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FP&A of the Future: Emerge as a True Strategic Partner

By **Nick Fischer**, CEO, Cadilus Inc.

Financial Planning and Analysis (FP&A) as a strategic partner has become a recurring theme in the corporate finance community. Most in FP&A agree that becoming more strategic is a natural evolution to add more value to the business, but it is not always clear what that means or how to achieve a more strategic approach. A good place to start is to clarify that FP&A adds value to the business by enhancing business outcomes through the production of quality data, information, and insight. From business planning to measuring actual performance, quality insights enable more informed decision making.

Three Guiding Principles

Clarifying how FP&A adds value allows organizations to design a more strategic FP&A operating model. One approach is based on three guiding principles: Improve the FP&A value proposition, evolve processes to be as value-added as the outcomes, and bring stakeholders together.

Improve the FP&A Value Proposition

The first guiding principle in redesigning a more strategic FP&A capability requires an increase in the quality and volume of actionable insights. To achieve this, merge the DNA of traditional FP&A with that of enterprise analytics. In other words, redefine FP&A as Financial Planning & Analytics.

Financial Planning and Analytics

Where the conventional definition of “Analysis” in FP&A is exclusive to financial statement and variance analysis, merging traditional FP&A with enterprise analytics enables insight-based decision making across all aspects of the business. Furthermore, a focus on simplifying the business partner experience allows analytics and insights to be much more

accessible to enterprise stakeholders. An effective structure is one that allows stakeholders to focus on the business questions they need answered, with the FP&A team procuring the data, completing the analysis, and circling back with insights and recommendations.



Evolve Processes to be as Value-Added as the Outcomes

The second guiding principle in redesigning the FP&A operating model is to evolve FP&A-led processes in a way that stakeholders find as much value going through the process as they do with the final outcomes. To accomplish this, there are two core areas on which to focus: planning and forecasting.

Financial Planning and Budgeting

For many organizations, financial planning & budgeting is an arduous process where stakeholders go through the motions. Typically, finance is dragging stakeholders through a process that they

find little value in.

To set a new paradigm, FP&A should develop and implement a more comprehensive and value-added business planning process where everyone is included. Begin by bringing together the executive team to align around strategic choices and goals that are supported by quality information and insight. Strategic choices should cascade into a set of enterprise priorities, which include both performance goals and priority initiatives. Finally, enterprise priorities should cascade into business unit and functional priorities.

Through this process, stakeholders are able to work together and align around a focused set of strategic and operational choices, which become fully reflected in both long-term and short-term financial plans.



Financial Modeling and Forecasting

The forecasting process is where words like "dupliciling" are invented, which means to duplicate and reconcile. This is a common practice where the FP&A team is asked a week early for a forecast of the monthly forecast, and then a complete reconciliation when the forecast of the forecast is different from the final forecast.

To create a value-added forecasting process, start by focusing on a single monthly forecast with analytically backed insights and recommendations that enable the ability to course-correct and improve performance. Next, evolve to a simplified and driver-based modeling infrastructure where underlying assumptions are clear and can be tested. Less time on baseline updates equates to more time analyzing and incorporating the latest available information.

Bring Stakeholders Together

The third guiding principle in redesigning the FP&A operating model is to simplify and improve the effectiveness of the forums in which FP&A distributes information. In other words, actionable insights must get into the hands of those making the decisions if they are going to bring value to the organization.

Performance Measuring and Reporting

Once performance goals and priority initiatives are established, the organization can implement comprehensive weekly business reviews that serve four purposes:

1. Provide a Regular Progress Report

Establish a system for scoring enterprise priorities such as tracking planned performance versus actual performance and tracking progress on key initiatives.

2. Review Insights and Recommendations

Enable improved performance and course-corrections by leveraging information and insight from an analytics learning agenda.



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3. Drive Accountability

Put the ownership of performance and progress reports back in the hands of the accountable executive who is responsible. Clear and measurable goals make it difficult to hide from the numbers.

4. Create a Culture of Collaboration and Problem Solving

"Off-track" and "at-risk" initiatives will be an opportunity for cross-functional leaders to come together and solve problems as a team which can dramatically improve the pace of progress.

FP&A as a True Strategic Partner

By redesigning the operating model to improve, evolve, and bring stakeholders together, FP&A can emerge as a true strategic partner within the organization. Improving the value proposition positions the company to lead with data, information, and insight. Evolving to value-added processes will dramatically increase stakeholder engagement. Bringing the stakeholders together breaks down silos and creates a culture of collaboration. Using these three guiding principles, businesses gain FP&A as a true strategic partner as they leverage the power of insight and working together to improve their results. **CT**