A BPM Partners White Paper

Accelerating Finance Transformation

By staging the project and selecting rapid-deployment software, the benefits of finance transformation can be realized more rapidly.

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Executive Summary

Finance transformation is not just trending; it is well established. In 2020, according to the BPM Partners Pulse Survey, it was a motivation for nearly two-thirds of business performance management (BPM) projects.

A combination of software modernization and process reengineering, finance transformation aims to make planning and analysis more dynamic, frequent, forward-looking, collaborative, participatory, and inclusive of operations.

Finance transformation is not limited to the Fortune 1000; our findings are that 60% of mid-market sized companies are engage in related projects. Such projects are not usually as simple as swapping legacy on-premises performance management software for SaaS-based software. Especially at larger companies, process reengineering can involve longer-term work with management consulting firms.

The year 2020, dominated by the pandemic and its economic impact, highlighted the need for fast, holistic reactions to unexpected changes in market demand and supply that drew upon multiple departments, and aligned their planning. For many, it was a shock business environment that did not leave time for six-month or one-year finance transformation; the timetable needed to be sped up.

There are ways to accelerate the benefits of finance transformation: take it in stages, with rapid reforecasting and analysis as a first priority.

Choose software that has proven it can be deployed and implemented rapidly, and specifically a unified platform where integration with source systems is streamlined. Look for features that will entice Operations to adopt and use the new software readily and without a learning curve. For example, two-way capability with Power BI (the most popular analytics option) and easy drill-down exploration of numbers and reports.

In addition, don't forget consolidation as part of the unified platform. Knowing how a major strategy shift will play out through the final numbers, and how it will look to anxious shareholders, requires that consolidation not be an afterthought in finance transformation.

Accelerating finance transformation allows a company to be more proactive and faster in its responses to new and unforeseen challenges, as well as more accurate and confident in plotting course changes.

About Finance Transformation

What is Finance Transformation?

Finance transformation focuses on improving finance processes, planning, and software in specific ways. Most prominent is a shift from static to dynamic financial planning and analysis, accompanied by more iterative budgeting and frequent reforecasting. It's not only about timing and frequency, however. Finance transformation also entails broadening FP&A (financial planning and analysis) from being Finance-centric to multi-department or pan-enterprise. Finance transformation is expected to result in

- Planning and analysis changing from a tight Finance focus to being more comprehensive; i.e. multi-department
- Analysis and forecasting being forward looking but based on historic trends, that is, ensuring accurate reporting and rapid consolidation cycles to form a reliable foundation while multiple future scenarios are built from the bottom up taking into account new realities
- Quicker response to changes in business conditions.

Finance transformation is expected to bring more of the company into FP&A, as mentioned – and this entails more job roles participating. In particular, operations planners, analysts, and managers across the company are included to bring closer alignment with financial planning.

Consolidation, in its full-featured form, which includes intercompany eliminations, handling of minority shares, multiple currency capabilities, etc., is sometimes overlooked in finance transformation. Nevertheless, it can be an essential aspect– in part because it is necessary to the completion of dynamic planning processes.

Finance Transformation is Popular Now

65% of business performance management projects in 2020 were focused on financial transformation, according to the latest BPM Pulse Survey by BPM Partners. The interest is not limited to the largest enterprises. 60% of "mid-market" Pulse Survey respondents are engaged in finance transformation projects, as opposed to projects that just automate existing processes for enhanced efficiencies.

The pandemic is one reason that Finance groups saw a greater need in 2020 for operational reporting, more

Terminology:

To assist readers, below are high-level definitions of key terms.

CPM = BPM = EPM
To denote corporate, business, and enterprise performance management, BPM Partners uses BPM, CPM and EPM interchangeably.

frequent planning and reforecasting, and more company-wide participation in planning and analysis.

2020 brought chaos and unpredictability to demand and supply chains for many companies and industries. It was, as Federal Reserve Chairman Jeremy Powell has described it, a time of "terrifying unknowns." Expectations of stability were thrown out the window, and there was a call for more frequent reforecasting.

It was apparent to many Finance and accounting groups that planning should be approached holistically, with alignment between Operational planning and Finance's numbers, drivers, and plans. Dramatic operational changes, such as scarcity of resources, have a sizeable impact on operational plans which then ripple through to the Financial plans themselves.

Finance transformation was a good fit for businesses enduring a pandemic; it addresses several capabilities that Finance departments identified as high priority in the 2020 Pulse Survey during the initial "panic phase" of the outbreak. Atop the list, 55% of respondents mentioned Strategic Planning, then More Frequent Forecasting at 54%, with Cash-flow Forecasting and Multiple Scenario Modeling at 53%.

More Important in Today's Economy

Source: BPM Partners 2020 BPM Pulse Survey

Benefits and Challenges of Finance Transformation

Any discussion of finance transformation is likely to include the phrase "dynamic versus static". Finance transformation enables the move from static snapshots of business status to a more up-to-date perspective because it enables:

- faster reaction to changes
- higher probability of accurate insights, and
- faster detection of problems and opportunities

Finance transformation projects also emphasize analytic flexibility and independence or near self-sufficiency, where users explore numbers and produce reports on their own. Because the reports and numbers draw on a unified, Finance-blessed data set, the analysis goes deeper and wider without discrepancies or confusion. Reducing reliance on IT and third-parties enables a faster turnaround time for producing the data required for decision-making.

Legacy systems that address just one or two processes can constrain planning and analysis. Replacing a set of them with a unified platform – and a single core set of data – is an opportunity for many companies to instill more confidence in users about numbers and forecasts, and also reduces the complexity of managing silo solutions.

You may also encounter the terms comprehensive and participatory. Companies see the benefit and need to involve more people in the planning process: sales planning, IT planning, supply chain planning – expanding what's already happening in Finance. Then, trying together all those plans to identify discrepancies, ensure alignment, and understanding the full impact of any decisions.

Finance transformation typically means that the number of users of the software platform for BPM (performance management) will increase. There will be more users from other departments, such as operations. For example, line-of-business managers from supply chain, manufacturing, distribution, sales and marketing roles are logical to add into the user base. This typically means purchasing more seats, but making sure the new software is SaaS-based will keep the costs and resource requirements down, while allowing easy access from anywhere and enabling dynamic system expansion to handle more data and more users.

With managers and analysts in operations using the same unified platform, they have access to the same data and reports as Finance, and it is inevitable that closer alignment and collaboration between Finance and Operations will result.

Early indicators from Operations data – such as raw materials shortage – can provide alerts to financial plans to allow better reforecasting and re-budgeting.

Why Alignment is Beneficial: Earlier Warnings
Coordination and alignment between financial planning and operations planning can brace a company more effectively to withstand pandemic shocks. In general, Finance plans must be in sync with Operations plans to be useful. Plan holistically when it comes to layoffs, resource cuts, and operations cutbacks by starting with a more complete view of the impact that changes will have.

Here is a simple case to illustrate why this can be meaningful: Operations often sees “early indicators” that are invisible to Finance. An analyst on the Purchasing or supply chain side of the company picks up early indications of a shortage of a key component. In 2021, the chip shortage blamed on COVID-related setbacks led to shutdown of auto production for both large and small automakers for days or weeks. This presented a serious challenge to the auto industry. It also sent the cost of rental cars through the roof in spring of 2021, with rates jumping 200% to 400% in a few weeks across the US.

The implications for the hospitality industry are obvious. When the plane ticket to Los Angeles costs $150 roundtrip, and the hotel is $125 per night, but the car jumps from $22 to $180 per day, the traveler might postpone the trip.[1] If a marketing manager at a hotel chain picked up on this change earlier than competitors, the closer alignment of Finance and operations could allow a faster pivot to advertising its urban properties, where rental cars might not be needed because travelers could get by with mass transit.

A Greater Number of Infrequent Users
Finance transformation also implies that there will be more occasional users, specifically those who should participate in planning processes, but on an as needed basis. Again, there is a [usually moderate] cost to having more users on a BPM system, but it means financial plans and reforecasting are likely to be more realistic because they are built on bottom-up operational data and “closer to the market” frontline knowledge. The concern of the hypothetical hotel marketing manager about the shortage of rental vehicles is more likely to be included and validated in a reforecast, allowing for compensatory moves.

Challenges of Finance Transformation

The process reengineering involved in finance transformation can be substantial, costly and prolonged. For larger companies, it may involve working with management consulting firms. In addition, the deployment of software that is integral to finance transformation can take several months. In 2020 that was simply too long, and many enterprises need a faster timetable. Linking correctly to data sources and accounting systems can consume weeks or longer.

A large portion of projects heavily tilt to Finance, and are not geared to Operations, but much of the benefits can derive from alignment with Operations. A finance transformation project does not mean that Operations users rush to adopt the software. They are used to working with their own data and models, and many are loyal to Microsoft’s Power BI in the

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[1] https://www.washingtonpost.com/travel/2021/04/08/rental-car-shortage-enterprise-hertz/

way that Finance users are drawn to Excel. Fifty-one percent of respondents to the 2020 BPM Partners Pulse Survey preferred their performance vendor integrate with Power BI. Tableau was in second place (among third-party BI tools) at 31%, with IBM/Cognos at 20%.

The shift to continuous planning does not come by itself; it requires a conscious change of work modes, encouragement from management in some cases, and software that promotes collaboration. The software must also be easy to use. Familiar interfaces such as Excel and Power BI go a long way towards meeting this requirement.

Finance Transformation Elements

Item	Starting Status	Next Step	Goal
Forecasting Methodology:	**Entered**	**Modeled**	**Predictive Analytics**
Benefit: Enhanced probability of forecast coming to pass			
Focus:	**Finance**	**Users Outside of Finance**	**Company-wide**
Benefit: Ownership/accountability, greater accuracy, holistic view of the business, operations can be leading indicators			
Collaboration:	**Phone call, email, cell notes**	**Notes, commentary, attachments, workflow**	**In-context threaded discussions, real-time chats**
Benefit: Enables team analysis, decision input, and buy-in			
Technology:	**Standalone Excel or Legacy System**	**Modern BPM System**	**Modern Cloud-based BPM System with AI**
Benefit: Enables all of the above			

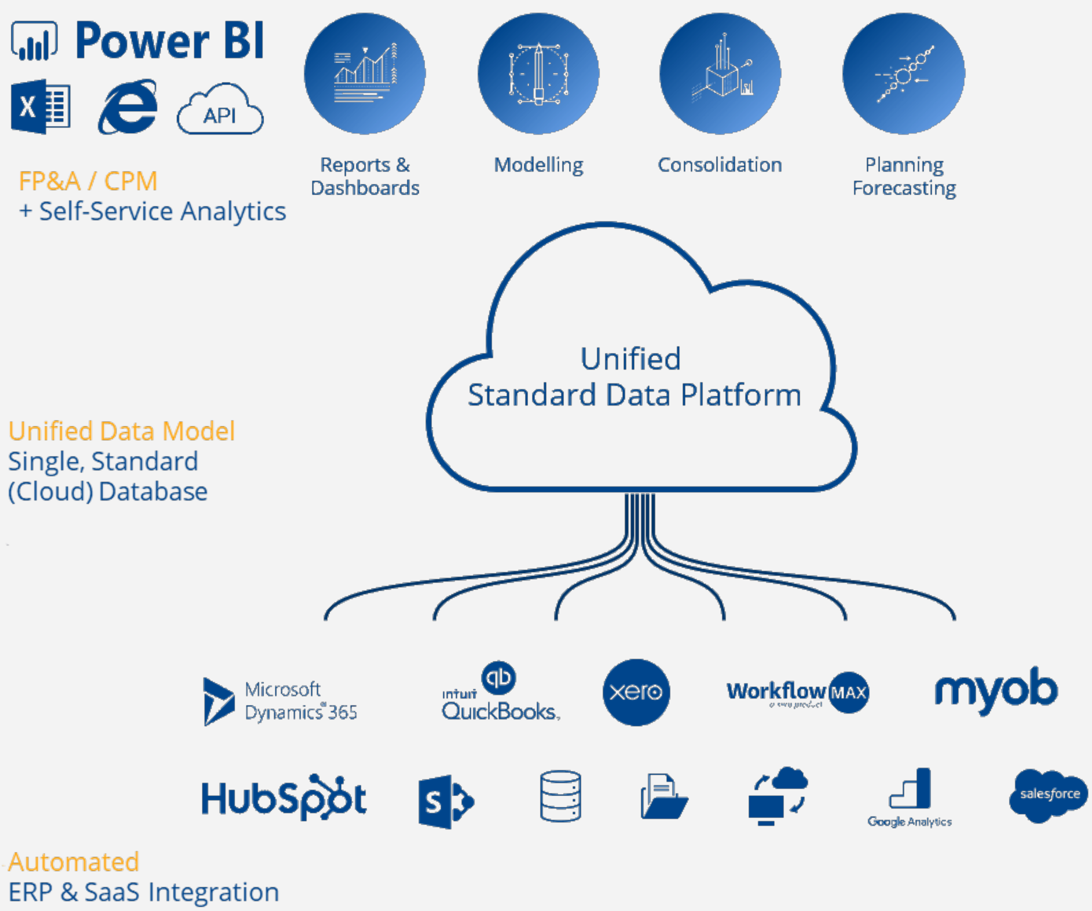
Software Requisites

On the software side, the foundation of finance transformation is the replacement of on-premises legacy systems or standalone Excel-based processes with SaaS-based, intuitive systems that are designed for a wider range of users and require minimal training, reducing dependence on IT for most tasks.

The ideal FP&A platform for finance transformation brings not only more self-service options, but also features that make it easier for users to extend their exploration and planning and act quickly. These includes flexible, point-and-click analytics that are easily accessed from the system, data visualizations, and fast/dynamic reporting.

Finance transformation will progress more rapidly with a unified software system that is built on a single, authoritative data source for the multiple functional areas, and to the extent possible automates integration with source systems – this is simpler and faster than traditional ETL. In any case, linking quickly to existing databases and accounting systems can cut deployment time from months to weeks.

The following graphic illustrates how a "linkage ecosystem" supports accelerated finance transformation.



Unified CPM Architecture

In terms of overall functionality, the software should go beyond a basic Finance focus with more comprehensive capabilities like enhanced modeling, operational apps/solutions, and built-in cash-flow forecasting capabilities. Collaboration tools that allow data conversations, as well as workflow that defines everyone's role in the process enable a large group of users to work together smoothly.

Collaboration, Inclusion, and Participation

Around the world, the pandemic emptied office buildings in 2020, and work at home was suddenly the mandatory new abnormal. Employees moved to other time zones, often seeking refuge from crowded cities and the risk of COVID-19, and organizations had to find other ways to carry out group analysis and obtain more complete decision inputs. Endless online video conferences were not the complete answer. Work-at-home drove an intensified need for collaboration, supported by software features like in-platform chat, threaded discussion, ownership of logic and analysis by virtual teams.

The Need for More Users, and Collaboration Between Them

More departments, and even the CFO, are more often active in Operations planning than was the case in the past. Employees in a wider range of job roles take part in planning and analysis that is shared with Finance and more broadly. The software platform should also support the broadest possible participation in budgeting, even pulling infrequent users to contribute numbers and forecasts.

Fast Finance Transformation – Real Life Examples

Sports < 2 Weeks: Unified Data Sources, Saved Over $1 Million

One of the largest sports groups in the world realized seven-figure savings by replacing specialized software platforms tied to proprietary data storage with a unified approach that now works atop their existing data warehouse platform and their analytics standard Power BI. The project was implemented with minimal reliance on external consultants. Initial versions were ready in less than two weeks.

Chemicals < 1 Week: Finance Cuts Cycle Time Over 90%

The leading US provider of semiconductor chemicals sought to replace and consolidate its existing forecasting and planning process application that integrates with 11 different ERP systems used at their subsidiaries worldwide. This company moved to an FP&A solution that integrates with its Power BI analytic standard, facilitating the rollout because the FP&A features integrate directly into their existing reports. The Finance team, working on its own without consultants, reduced process cycle time from two weeks to a single half-day. The initial version of the solution was ready in less than one week.

Co-Work+Live Spaces = 1 Day: Automation Replaces Spreadsheets

A global provider of co-working and co-living spaces with 160 entities around the world replaced their previous spreadsheet-based process that took multiple FTEs every month to maintain with an automated solution that loads the data from the Xero accounting system that all entities are using into a central cloud-based data warehouse. Analysis of the consolidated data is done via an automatically generated report using the Power BI self-service analytics tool that the team can customize on their own to their needs. An initial version of the solution was ready in one day.

Retailer < 1 Month: Self-Service Analytics, Interactive Dashboards

A large US retailer sought to streamline forecasting and planning, and avoid unnecessary data transfer processes from a specialized planning system to its enterprise data warehouse. In less than a month the previous process was replaced with a unified solution that incorporates interactive dashboards, financial reports, and comprehensive planning options into a major self-service analytics solution. The new platform is supported almost entirely by internal IT and Finance, resulting in significantly reduced license costs and reduced spend on external consulting.

Accelerate Finance Transformation at Your Company

Finance transformation has historically been carried out in a timeframe of one to two years duration. For many, the pandemic drove home the need for a considerably faster switchover to dynamic and multi-department planning and analysis. This raises the question: what can companies do to accelerate a finance transformation, and how quickly can they realize some of the benefits?

There are three basic keys to speeding up the process of finance transformation and gaining access to faster analysis and reporting, as well as starting the collaboration with other departments – including operational roles.

The first is selecting a software platform that is designed for very rapid implementation, and the second is staging of the finance transformation project. Engagement with current and new users is also a necessary ingredient.

Staging

Particularly for mid-market sized companies, it's important to contain costs in a transformation initiative and that can happen by shortening the time to value, through implementing a staged approach. This is often referred to as incremental implementation, versus a marquee event cutover.

Staging will typically begin with an emphasis on rapid software replacement over formal process reengineering. BPM Partners suggests that the initial stage focus on either – or both – of these key areas:

- More frequent reforecasting
- Encouraging use of the new platform by Operations users, including analysts, planners, and managers.

Finance transformation often includes company-specific proprietary models and groupings of data. This often requires building up your proprietary approach to budgets and forecasts in the newly installed software platform.

It may be that your company does not require a new framework and overall model for financial data, and therefore can bypass traditional upfront steps such as design workshops and requirements gathering. Alternatively, that process analysis can take place after software implementation, while the company is already benefitting from more dynamic forecasting and planning, and the inputs and participation of other departments. Over time, if your software is sufficiently flexible, you can streamline and simplify financial data and structure, making updates to your Finance and planning models.

Faster Financial Transformation: Software Requisites

To jumpstart progress in a finance transformation, the most impactful enabler will be SaaS-based software that installs and can be adopted very quickly, that is, weeks rather than months. The question we often hear at this juncture is: how can we be sure the software will implement rapidly? While many vendors make this claim direct conversation with customers who signed on in the past few years can be the most reliable approach to get validation.

Looking for the faster, simplified path to finance transformation is, in practice, straightforward. Based on survey results and our overall experience with users, the key elements of successful and very rapid software deployment include:

- Demonstrable proof of very fast implementation and reference customers
- A unified software architecture that reconciles and/or combines data silos can be a key accelerant. Connecting and verifying data sources, formats, and inputs are often major delay factors.
- Menu-driven or “automated” linkage (integration) to data sources, dispensing with traditional ETL tools. A new CPM system may require connection to QuickBooks and dozens of others contributing systems. Rapid, easy linking can save several weeks of integration work.
- Fast, click-driven data visualization, drill-down and report generation
- Two-way integration with self-service analytics platforms like Power BI
- Pre-programmed templates or models for use by Operations managers, planners, and analysts
- Multiple-scenario analysis and comparison
- Built-in collaboration features that draw participants into focused discussion and keep relevant documents and email threads accessible and organized.
- Modeling flexibility, such that planners in both finance and operations can develop, share, and collaborate on new models.

Engagement

There’s also a third element to accelerating finance transformation, which although basic and sometimes undervalued, is often key to achieving early successes: engagement and user buy-in. This can mean involving representatives from key departments in the development of requirements and evaluation of solutions. Once the solution is selected they can help ‘sell’ the benefits to their departments. It is also important to make sure the new solution will actually address the needs of the various departments and not just corporate and Finance.

Operations and other departments may also be motivated by the availability of an easy-to-use new tool with familiar interfaces (Excel, Power BI, and other intuitive visual controls), which through their active participation will give Finance a better understanding of their departmental plans and resource requirements.

To bring operations-area managers, forecasters, and analysts into the user base more rapidly, a key capability is the two-way Power BI interface. It lets many operations-focused users make better use of models and write back to the application database directly from Power BI and supports their way of working efficiently – with minimal training.

Flexibility, fast drill-down into numbers and charts, and preprogrammed templates are also key software assets.

Conclusion

Finance transformation was an objective of 65% of performance management initiatives in 2020, our surveys found. This holds true for mid-size enterprises as well as Fortune Global 1000 companies.

The pandemic accelerated the need to make fast progress in finance transformation activities. Software that is simple and quick to implement and adopt, and staging the finance transformation with incremental steps, both contribute substantially to realizing value sooner. Pushing back the project components that might require process reengineering also helps frontload the benefits. Particularly for midsized companies – but also for Fortune 1000-scale enterprises – a unified software solution with flexible analysis, multiple scenario modeling, a two-way Power BI interface, and strong consolidation capabilities can speed up financial transformation and meet objectives at lower cost.

About Acterys

Acterys is a cloud or on-premises based service for data discovery and planning designed to speed up Finance Transformation. The solution automates the integration with major accounting, SaaS (Software as a Service) platforms and other sources. Business users profit from dynamic FP&A (Financial Planning & Analytics) and performance management processes within their familiar business productivity tools like Power BI & Excel. Implementation and adoption of Acterys are supported by a wide variety of templates (Cost Center, Management Consolidation, HR, CAPEX, Cash Flow, etc.) to ensure the quickest time to benefit. See how Acterys can help your business: https://www.acterys.com

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