CFO

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A GUIDE TO PLANNING PROCESS IMPROVEMENT

HOW CORPORATE PERFORMANCE MANAGEMENT TOOLS REDEFINE THE FINANCE FUNCTION

THE ROLE OF THE CFO IS EVOLVING from its accounting roots to one of strategic business partner. Senior finance executives still take the lead when it comes to budgeting and financial reporting, but they are also collaborating with the C-suite and other stakeholders to hone future business plans and forecasts.

The transformative nature of the CFO job — and a more inclusive planning and forecasting process — requires broader visibility into corporate performance management systems to provide a clear view of where the company stands and where it is likely headed.

The ability to bring finance and operational data together is critical for accurate budgeting and forecasting that result in more agile business models. In many organizations, the challenge is operational silos. One set of systems — ERP, GL, CRM, HR — generate and store the company's data. A separate group of applications, which are often Excel-based, analyze and model the financial data in the form of reports, graphs, and input templates.

There are also gaps in the skills sets needed to modernize the finance function. The finance team is comfortable with spreadsheets, so there may be resistance to learning new tools. In order to broaden access to corporate performance analytics, modern organizations demand planning solutions that work in Excel, on the Web, and on mobile devices.

This eBook explores how CFOs can lead the digital transformation efforts necessary to move the business forward and maximize the impact of corporate performance analytics.

Topics include:

- **The pain points for realizing business processes improvement, including the cumbersome budgeting and planning process that make it difficult to blend financial and operational data**
- **The importance of a finance-led corporate performance management strategy that supports redesigned workflows and collaborative planning across multiple departments**
- **The best strategies for ensuring an ROI on a CPM implementation and developing data dashboards that maximize the investment and "democratize" data**
- **The role of emerging technologies such as AI and machine learning in analyzing and forecasting corporate performance management**

SILOED DATA RESULTS IN PERFORMANCE MANAGEMENT CHALLENGES

AN ORGANIZATION'S ABILITY TO SYNTHESIZE operational and financial insights is one of the greatest challenges to improving corporate performance management capabilities.

All of the data about operational performance is stored in systems that don't integrate with the spreadsheets and modeling tools favored by the finance team. There is a lack of integrated technology to bring these two data sources together.

"Many organizations haven't linked the business planning process back to the financial reporting and budgeting process," said Sanjay Sehgal, Principal, KPMG. The task of reconciling spreadsheets with business planning models is daunting and manual, so it is often overlooked and there is a gap between the budget and actual performance."

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—SANJAY SEHGAL, PRINCIPAL, KPMG

In addition, the amount of data that is flowing into organizations has grown exponentially, making manual analysis nearly impossible. There is internal data — sales, operations, human resources, and supply chain — that feeds the financial reporting tool. External data on market trends and competitive analysis are essential for meaningful corporate performance management, planning, and forecasting.

“There is way too much data for humans to make sense of it all,” said Brian Kalish, Principal, Kalish Consulting. “Businesses have to capture the value of growing data volumes by leveraging the right data that provides valuable insights.”

There is also a broader disconnect between the static budgeting process and the more dynamic forecasting and planning needs of modern organizations. The finance team scrambles to put together the numbers for monthly, quarterly, and annual reports, but those tend to be irrelevant the moment they’re completed.

THE VALUE OF CFO-LED PERFORMANCE PROCESS PLANNING

EFFECTIVE PLANNING is a continuously evolving and interconnected process. While data increases the agility and responsiveness of the business, companies cannot act on those insights without regard to the financial impact of their decisions.

Successful organizations are seeking better ways to integrate planning and performance management with budgeting and financial reporting. As the hub of budgeting and planning data, the finance team best able to see how a change in performance or strategy in any area of the business will impact the bottom line.

"THERE HAS TO BE A CENTRALIZED PLANNING MECHANISM, A CENTRALIZED LEVEL OF CONTROL, AND A SINGLE DATA SOURCE THROUGHOUT THE ORGANIZATION, AND THE FINANCE DEPARTMENT IS THE FOCAL POINT"

— DR. LIRAN EDELIST, PRESIDENT, JEDOX INC.

To transform the business planning process, there has to be a clear understanding of the business drivers and how they are connected to each other and financial performance. "You can't predict that sales are going to grow by a certain percentage without taking into account how that will impact inventory levels, compensation, staff, and a host of other factors," said Edelist.

Integrated planning and performance management also makes it easier to assess the financial implications when performance falls short of the forecast. "If you can take a forecast from 90 percent accuracy to 95 percent accuracy, that has a huge impact on the business," Sehgal added.

The CFO is in a unique position to work with the C-suite and stakeholders in the business to champion better business planning as he/she has a detailed view of the organization's financial health and operational needs. "Change is not easy, and CFOs need the support of upper management," Kalish said. "You also need to be able to clearly communicate to business unit leaders why planning process improvement is critical. I view the role of the CFO as one of coach, working with lines of business to assess the impact of various business scenarios and plan effectively for the future."

CALCULATING THE RETURN OF BETTER PLANNING

FINANCE CHIEFS are understandably focused on the return on the investment in corporate performance management tools, which bolsters the case for CFOs to be at the center of initiatives to improve CPM.

There are a number of benefits to reducing manual processes involved in the data gathering to monitor corporate health — fewer errors and greater efficiency among them. Streamlining the process frees up the finance team for more strategic activities, including gaining a better understanding of business drivers that impact performance.

"You can't make decisions in isolation," Kalish said. "If you are making changes to your AP policies, for example, you need to analyze if those changes will create a cash flow problem, which goes to the heart of corporate performance."

Better planning and decision-making results in more effective management of resources, including personnel and inventory. "You can forecast for better sales, but if you don't tie it all back to improving your planning process, you may not have the inventory available to meet those greater demands," Edelist said.

AI and machine learning will play a larger role analyzing and forecasting corporate performance management going forward. "With the proliferation of data available, AI and machine learning will help organizations make sense of that data — both internal and external — to improve their planning processes. By automating some of the processes, it enables the team to spend more time understanding the numbers and analyzing what this data could mean to the company's future performance," said KPMG's Sehgal.

"YOU CAN'T MAKE DECISIONS IN ISOLATION. IF YOU ARE MAKING CHANGES TO YOUR AP POLICIES, FOR EXAMPLE, YOU NEED TO ANALYZE IF THOSE CHANGES WILL CREATE A CASH FLOW PROBLEM, WHICH GOES TO THE HEART OF CORPORATE PERFORMANCE."

— BRIAN KALISH, PRINCIPAL, KALISH CONSULTING

CONCLUSION: **CFOS POSITIONED TO BOLSTER CORPORATE PERFORMANCE MANAGEMENT**

FINANCE PROFESSIONALS are masters of Excel. But the modern finance function needs a broader set of tools and skills that are integral to forming business strategy and managing corporate performance.

One of the key challenges to planning process improvement has been a lack of connection between operational and financial data. The systems and data that inform the financial reporting and budgeting function are often disconnected from the other systems, including ERP, CRM, and HR solutions, that provide the critical data on corporate performance.

A finance-led transformation of the planning process ensures a focus on the return on the investment in the tools and strategies to move the business forward. Even a slight variance in performance can mean a big hit to the bottom line.

Key takeaways from this eBook:

- **Spreadsheets are not ideals tool for managing business-wide performance, due to slow planning cycles and manual, error-prone processes that decrease productivity.**
- **Finance executives are the natural leaders of corporate performance management improvement initiatives, as they are focused on maximizing return and mitigating risk and are in a unique position to collaborate with the C-suite and stakeholders.**
- **The returns on the investment in upgrading planning processes are innumerable, including being in a better position to meet the needs of customers, improving the company’s competitive position and responding more quickly to evolving business needs.**

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