

Performance focus

Actionable principles to position the FP&A function at the center of business performance optimization – summarized one page at a time.

Projections as a function of driver-based decisions and assumptions

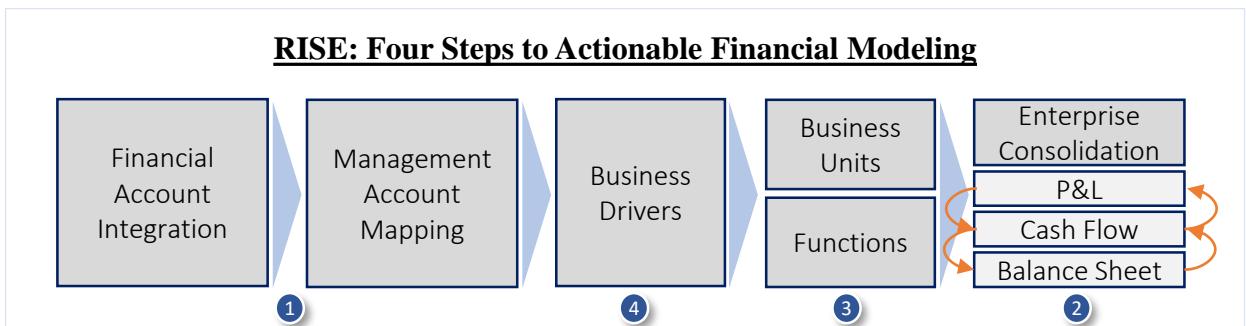
RISE: Four Steps to Actionable Financial Modeling



Introduction

When it comes to financial modeling, everyone in the corporate finance profession understands the old adage of “garbage-in, garbage-out.” To make financial modeling an actionable tool to enable enhanced decision-making, the “garbage-in” certainly needs to be minimized, and the outputs need to be understood by the decision-makers consuming the information. To accomplish this, there are four fundamental steps that are essential building-blocks to effective financial models.

RISE: Four Steps to Actionable Financial Modeling



1. Reconfigure financial accounting structure (GAAP accounting) by mapping to desired management accounting structure (the way the business is managed).

2. Integrate the income statement, cash flow statement, and balance sheet so that changes in modeled decisions and assumptions are holistically captured.

3. Segment the business units and functions (responsibility centers) to reflect how the business is managed so that collaboratively generated forecasting and planning inputs (decisions and assumptions) seamlessly integrate into the model.

4. Evaluate the drivers of performance for all mapped accounts so that all inputs are translated and modeled through a correlated, driver-based infrastructure.