and liable for their company's financial reporting. Consequently, the perceived importance of internal compliance and fraud prevention has grown significantly; however, even in the post-SOX world, compliance remains a gray area for businesses. In a 2012 study on financial reporting by teams at Emory and Duke University[46], CFOs felt that while half of reported earnings were driven by non-discretionary factors, the remaining 50% could be "massaged," or were governed by rules that are up for interpretation. Additionally, the study concluded that at any given time,

$1.86 trillion

Annual regulation compliance cost for U.S. businesses.[42]

$1.86 trillion

Russia's annual GDP (10th largest in the world).[43]

roughly 20% of public firms are deliberately misrepresenting economic performance by an average of 10% of earnings per share.

To help combat compliance issues, companies have increased spending on ethics and compliance programs. A 2014 study by LRN[47] placed the average cost per employee at $99.76. This is an increase of 127% since 2010. For small companies with fewer than 2,500 employees, the cost was almost double, $195 per employee. Large firms with over 50,000 employees spend only $22 per employee. Industry played a large role in the cost. Highly regulated industries, such as health care and energy, averaged E&C cost per employee of around $130. CEB's RiskClarity[48] report suggested similar increases in spend and training but concluded that the despite the increase, the levels of observed misconduct remained constant at around 14%. And in a 2012 study by Labaton Sucharow[49], 30% of financial services professionals reported felt pressure to violate laws or ethical standards because of their compensation or bonus structure, a concerning statistic.

To help provide guidance on internal controls, organizations like The Committee of Sponsoring Organizations of the Treadway Commission, or COSO, provide thought leadership and frameworks on corporate governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. Since its establishment, COSO has published three different frameworks to provide guidance to businesses.

When the original COSO framework was released in 1992, the business world was a very different place. There was no large scale cloud computing, no social media, and Enron was a booming company. Today, technology has transformed business practices, opening the door to new types of financial and non-financial risk for businesses. An increasing number of companies now have operations in multiple countries, adding new levels of complexity to taxation and accounting rules. COSO's recent updates were designed to reflect a business environment that has greatly evolved over the past 20 years. While there are many benefits to following the COSO frameworks, including reduced risk and costs, there is no legal requirement to implement them. In a 2014 survey by Protiviti[50], 61% of organizations said they planned to use the new Integrated Framework to guide their SOX documentation, while 19% said they would not, and 20% were unsure.

Ultimately, compliance is not something you do but rather something you are. Compliance needs to be a part of your company's DNA, the baseline expectation, not the outlier response to an event, and this culture of compliance needs to start with the CFO and other senior executives. While organizations like COSO are working to set improved, modernized standards for internal controls to thwart deception, it cannot prevent self-deception. CFOs should take an honest look at how they view compliance and how this view permeates throughout the culture of their organization. When the CFO puts compliance first, the organization will follow.

Local laws

As more businesses become global enterprises, their finance organizations must contend with a wide array of local laws that regulate how finances are reported, how businesses must be structured, and how lawsuits are handled. Additionally, becoming a multi-national organization may also change the rules and standards an organization must adhere to in their home country.

Local legal regulations can be a challenging area for finance professionals to navigate, as many of our existing regulations fail to appreciate the complex nature of modern technology. Laws originally written to govern radio broadcasting are now being applied to Internet usage, which is beginning to look like a mistake. This is currently being playing out as the U.S. Supreme Court tries to establish a precedent in how lines are drawn balancing the right to free speech with addressing harassment and social media. Several businesses have found themselves in hot water after developing social media policies that restricted speech such as publicly bashing executives, but was later deemed a violation of First Amendment rights by the courts. As legislators and industry organizations work to update the laws and policies that govern finance and technology, employers should tread carefully along these blurry lines, especially in highly regulated industries like finance and healthcare.
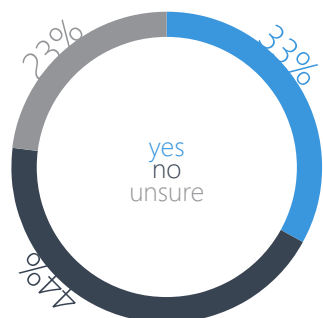
65%

Percent of CFOs who do not expect the new Rev Rec standard to change the numbers they currently report.[45]

06%

Percent of CFOs who feel the new Rev Rec standard will produce numbers that more accurately reflect the economics of their business model. [45]

Do you expect the new rev rec standard to change your business model?[44]

23%
33%
44%

yes
no
unsure

CFOs in the spotlight

Executive summary

CFOs and finance organizations have been thrown into the spotlight due to a rise in power, the growth of institutionalized investors, and a handful of high profile scandals that shook up the business work in the early 2000s.

Highlights

- *Due to the growth of the CFO role and of institutionalized investing, many CFOs have been forced into the public spotlight.*
- *Top performing companies were able to release their earnings an average of 15 days after their annual consolidation financial statements, compared to a mean of 25 days.*

The new public role of the CFO

Before the mid-1980s, managing a company's investors was relatively easy for CFOs. Shareholders were generally an easily defined group with clear motivations and expectations. But with the growth of sophisticated private equity firms in the mid-1980s, coupled with a transformation of share registers, CFOs now had to deal with institutionalized investors, which comprised the majority of shareholders at large firms by the mid-1990s. While the CFO's influence had been growing internally for decades, this shift in stakeholders pushed many CFOs into the public spotlight for the first time.

Institutional investors

Since the growth of institutionalized investing in the mid-1980s, CFOs have played an important role in managing these relationships, and as the demands from Wall Street increase, so will the need for CFOs to directly engage with investors. According to a CFO insights report by Deloitte[51], today's CFOs should plan on spending at least 20% of their time in investor relations.

Of the emerging roles of the CFO, this new public persona is often one of the largest challenges for many of today's finance leaders, who are often known more for their discretion than their yearning for the spotlight. This challenge can be compounded by investors who have competing interests. It is the job of the CFO to set the strategy for the business, both short- and long-term, and set expectations with investors.

Need for speed

With increasing pressure from investors, the demand to improve reporting speed and accuracy is at an all-time high, even as the complexity of this process increases. For companies with over a half million dollars in revenue, 44% have more than 11 systems that are generating information for their close process, yet the top performing companies are still able to turn around their financial reports with great speed. Top performing companies were able to release their earnings an average of 15 days after their annual consolidation financial statements, compared to a mean of 25 days and 36 days for bottom performers. The average total cost to perform annual financial reporting cost was $0.24 per $1,000 revenue for companies with the fastest annual cycle time, 44% lower than those with the slowest annual cycle time.[52]

New technology has come a long way to help finance professionals increase the efficiency of financial reporting. Though the power of the cloud, finance organizations are now able to easily aggregate financial data from business units around the globe
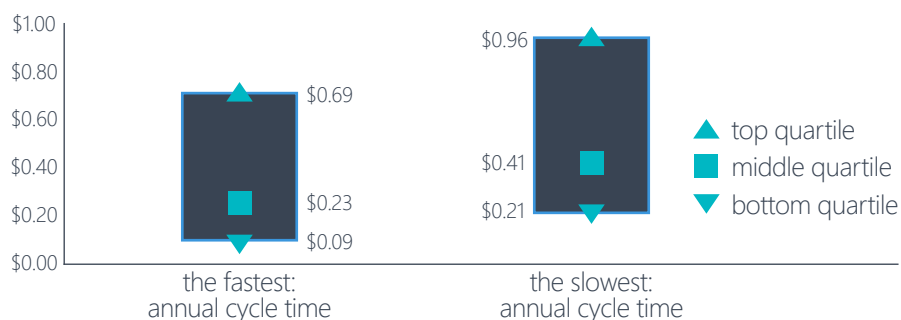
Controlling the information flow

From a leaked text to a tweet heard 'round the world, being a finance leader in today's very public environment is not easy. Not only are they always "on the record," but their employees are as well. The unintentional release of confidential information can be devastating to a business and their most senior finance leader, who is now personally responsible and liable for their company's financial reporting. As the saying goes, "loose lips sink ships." It is important for employees to be aware of their surroundings and understand when it is inappropriate to discuss work matters.

Closing costs

Total cost to perform annual financial reporting per $1,000 revenue[52]

the fastest:
annual cycle time
- $0.69
- $0.23
- $0.09

the slowest:
annual cycle time
- $0.96
- $0.41
- $0.21

▲ top quartile
■ middle quartile
▼ bottom quartile

Microsoft Dynamics 365 for
Operations

Driving performance

Microsoft

Drive corporate performance with real-time access to organizational and market data

Finance professionals 'grew up' using Excel. But the Excel of today is much more powerful than its predecessors. Today's Excel integrates with many popular business intelligence tools, like Microsoft Power BI, to uncover deeper insights and anticipate business needs. Azure Machine Learning can enrich organizational data with external data for more informed decisions. It is changing the way that finance professionals do their job and driving the transition from controllership to stewardship. They now have secure, instant access on any device to internal and external visual data that drives business impact and allows for faster decision making.

Monitor the pulse of your business with real-time access to business intelligence

Drive corporate performance with familiar data visualization tools that allow your workforce to dive into insights and collaborate.
Build a true digital, data-driven enterprise by connecting everything across the organization – people, processes, data, and systems. Then give your people familiar data visualization tools that allow them to dive into insights and collaborate to drive business impact.

Grow your business by predicting, evaluating, and responding to market opportunities in real-time
Use machine learning to anticipate market trends and predict areas of focus. Evaluate market opportunities in real-time by taking your own internal data and combining it with external data in seconds. Get insights from millions of rows of data without any technical expertise and use it to share compelling information. Drive business impact and make faster decisions with secure, instant access to visual data on any device.

Assess and manage risk through operational leadership

Gain increased visibility to organizational risks with a single view into your business. Risks come in all shapes and sizes. From controllership risks to external risks, technology tools can help you identify potential issues that can then be assessed and remediated. Quickly, easily, and securely migrate your unique public and private data into the cloud to create a single, integrated view into the organization.

Minimize risks with self-service tools that reach all employees

Use technology to securely automate processes within your finance department and across the company. Address operational risks that could adversely affect your business with the productivity tools that people know and trust. Enforce corporate policies through collaboration tools that empower you to communicate best practices across the organization.

Drive corporate strategy and growth through business agility

Manage your business processes with a connected ERP solution
Simple to learn and use, this gives you the agility to expand business opportunities and modify processes. Connect your people, operations, and partners with a single unified solution to help you manage global complexity and make the most of new opportunities. With a flexible and interoperable architecture you can take advantage of existing investments and get fast time to value while, lowering the total cost of ownership (TCO).

Innovate around new business models.
The low up-front costs and capabilities of a hyper-scale cloud provider enable finance executives to grow the business and rapidly implement new business models and sources of revenue. Rely on the most trustworthy cloud platform with the most secure, transparent cloud services in the industry to protect your business and grow it into the future.

Connect subsidiaries and partners quickly
Growth in business is happening around the world, from acquisitions and mergers to the launch of new subsidiaries and partners. Each of these organizations often brings their own set of tools and systems which need to be carefully incorporated into a centrally managed system to support a unified view across the business. From local deployments to large international rollouts, companies around the world are linking their own ERP systems, like SAP, to Microsoft Dynamics 365 for Operations to provide their finance teams with 360-degree views of customers and the business any time and any place. Microsoft gives you the flexibility to scale with a cloud solution that offers global availability and flexibility to fit the way you work.

Microsoft Dynamics 365 for
Operations

Increase the speed of doing business

Microsoft Dynamics 365 for Operations is Microsoft's business solution for enterprises that enables people to make smarter decisions quickly with access to real-time insights and intelligence on nearly any device, anywhere. It enables businesses to transform by enabling them to redesign their business processes faster so they can innovate and get quick time to value to stay ahead of the competition. It also gives businesses the flexibility to grow at their pace through the choice and flexibility of the cloud, allowing them to scale their operations globally to meet business needs.

Grow at your pace

Helping businesses grow at their pace is all about giving them the choice and flexibility to modernize their business. We are giving businesses the ability to leverage the power of the cloud to scale their operations globally. A solution that easily integrates with their legacy systems and data so they can continue to benefit from their existing investments and remove any barriers to growth. It is also about giving them the peace of mind that their information will be secure and compliant in a trusted cloud from Microsoft.

Transform business faster

Transforming business by easily redesigning processes is crucial for organizations to stay competitive. It's a way for them to challenge the status quo, but they need to do it quickly in a predictive way and without business disruption. We are enabling businesses to transform by simplifying and speeding up their ability to redesign business processes.

With Microsoft Dynamics 365 for Operations they will get faster time to value from their technology, improve business planning and execution with predictable implementations – getting them up and running faster. And when they want to customize processes, support for technologies like Visual Studio gives them a large pool of talent, resources and solutions to meet their specific business needs.

Make smarter decisions quicker

We're enabling people to make smarter decisions quicker, so they are ready for anything and make dreams a reality. We are empowering people by delivering tools built for the modern workplace - business solutions that are mobile, familiar, easy to use and foster collaboration so people can be more productive, faster. And with real-time views into business operations they can make better data-driven decisions to have a positive impact on their business.

Microsoft Dynamics 365 for
Operations

What's new?

Financial management

Account structures enhancements

Many customers have requested the ability to export account structures to Excel for easier filtering. In this new release, we've made enhancements to this feature and you can now select an account structure and export it to Excel.

Also, FactBoxes have been added to the account structure page for easier access to important information when account structures are defined and edited.

Chart of accounts page enhancements

FactBoxes have been added to the Chart of accounts page for easier access to important information when a chart of accounts is defined and assigned.

Trial balance list page updates

An additional parameter has been added to the Trial balance list page to include closing transactions in addition to closing period adjustments. We've made this addition for a more concise analysis of data and it is also required for regulatory reporting in some countries/regions.

Financial management

Global journal entry	The ability to enter a general journal for any company the user has access to regardless of the company the user is logged into to improve efficiency of organizations consisting of multiple legal entities.
General journal processing workspace	The workspace can be accessed through the Dynamics 365 for Operations dashboard. It includes different views of general journal entries, such as journals posted this period, journals posted previous period, and any unposted journals. The workspace also provides the ability to enter, post, and approve journal entries in addition to commonly used inquiries such as Trial balance.
Accounting source explorer	New inquiry that provides greater visibility into the source of general journal account entries, making analysis and reconciliation easier for customers. Accounting source explorer is currently enabled for entries originating from expense, timesheet, and vendor invoices. Additional integration points will be added in subsequent releases.
Financial reporting in Dynamics 365 for Operations	Twenty-three out-of-the-box financial reports are included in Dynamics 365 for Operations to give customers a jumpstart on report design. These 23 reports can be accessed from multiple menu items within Dynamics 365 for Operations. Report options have been added so that different filters can be applied to these out-of-the-box reports as well as to any custom reports. These options allow consumers of financial reports to now apply different filters for dimensions, dates, attributes, and scenarios without requiring updates to report designs.
Viewing financial reports	All financial reports created in Management Reporter – report designer can be accessed in the Dynamics 365 for Operations client. The user selects a report to view, and the report is displayed in the client. Due to this new feature, you can now view financial reports without having to access a different client/application.
Content Pack for Power BI	In this new release, we are adding a "Monitor financial performance" content pack for Power BI that could help you analyze financial data. By creating greater integration between Dynamics 365 for Operations and Power BI, organizations can deploy a Power BI financial performance dashboard containing Dynamics 365 for Operations financial data with just a few clicks. The content can then be personalized to meet organizational needs.
Ledger budgets and forecasts workspace	The workspace can be accessed through the Dynamics 365 for Operations dashboard. It includes links to several new inquiry pages, such as Actuals vs. budget summary, Budget control statistic summary, Budget register entries, and Budget plans. This new workspace combines all budget maintenance and monitoring task in one place that is easy for budget managers or accounting managers to use.

Financial management

Budget plans and forecasts enhancements

Due to the new enhancements you can now have the flexibility to create and edit budget plans by using both Excel and the Dynamics 365 for Operations client. Templates for Excel workbooks can be generated by using the Budget plan layout setup. You can combine selected financial dimensions, user-defined columns, and other row attributes (such as comments, projects, and assets) in the layout; users can switch the layout for the budget plan document on the fly and edit data by using any selected layout. Additionally, budget planning configuration is simplified by eliminating scenario constraints and using layouts to define which data can be viewed and edited in each budget plan document stage.

Vendor invoice transactions report enhancement

In this release we are consolidating both Vendor invoice transaction reports and the Detailed due day list report into one single report. Due to this change, we are eliminating the needs for printing out two separate but related reports.

Generate regulatory reports enhancement

In this release, we are providing a unified experience to display reports on both digital and printed copy. We are adding the option to generate regulatory reports directly in PDF format.

Payment file validation

In this release we have made changes to the payment file generation process by adding a verification step to help verify that kana name fields contain only the right characters permitted by the JBA bank format.

Sales tax settlement process

For periods that have many tax transactions, the process can be time consuming and it might be better to run the process in the background. Due to these requirements, in this release we have added the option for the settlement process to run as a batch process. You can set this option directly on the Sales tax settlement period page and specify to run the settlement process in batch mode.

Financial period close workspace

The workspace can be accessed through the Dynamics 365 for Operations dashboard. The Financial period close workspace facilitates the closing process by enabling users to define, schedule and communicate close activities within or across companies. The end result is a reduction in the number of days to close.

Customer invoicing workspace

The workspace can be accessed through the Dynamics 365 for Operations dashboard. The primary function of this workspace is to facilitate the customer invoicing process. It includes different views of invoice work to be completed as well as invoice posting history. Links are provided to commonly used inquiries, reports and menu items such as customer invoices, shipped but not invoiced report and the invoice journal.

Financial management

Vendor invoice entry workspace	The workspace can be accessed through the Dynamics 365 for Operations dashboard. The primary function of this workspace is to facilitate the entry of vendor invoices. It includes different views of purchase orders and product receipts that are ready to be invoiced as well as unposted vendor invoices. Links are provided to commonly used inquiries and menu items such as open vendor invoices and the invoice journal.
Vendor payments workspace	The workspace can be accessed through the Dynamics 365 for Operations dashboard. The primary function of this workspace is to create vendor payments. It includes different views of invoices and payments such as invoices past due and payments not settled. Links are provided to commonly used inquiries and reports such as vendors on hold and the vendor aging report.
Accrued purchases report	A new report has been added to provide insight into the documents that have been received but not invoiced enabling invoicing clerks to better predict their workload. Additionally, this report can be used to aid in the reconciliation of the Accounts Payable sub ledger and the General Ledger.
Payment advice report	The payment advice report is now using Print management, allowing the report to be emailed to each vendor being paid or each customer for whom you are pulling funds from their bank account. In addition, you now have the ability to regenerate this report for payments after they have been generated, regardless of the method of payment. This can be done either before or after the payments are posted. Regeneration of the report also uses Print management.

Human capital management

Participant records automatic update	Upon completion of a course, a new option will be available to update a participant's records with the new skills and certificates. Due to this new update an automatic update of employee records takes place.
Quickly verify employment update	Your HR department doesn't need to have access to multiple pages any more to verify start date, manager, months in position, and compensation data. The HR corresponding person can quickly verify employment by using a workspace or the employee page.
Employee personal data update	Lets employees take control of their information, whether that involves updating address or contact information, applying for a job, taking a questionnaire, or updating their image. When a workflow is enabled, information can be reviewed by an approver or automatically approved, based on your business processes. This feature is enabled, and will let employees and contractors view a wide range of personal data. Optionally, a workflow can be used when information is created, updated, or deleted.

Human capital management

Employee data update	This new feature will allow managers to access important employee data, for them to make better decisions about resourcing, performance, and employee development. Depending on configuration settings and security, managers are empowered to view or edit employee information.
Encrypted ID numbers	Encrypted employee ID numbers are critical to secure data management. In this release we are adding encryption to all employee (SSN) numbers.
Compensation processing results update	This feature provides an excellent audit of the process and the outcome of the process. It also provides a comprehensive view of the data before employee records are updated. Compensation processing results can now be accessed at any point after the process has run.
Benefits processing results update	This feature provides a comprehensive view of the data that is updated by benefit enrollment and cost changes. Benefits processing results can now be accessed at any point after the process has run.
"Date Effective" timeline changes	This feature saves time when you view changes that have occurred over time to employees, positions, and job records. It lets you quickly compare two versions of a record, or all records, over time. This comparison tool is available for employees, positions, and jobs and it provides a comprehensive view of changes from one version of a record to another.
View employees by company update	This feature provides a filtered view of employees that are employed in the logged-on company. For an unfiltered view of all employees and contractors, the worker list is still available. In Dynamics 365 for Operations, the system doesn't change company based on the employee that is selected in the list. Employee and contractor lists are automatically filtered by the company that you're logged on to.
Course participants list update	This feature provides an easy way to update course participants that might have registered by mistake. Course participants can be removed from the participants list.
Manage compensation events updates	This feature provides a simple, streamlined process for updating employee records through the compensation workspace and related pages.

Microsoft Dynamics 365

Microsoft Dynamics 365 is the next generation of intelligent business applications that enables your organization to grow, evolve and transform. These applications unify CRM and ERP capabilities with purpose-built applications that work seamlessly together to help manage specific business functions and allow your organization to transform to meet customer needs and capture new opportunities.

Sources

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