



THE CFO PLAYBOOK ON STRATEGY: HOW FINANCE TEAMS IMPROVE THEIR FOCUS ON FP&A

December 4, 2017



1

SPEAKERS

- Mike Buckneberg**
Senior Director
The Hackett Group
- Kenneth Fick**
Senior Manager
MorganFranklin
- Moderator: Joe Fleischer**
Editorial Director, Finance Channel
Argyle Executive Forum




2

1. How would you define financial planning and analysis (FP&A)?



3


- Accountants record the historical results as accurately as possible, and then the FP&A team takes this information and
 - analyzes and explains the historical performance (the A in FP&A), and
 - plans and forecasts future period results using the insights learned from this analysis (the P in FP&A).
- The vast majority of a company's value is derived from its future earnings; the FP&A team develops financial plans and forecasts for how the company will achieve those earnings.



4


The FP&A team also works as a business partner on various projects to increase revenue, decrease costs, and optimize company performance in support of achieving future earnings; this includes

- providing decision support to managers,
- providing internal financial transparency through reporting and dashboards, and
- leading special projects, such as corporate development and capital allocation initiatives.




5

2. What are the main reasons that finance teams are not currently able to dedicate enough time and resources to FP&A?




6



- With too much of a focus on transaction processing, FP&A departments are consumed by the basics, including
 - data management,
 - process administration,
 - managing the machinery of periodic forecasting and variance analysis, and
 - working with the accounting staff to correct posting errors.
- With insufficient staffing and resources, FP&A and accounting teams are unable to free up their time to work on more value-added tasks.
- Finance teams lack quantifiable ROI that can show how better business decision-making will result in value creation.

7




Finance teams spend the majority of their time today gathering, mapping, aggregating, and validating data; underlying root causes for this include


- multiple enterprise resource planning systems and other source systems that lack common master data,
- the inability of planning, reporting, and analytics systems to automatically collect and harmonize data across the enterprise,
- lack of standardization and automation of processes,
- long planning cycles with misalignment of top-down and bottom-up expectations,
- finance teams that spend too much time providing information at a level of detail that is unnecessary but which someone asked for years ago and is still being produced, and
- **ineffective finance operating models.**

8

3. What are the clearest indications that a company needs to change its approach to FP&A?



9




- Long annual planning cycles with budgets that are outdated by the time they get published, consuming lots of calories but generating little value
- High reliance on spreadsheets to facilitate planning processes
- High percentage of time collecting versus analyzing data
- Siloed approach to processes and data by business unit
- Management is not getting the information it needs to make timely and effective business decisions; FP&A should be able to provide answers to simple yet key questions

10

4. What are best practices for CFOs to determine which of the tasks their finance teams regularly perform are the best candidates for automation or outsourcing?




11



Tedious, manual accounting work that consumes so much time and effort

- Anything to do with transaction processing, including monthly billing, payroll, account reconciliations, and transaction matching
- For finance and FP&A teams, management by exception ought to replace inputting and processing data

12




- Activities that are repeatable and based on rules can and should be automated.
- Consider outsourcing activities that are not core competencies of the business; for example, among the reasons outsourcers may be more efficient and effective with accounts payable are because of their
 - knowledge and application of best practices,
 - scale in terms of volume of AP payments managed,
 - ability to apply technology like robotic process automation to this area, and
 - ability to take advantage of low-cost labor overseas.

13

5. What aspects of FP&A, and corresponding skills, are essential for finance teams to develop in-house? What is the role of the CFO in seeking and developing these skills?




14



- Develop high-quality finance talent
 - Business acumen
 - Analytical skills
 - FP&A people often rotate through different business units; they get to know the business model and what drives commercial and operational aspects of the business really well
- Create a lean and effective finance operating model
- Standardize and govern processes and data
- Produce meaningful analytics
- Establish the CFO as a change agent


15




- Essential skills for finance teams to develop
 - A natural curiosity
 - Communication of complex analysis; as Albert Einstein said, "...as simple as possible, but not simpler"
 - An understanding of the role execution plays in strategy
- The CFO should lead development initiatives, such as mentoring, and set periodic training to provide key skills education.

16

6. What are some of the latest methodologies and technological advances that are enabling finance teams to devote more time to FP&A? What are examples of ways you have observed that finance teams are applying these new capabilities effectively in practice?



17



Finance leaders should stay on top of developments that include robotic process automation, Big Data, cloud-based systems, collaborative communication software and systems, and algorithmic or zero-touch forecasting.

- Robotic process automation refers to the creation of automatic systems that use logic-driven algorithms or execute pre-programmed rules on structured, as well as some unstructured, data.
- Collaborative communication software and systems include project management software, and cloud-based corporate performance management systems whose reporting can provide a single source of the truth.


18

7. With what areas of their organizations should finance leaders collaborate to improve the value of FP&A to their organizations?



19

- Commercial (e.g., marketing and sales)
- Operations (e.g., supply chain and procurement)
- Corporate and business units – become a better business partner and have a seat at the table in driving strategy and business decisions




20

8. What are the most important points attendees ought to take away from today's discussion?



21

- “If the rate of change on the outside exceeds the rate of change on the inside, the end is near.”
- Finance needs to transform itself and lead transformation with the business to remain relevant, to improve decision making, to help the business see into the future, and optimize results.
- Automate routine transactional processes.
- Develop your sense of natural curiosity. (Why? If this happens, then what?)
- You are a business partner; coordinate and communicate simply and effectively to increase your value to the company.



22

QUESTIONS AND ANSWERS

Mike Buckneberg
Senior Director
The Hackett Group



Kenneth Fick
Senior Manager
MorganFranklin



Moderator: Joe Fleischer
Editorial Director, Finance Channel
Argyle Executive Forum




23

SPEAKERS

Mike Buckneberg
Senior Director
The Hackett Group



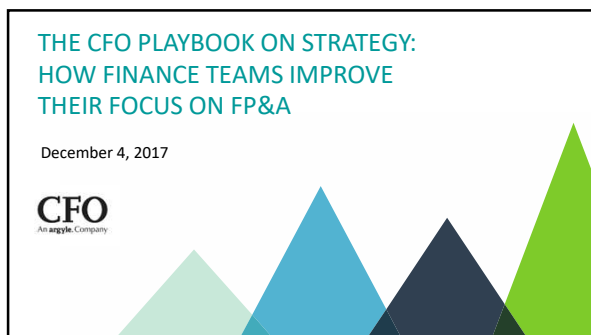
Kenneth Fick
Senior Manager
MorganFranklin



Moderator: Joe Fleischer
Editorial Director, Finance Channel
Argyle Executive Forum




24



25