

Operational Support vs Financial and Accounting Support

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operational

methods or manners of functioning

financial

actions for acquiring and managing funds, capital, revenue, investments, and credit

revenue

all the income produced by a particular source

leadership

The capacity or ability to lead

profit

financial gain from a transaction or from a period of investment or business activity, usually calculated as income in excess of costs or as the final value of an asset in excess of its initial value

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Ops vs Finance

Business operational support and finance and accounting support are two distinct areas within an organization serving different functions.

Business operational support refers to the activities and services ensuring the smooth and efficient operation of various business functions. It focuses on supporting day-to-day operations, optimizing processes, and enhancing overall productivity. This type of support typically involves a range of activities, such as project management, process improvement, supply chain management, quality control, customer service, and human resources management.

Business operational support aims to align different departments and functions within an organization to achieve strategic goals and improve operational effectiveness.

On the other hand, finance and accounting support primarily deals with financial management and reporting. It involves tasks related to financial planning, budgeting, bookkeeping, financial analysis, taxation, and compliance.

The finance and accounting team is responsible for maintaining accurate financial records, generating financial reports, managing cash flow, handling payroll, conducting audits, and ensuring compliance with relevant financial regulations. This support function provides crucial financial information and insights enabling decision-making, strategic planning, and resource allocation within an organization.

While the division seems clear, the owner and senior leaders must ensure the inter-relationship is a business multiplier and not a divider. By integrating operational and financial perspectives, organizations can achieve a balance between operational efficiency and financial sustainability.

Operational Focus Areas

Here are five key operations focus areas and how to start evaluating using internal or external resources.

- 1. Process Optimization:** assess the operational processes within to identify areas of inefficiency, bottlenecks, or waste. Consider process mapping exercises, analyze workflow, and look for potential improvements to streamline operations. This could involve eliminating redundant steps, automating manual processes, or implementing new technologies to enhance productivity and reduce costs.
- 2. Supply Chain Management:** Evaluate the company's supply chain to identify opportunities for improvement. Assess supplier relationships, logistics management, inventory control, and demand forecasting to optimize the flow of goods and minimize supply chain risks. Consider supplier consolidation, implementing just-in-time inventory practices, or exploring new sourcing strategies. Appropriately align vendors under standard purchase orders, blanket purchase orders, planned purchase orders, and contract purchase orders.
- 3. Organizational Structure:** Evaluating the organizational structure involves reviewing reporting lines, departmental responsibilities, and communication channels to ensure alignment with business objectives. Recommendations may include restructuring departments, redistributing responsibilities, or introducing cross-functional teams to improve collaboration and decision-making.
- 4. Performance Measurement and KPIs:** Define and implement key performance indicators (KPIs) to track and measure operational performance. Identify relevant metrics for different functions, establish performance targets, and develop reporting frameworks. This enables the company to monitor progress, identify areas for improvement, and make data-driven decisions to enhance operational efficiency.
- 5. Change Management:** Implementing operational improvements often requires change within an organization. In this case, frequently an external advisor can provide *unbiased* guidance on change management strategies to ensure successful adoption of new processes or initiatives. *The owner and senior leadership may also initiate and implement change management; the caveat is everyone must be aware of familiarity bias.* Change management may involve developing communication plans, conducting training sessions, addressing employee resistance, and fostering a culture of continuous improvement.

Operations is a broad topic and includes production, sales, legal, human resources, and yes, even the operations of finance and accounting! By addressing these major details, companies can improve their operational efficiency, reduce costs, and achieve sustainable growth.

Finance and Accounting Focus Areas

Here are five key financial and accounting focus areas and how to start evaluating using internal or external resources.

- 1. Financial Planning and Analysis:** Are there comprehensive financial plans and when was the last in-depth analyses? Put tools and practices in place for forecasting revenue and expenses, assessing profitability, and identifying areas for cost reduction or revenue enhancement. Take time to develop financial modeling and scenario analysis to aid in decision-making and long-term strategic planning.
- 2. Budgeting and Cash Flow Management:** Assess effectivity of budgeting processes to allocate resources and track financial performance. Develop cash flow management strategies to ensure sufficient liquidity and minimize the risk of cash flow shortages. This involves monitoring cash inflows and outflows, optimizing working capital, and establishing contingency plans to address potential financial challenges.
- 3. Financial Reporting and Compliance:** Who are the gatekeepers ensuring accurate and timely financial reporting, including the preparation of financial statements and compliance with accounting standards and regulations? Review internal controls, assess the effectiveness of financial systems, and provide guidance on accounting policies and procedures. Note: this can sometimes be an Ops focused person who possesses regulatory knowledge. This helps the business maintain transparency, meet regulatory requirements, and provide reliable financial information to stakeholders.
- 4. Tax Planning and Optimization:** Almost always external advisors help companies optimize their tax strategies to minimize tax liabilities and ensure compliance with tax laws. This involves analyzing the tax implications of business decisions, identifying tax credits and incentives, and exploring tax-efficient structures. They may also assist in preparing tax returns, managing tax audits, and staying up to date with changes in tax regulations.
- 5. Risk Management and Internal Controls:** External advisors are very valuable due to lack of bias to assess a company's risk profile and develop risk management strategies to mitigate financial risks. They may identify potential vulnerabilities, evaluate internal control systems, and recommend improvements to safeguard assets and prevent fraud. This includes implementing robust internal control procedures, conducting risk assessments, and providing guidance on risk mitigation techniques.

Finance and accounting are the foundation of the back office. Without competent, qualified, and motivated people, a firm can wither and suddenly fall from the vine as sometimes these people are nearly invisible. The most important function (if there is only one) is to mitigate financial risks!

The Nexus of Operations and Finance

Business operational support and financial support frequently overlap as they both contribute to the overall functioning and success of an organization. Below are some critical examples.

1. **Budgeting and financial planning:** Both business operational support and financial support play a role in budgeting and financial planning. Business operational support teams provide insights into operational needs, resource requirements, and projected costs, which are essential inputs for the financial planning process. The finance team then uses this information to develop budgets, allocate resources, and set financial targets aligned with the operational objectives of the organization.
2. **Performance measurement and analysis:** Business operational support and financial support collaborate in measuring and analyzing the performance of various operational activities. Operational metrics, such as production output, customer satisfaction, and process efficiency, are evaluated to assess the effectiveness of operational strategies. Financial support teams analyze financial metrics, such as revenue, expenses, and profitability, to evaluate the financial performance and identify areas of improvement. By integrating operational and financial data, organizations can gain a comprehensive understanding of their overall performance.
3. **Cost management and optimization:** Both business operational support and financial support are part of cost management and optimization efforts. Business operational support teams identify areas where operational cost reduction is possible or efficiencies an option. Operational teams may suggest process improvements, supply chain optimizations, or resource allocation strategies to enhance operational cost-effectiveness. Financial support teams work closely with operational teams to analyze costs, identify cost drivers, and implement cost-saving measures. They provide financial expertise to evaluate the financial impact of operational decisions and help optimize cost structures.
4. **Capital investment decisions:** Business operational support and financial support collaborate in evaluating capital investment decisions. Operational teams identify the need for new equipment, technology, or infrastructure to enhance operational capabilities. They provide insights into the potential benefits and risks associated with these investments. Financial support teams assess the financial feasibility of these investments, considering factors such as return on investment, payback period, and cash flow implications. By working together, both functions ensure capital investments align with operational needs and financial objectives.

While business operational support and financial support have distinct areas of focus, their collaboration and overlap are essential for effective decision-making, performance management, and resource allocation within an organization.