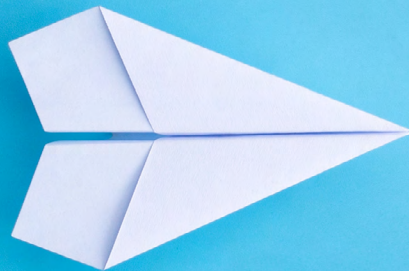
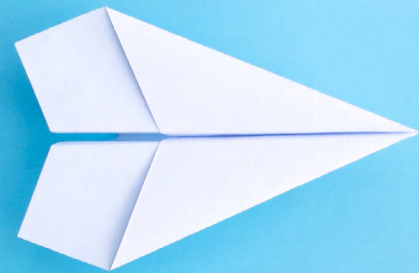


The key signs it's time to change your business strategy:

a guide for
finance leaders





INTRODUCTION

When it comes to business success, strategy is crucial. Without a strategy in place, a business is unlikely to succeed in the long run unless it gets a real dose of luck. Strategies can take lots of different forms, and there's no single right or wrong method for success. A tiny startup that is in growth mode is going to have a different strategy to a large corporation, for example, and there's no one size fits all approach.

While the silver bullet for good strategic decision-making continues to be elusive, there are some hallmarks of bad strategies for finance leaders to see and act upon – and they can appear at any stage of a firm's growth and in any industry. Relying entirely on instinct to make significant financial decisions can cause chaos for a firm's balance sheet, yet it's a surprisingly common strategic option. The arrival of lower profits and problematic inefficiencies is a clear moment to pause and reflect – provided, of course, that the tools to spot the problem from a distance are in place.

Given that other problems like low staff retention rates can indicate strategic malaise, it's clearly necessary to take a wide and holistic approach when answering your pressing strategic questions. This guide will look at three of the major signs of poor strategy and explain how a modern, data-fuelled approach to strategic decision-making can make a world of difference to a finance leader's life.

SIGN ONE:



When the strategy relies on instinct

To some degree, of course, every business has a strategy of one variety or another. It's the nature of the strategy and how rigorous its assumptions are that differ. For some, the strategy might be instinctive – and some finance leaders may make decisions based on what's worked well in the past. Infrastructure project ideas that venture into new areas may have cold water poured on them, for example, while the decision to hire a particular new function may be put off indefinitely because there's never been a need for that role in the past.

Things may go well for the instinctive finance leader for a short while, but a lack of dynamism will quickly emerge. Times and markets change, and each new profit-making proposal a business encounters should be considered on its individual merits rather than whether or not it's a historic or futuristic idea. By preventing new projects from taking place, new potential opportunities for profit will also disappear – and market forces could reward competitors as a result.

There will also come a time when the instinctive finance leader will no longer work at the organisation – and when all of the institutional knowledge required for good decision-making is tied up in one person, problems are simply being stored up for the future. Instead, strategic financial decisions within a business should always be taken with data in mind. A powerful, long-term data tool that pulls together information from across departments is therefore essential.

SIGN TWO:



When profitability and efficiency are dropping

Businesses may have short-term strategic priorities like turning over a certain amount of revenue within a year, or they may have more longer-term priorities such as preparing the business case for an investment round. But all of these smaller priorities have a single, ultimate priority, and that's to make a sustainable profit through efficient systems that bring in more revenue than they spend.

Nobody doubts that something has gone strategically wrong when profitability plummets – and a bloated, inefficient workforce is also a big problem. The problem is noticing that it has happened – or, ideally, noticing well in advance that it is going to happen. Without a strategy in place to monitor for this, it's likely that finance leaders will experience a short, sharp shock when the reality of the situation hits. Other finance leaders, meanwhile, may deliberately choose to bury their heads in the sand and hope that problems of future profit drops will outlive their own presence at the organisation.

Luckily, there's a third way, and it lies in always being informed and prepared. If your business currently isn't able to predict when profitability or efficiency dips are about to happen, it's time to make a strategic pivot to data. Software packages that can model and forecast future revenue streams are a good idea as it will then be possible to use that information to assess whether or not there's a problem down the line.

SIGN THREE:



When there are low staff or customer retention rates

For a finance leader, it's what's in the income and expenditure columns – and the relationships between them – that will always come first in the strategic decision-making process. But it's also important to take a holistic view of the organisation and look out for other key indicators of strategic problems. If your staff members are joining and leaving on a very regular basis with little time in between, for example, this can quickly spell issues for the balance sheet. You could find yourself paying out repeatedly in training costs. For service firms that don't bill clients for the time of new staff until they've got their feet under the table, high turnover could even lead directly to extended revenue-free periods and overall losses.

Low customer retention rates are also a sign of strategic problems. There are plenty of ways in which this can happen: the customer service team may be under-resourced, or perhaps not enough cash is being poured into highly converting advertising campaigns. Often, firms have to make the strategic decision to spend on customer acquisition and retention – and if this isn't happening, [profits can ultimately take a nosedive.](#)

The practical barrier to preventing these problems, of course, is that finance leaders are often siloed. It's time consuming for all involved for a finance team member to go to the HR department and pick up detailed data on staff turnover – let alone cross-compare it to finance data and run the sort of regression analysis needed to identify the cause of high staff turnover.

The same goes for the root causes of low customer retention: how can a finance leader work out whether or not an ad campaign is working if they don't have access to such information? That's where software can help. Modern finance software packages are capable of automatically drawing data from across the organisation and doing this work for you – meaning you can spend your time making strategic decisions based on the outcomes rather than wasting time on carrying out the process.

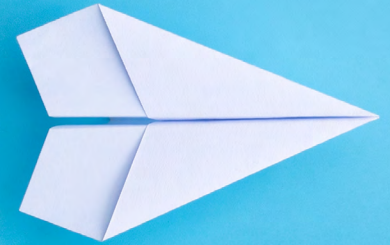
Strategy, then, shouldn't be a dirty word in business – and certainly not within the finance team, either. One survey from [AccountingWEB found that only 2.2% of finance leaders say that they carry out strategic analysis](#) – and that's got to change. Strategising is not the exclusive domain of the C-suite, and in some cases, the people on the ground may well be the ones who are best placed to tackle strategic problems. If you're experiencing issues like dips in profitability or high staff turnover, now's the time to harness the power of data and technology to turn your strategic fortunes around.

As this guide has shown, data is the key to better strategic decisions. Is your business data-powered, or is it stuck in the past? [Find out more](#) about the impact of under investment in software, the reasons why companies decide to change their accounting system and the checklist to carefully select your strategic software partner in this on-demand webinar.

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