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I continue to be shocked by the common notion that it is acceptable to manage FP&A processes today on spreadsheets. Nearly two thirds of businesses still hold onto this idea despite the fact that spreadsheets do not support collaboration or aggregation, are prone to errors, and often create cumbersome and time-consuming formatting and version control issues. Spreadsheets continue to impede collaboration and process efficiency, and thus mire finance professionals in low value data management tasks rather than freeing them for more strategic analysis and collaboration activities.

Another common misunderstanding is that corporate performance management solutions (CPM), including budgeting, forecasting, reporting, and analysis, are reserved for the most innovative, tech savvy businesses. To the contrary, what we're seeing today is that advanced CPM systems have hit the mainstream and are being deployed by some of the most historically slow changing industries, including coal mines, hospitals, insurance companies, and non-profits. As a result of affordable pricing, ease of use, and rapid implementations, CPM is now widely adopted across organizations big and small, in all industries and geographies.

Finally, early fears around the cloud as a secure and viable means of supporting the planning process have largely been overcome. The kind of scrutiny and skepticism that we may have met with several years ago has been replaced with a new demand and even requirement for cloud computing in the finance arena, as even large enterprises are seeing the intrinsic value, convenience, and flexibility that the cloud brings to traditionally static and inefficient processes.

What are the driving forces behind a growing market for corporate performance management and the cloud?

The time has never been better for financial professionals and global organizations to embrace corporate performance management and the cloud. We're at the center of a "Perfect Storm" with business and technology mega-trends reshaping the market in fundamental ways. From a

technology standpoint, the cloud has reached the tipping point of mainstream adoption, first in the U.S. and increasingly on a global basis. Big data and data proliferation are prevalent. Organizations are more collaborative, social, and connected. And the consumerization of business software is further driving the adoption of cloud-based models.

From a business standpoint, we are in the midst of highly uncertain economic times, where the need has never been greater for speed, agility, and data-based decision making. A challenged global economy has led to resource limitations and the requirement to do more with less. And finance professionals are increasingly being tasked with providing more strategic value and insight to their organizations.

All of these factors point towards automating corporate performance management with a cloud-based approach. A truly integrated and automated CPM cycle fosters tight collaboration among managers throughout the organization and is facilitated by tight integration between systems – the GL and other enterprise systems, and the software used for planning, reporting, and analysis.

Companies that can achieve this integrated performance management cycle can enhance the strategic value of their finance organizations. They can decrease planning times and increase accuracy, improve companywide collaboration and alignment, and make better-informed decisions more quickly.

Can you identify some best practices in corporate performance management?

Let's take a look at what it takes to build a strong foundation of corporate performance management.

Think of CPM as a cycle that begins with budgeting, or the process of annual goal setting, which may include analysis of various what-if scenarios to assess the appropriate plan. Then on a periodic basis (weekly, monthly, or quarterly), the organization analyzes variance of actual performance against that plan. Reports and dashboards are instrumental in monitoring actual performance and evaluating variances from plan or forecast. Based on the variance analysis, the cycle begins again with an updated forecast that includes recent actuals and may now extend out into additional periods. In order to achieve the best possible corporate performance

management, you need a foundation of best practices supported by the best technology.

Let's talk about technology first. According to a survey by KPMG, CFOs and finance directors see technology as a key to their long term effectiveness, yet express frustration as they continue to battle with dated and misaligned systems. The survey found that more than half of respondents think that the biggest barrier to improving the effectiveness of the finance function is systems that are out of date and inflexible. Similarly, when asked what puts finance at risk for failing to reach its objectives, 73% point to finance technology and systems. However, change may be on the way, with 78% saying that they plan to make changes to the budgeting and forecasting process over the next two years. And this change increasingly appears to be shifting in favor of the cloud.

So what are the best practices that world-class companies have adopted with respect to planning and reporting? First of all, they deliver timely and accurate visibility into variance from plans through the use of dashboards and key performance indicators to facilitate fast and relevant evaluation of what's happening in the business today, and what's likely to happen in the future. Secondly, world-class organizations reforecast frequently. The information on which plans are created becomes stale quickly, and the world in which we operate changes constantly. External factors such as commodities prices and interest rates as well as internal factors such as staffing changes and product delays can have significant impact on an organization's view of the future. Sticking to outdated plans is a sure path to disaster. High performing companies reforecast frequently based on current information and recent actual progress. Many have adopted rolling forecasts to ensure that their outlook continuously extends into the future. By reacting to changing conditions, businesses ensure that the forecasts relied upon by decision-makers don't become unrealistic as the year goes on. With continuous planning, companies are able to make better decisions, more quickly.

Another important best practice is to utilize a driver-based approach to planning. Here, the idea is to set up a model that drives projections based on the key drivers that management can control. Key drivers are typically a combination of both financial measures, such as commodity prices and salary increases, and operational measures, such as product units or call volume. Driver-based planning allows you to (a) create a plan that's integrated across organizations – so that sales is in step with marketing, for example; and (b) pull managers up from focusing on minute details of the business. Most importantly, it allows finance and management to have a model that can be easily updated for what-if scenario analysis, so you can more easily analyze the impact to your business of higher or lower than expected demand, changes in costs or prices, faster or slower than expected employee growth, and so forth. With driver-based planning your forecasts will require less data input and your management team will focus on the most critical elements of the business.

And, finally, all stakeholders should be involved in the financial planning and reporting process and should feel empowered to truly own their forecast. Since all parts of the company are involved in delivering against plans, their viewpoint and influence is critical to both the planning process as well as execution against plan. Too often managers feel that finance owns the forecast and they hide behind this as an excuse for poor performance. Collaboration in the planning, analysis, and reforecasting processes leads to both better alignment across the organization and empowerment among the management team. A cloud based approach makes it easy for non-finance people to participate in planning and reporting, focusing on what drives their functional area and sharing ideas with one another regardless of what corner of the world they live in.

What's wrong with traditional budgeting practices and processes?

Let's start with the forces at work that are driving new thinking in CPM itself. At one extreme of the market there are low-end, personal-productivity tools – like Microsoft Excel. While many swear by Excel as a personal planning tool, it is manual, inefficient, error-prone, not collaborative, and just doesn't scale to the demands of growing businesses.

Over 65% of companies still rely upon spreadsheets for planning and reporting. Spreadsheets continue to dominate planning and reporting processes in most companies because they are familiar and readily available. But spreadsheets cause problems when used to drive a planning process that requires collaboration and management of volumes of data. Finance often spends more time formatting and troubleshooting spreadsheets than providing insights into business performance. Business managers waste time working with outdated spreadsheet versions and often introduce errors into the process by breaking links or formulas. There's a huge cost to all of this wasted time and error-prone process.

In a survey of more than 500 financial professionals that we just completed with the Business Performance Innovation (BPI) Network, three quarters felt that the CFO role has changed in the last 5 years to become more strategic to support overall business goals. And more than half see the use of innovation and technology as key to achieving this. The problem is, many CFO's strategic capabilities and resources are hampered by inefficient methods of planning and budgeting.

The Beyond Budgeting Round Table, an industry research organization, estimates that the average corporation spends four months and 20-30% of senior executives' and financial managers' time on the budget, and that larger companies, with annual revenues over \$1 billion, spend as many as 25,000 person-days per year budgeting.

And to what end? Among many companies, the consensus view is that the cost of budgeting -- in terms of time and resources -- is far greater than the value it creates. And the primary culprit is the inefficient, spreadsheet-based budgeting and forecasting models still used by most companies.

So what does the cloud bring to CPM?

So what is the best technology option for corporate performance management? It is definitely not spreadsheets or large, on-premise CPM applications, such as those offered by Oracle, SAP, and IBM that are typically expensive, complex, take a long time to deploy, and require a huge amount of IT involvement. These two traditional, insufficient approaches are creating a gaping hole in the market. Cloud-based CPM has all the key elements that are missing in the market extremes, combining ease of use and fast deployment with a collaborative and scalable environment that requires no IT. Software-as-a-Service solutions are very affordable (with a total cost of ownership that's up to 75% less than on-premise alternatives), easy to use (even for non-finance staff), and rapidly deployable. And you don't need any new hardware, software, or IT involvement. Constant improvement and enhancement benefits all users, who immediately get access to new features, without the need for ongoing IT support. Web-based, easy-to-learn interfaces mean that even people without strong finance skills can participate in financial planning and reporting processes, which increases adoption and collaboration across the company. Finally, cloud-based CPM solutions are accessible worldwide with nothing more needed than a browser and an internet connection.

In a nutshell, the cloud is more essential than ever and is revolutionizing the software world as we know it. In the CPM realm, the cloud gives companies a profound competitive advantage, fundamentally transforming the way they manage their business.