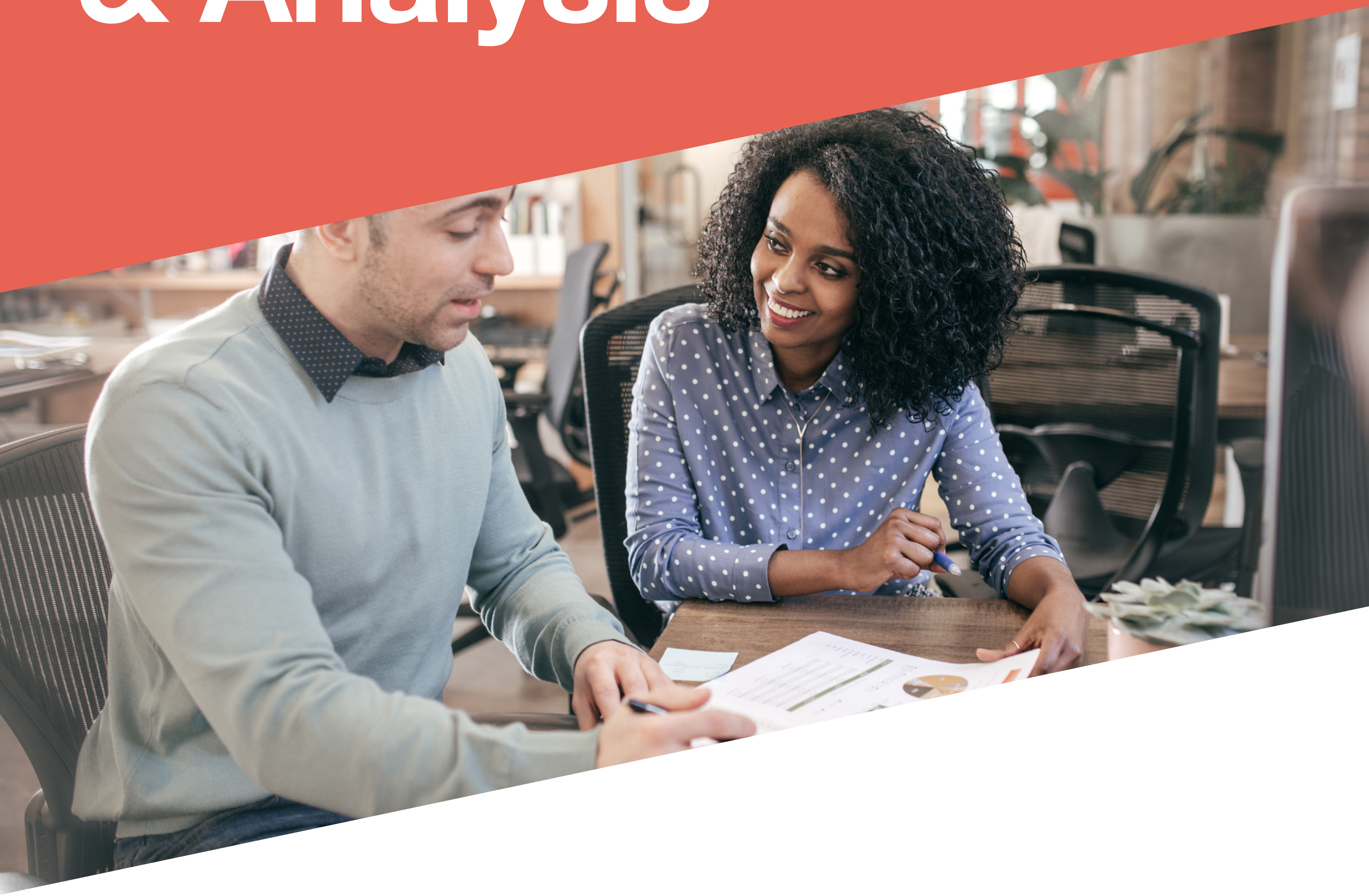
WHITE PAPER

Best Practices in Financial Planning & Analysis



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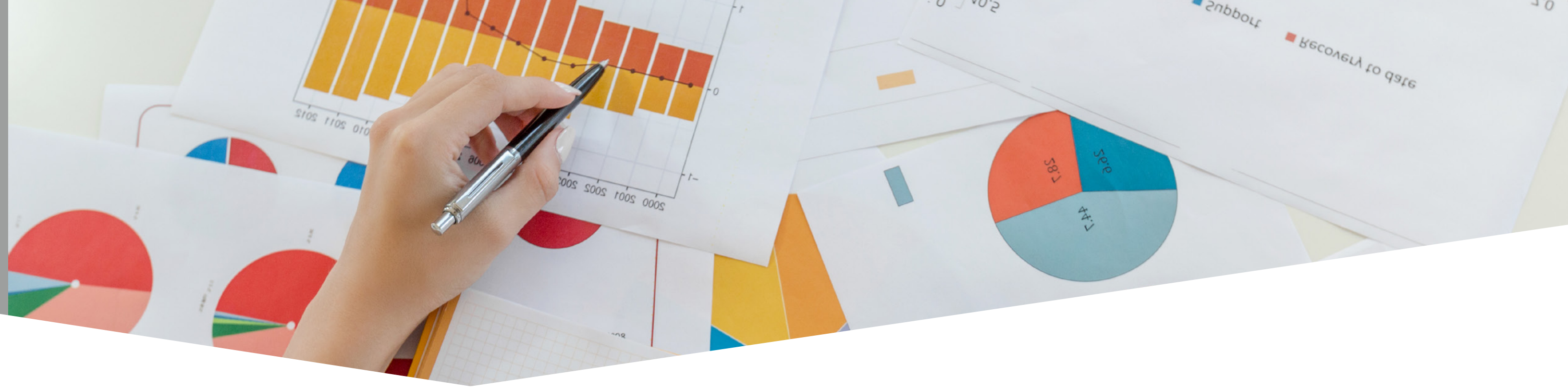

WHITE PAPER

How Finance Can Take the Lead and Transform the Business in Just Five Steps

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Since humans first started trading and bartering, the business environment has been in a state of constant change. There's no way to know for certain whether markets will rise or fall, when trends will appear or fade, or whether opportunities will pan out as planned. Change, unfortunately, is the only sure thing.

For those developing the financial budgets and forecasts and planning for future scenarios, dealing with and preparing for this constant change is a challenging part of the job. But with the help of the right tools and processes, finance can lead the organization through an unpredictable world. Finance is in a unique position to take on this strategic role. Executives and business leaders rely on finance to understand their options, develop the most appropriate plans for the organization, and take action to better capitalize on opportunities.

Finance, therefore, must have the agility to quickly react to, analyze, and plan for new scenarios, changing conditions, and new opportunities. But that can only happen if they have the right financial processes and software applications in place that are able to evolve as well. This is where financial transformation comes in. Financial transformation is about implementing best-practice processes and financial software to put finance in a position to lead the evolution of business.

In this article, we will examine five steps you can take to make sure your finance team is in a position to lead this financial transformation journey.

LEADING THE TRANSFORMATION

With the help of cloud-based EPM and proven best-practices, finance is in a unique position to drive transformation initiatives that benefit the entire organization. The right software platform gives finance the ability to react faster to the ever-changing business landscape, empowering the team to make better decisions faster, mitigate risk, and optimize performance.

This journey is not as daunting as it may first appear, especially if the transformation is broken down into manageable components. Next we'll take a closer look at some of the key lessons we have learned from helping hundreds of organizations move from outdated methods to modern EPM. The following five steps are crucial to transformation success:

1. **Get the right people involved.**
2. **Determine the drivers of your business.**
3. **Define the performance management process.**
4. **Choose technology that is powerful, easy to use, and fast to deploy.**
5. **Take a phased approach.**

STEP 1: GET THE RIGHT PEOPLE INVOLVED

Understanding the clear reasons for your financial transformation is crucial from the outset. This means defining what data and metrics will be the focus of the project, who needs and owns that data, what that data helps them achieve, and how the new process will impact them. This then defines which stakeholders need to be involved in the project, what role they will play, and the benefits they can expect once the project is complete.

Typically this group of stakeholders represents functions from across the organization, not just finance. Therefore it's crucial to understand how those stakeholders manage their business, what they care about, how their activities are connected to other functions in the business, and how the project can offer them solutions.

To build support, finance should paint a clear vision of the benefits of transformation, how the project will positively impact their day-to-day, and how their own roles can be more strategic with the help of these new tools and processes. Getting the stakeholders excited early also provides the motivation and focus to support the project through to the end.

STEP 2: DETERMINE THE MEASUREMENTS OF SUCCESS

Transformation should position finance as the go-to source of business data, not just financial data. By combining business, operational, customer, and other data, more detail about more opportunities is made more apparent. Combining financial success metrics—profitability, revenue, etc.—to other business metrics can provide additional insight into operational issues, allowing the business to make better and more effective decisions.

But first, finance must understand how the business measures success, what leading and lagging indicators are most valuable, and what underlying data is needed to present those metrics. This requires a strong collaboration between finance and the business as the project's goals and objectives are being mapped out.

Most executives hone in on 10 to 15 key performance indicators, such as sales revenue, bookings, EBITDA, and headcount, for example. Not all will be financial, so finance must identify the data and systems needed to increase the strategic value of the information they provide. This is a great opportunity to create alignment on KPIs throughout an organization, with finance as the organizational facilitators of this information. With the entire organization focused and aligned on a single source of key performance indicators, and with finance at the center, business leaders can analyze the business landscape in a more meaningful way, uncover new insights, and make better strategic decisions.

STEP 3: DEFINE THE PERFORMANCE MANAGEMENT PROCESS

Effective performance management starts with setting targets, then developing a plan, reporting status, identifying gaps, and making improvements.

Start by Identifying the activities, workflow, and stakeholders involved in your process. Decide if you want to do a bottom-up annual budget or a driver-based top-down methodology. Perhaps you are ready to move away from a static annual budget and are now ready for a more dynamic rolling forecast approach. Map key driver-based calculations to build more accurate and more dynamic plans and forecasts. Define which users are involved in the planning, budgeting, and forecasting process. Is it just finance, or is there an opportunity to incorporate non-financial users, models, and data in the process? What financial and non-financial reports are critical for analysis each month? And how do you need to incorporate different kinds of data and scenarios into a single report?

Finance should drive this blueprinting exercise with input from all key stakeholders involved in the process. Finance should be central in driving the management of those non-financial processes and educating users on how their activities interrelate with other teams, and ultimately with financial budgets, forecasts, and reports. Finance can then help executives manage to their goals, evaluate gaps between forecasts and targets, and help optimize performance moving forward.

STEP 4: CHOOSE TECHNOLOGY THAT WORKS FOR YOU

Choose a cloud-based EPM software application that will support your project's goals and objectives. Look for cloud-based software that automates tedious tasks and reduces the manual workload on finance. Reducing the reliance on spreadsheets, and the many problems and risks associated with them, is a quick and substantial win of EPM software.

Next, make sure your chosen software is complete and powerful. It should have the functional breadth and depth to serve your financial planning and reporting needs now and in the future, and it should have the power to scale no matter how large and complex your business becomes. Also be sure to choose an application that is easy to use to ensure sustained user adoption as you expand the software across the business.

Finally, the software should be fast to deploy to avoid costly and time-consuming implementation and ongoing application administration. Make sure the software uses a multi-tenant deployment method so that you don't have to spend money on costly hardware, and so that you automatically receive the latest releases, products, and features, at no additional charge to you the customer.

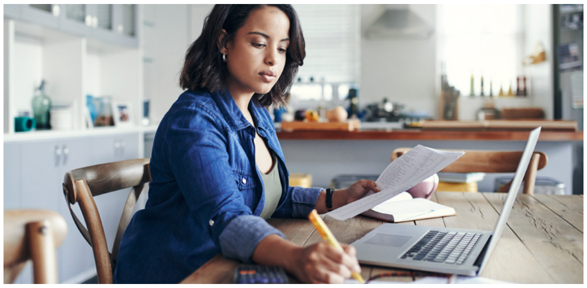
STEP 5: TAKE A PHASED APPROACH

Upgrading FP&A from spreadsheets or legacy systems to a more intelligent EPM solution takes strategic focus. Determining which areas should be improved first is important for overall success. Break the project into manageable pieces with clear and realistic goals and objectives, timelines, and success milestones. This helps manage expectations, shows the value along the way, and secures buy-in for the next phase of the project. Celebrate wins along the way so the entire organization can see that the transformation is adding value and the project is something worth getting behind.

Always look several steps ahead to define what success looks like by setting quantitative benchmarks that can hone focus and validate success. KPIs, such as time-to-close, hours required for specific tasks, budgeting cycle times, and others are ideal metrics to track. They can also be used to build support for the project by demonstrating actual improvements.

Remember to constantly consider the combination of people, process, and technology, and the sequence of how each of those components are brought into the project and transformed. Also consider broader business goals and initiatives to avoid disrupting those in process while improving those with high visibility or known challenges.

Transformation is a process that unfolds over time. Strategic planning and quick wins can both accelerate and ease the overall transformation, and a solid EPM foundation makes the entire transformation run smoothly.



TRANSFORMATIONAL FP&A STARTS NOW

The ability to seize market opportunity requires speed, agility, and accurate insights, and those insights lead the way to success. Finance can be the catalyst to transform an entire business, but it begins with getting the right people involved. Those people can then help finance understand what drives the business, how success is measured, what tools are needed to make success happen more quickly, and how to methodically execute the changes in a way that ensures success.

When selecting transformational financial software applications, use our must haves checklist to ensure you are selecting the right software to meet your needs.

EPM EVALUATION CHECKLIST

Enables connections between finance and operations

Financial data is critical to this transformation, but combining operational data multiplies the value by giving finance a more complete and clear view of business performance. Be sure to look for EPM software that can seamlessly connect financial and operational data so that models, plans, and forecasts are synchronized, timely, and accurate. Even better are applications that empower budget owners to enter and work with the data in the context of how they manage their business function. This further increases the accuracy and completeness of EPM data.

Has robust yet easy-to-use reporting capabilities

Determining the right metrics is great, but they need to be disseminated to the business quickly, without becoming yet another manual burden on finance. Comprehensive reporting tools that are also automated helps the business act with more intelligence and more speed.

Enables comprehensive planning processes

Business metrics and KPIs tend to evolve over time, so performance management processes must have the flexibility to meet changing needs. How an EPM platform allows FP&A to quickly adapt and respond is important to transformational success.

Eases migration for a faster transformation

Most finance teams rely heavily on spreadsheets and have so for years. EPM solutions should have the ability to leverage spreadsheet formulas to speed the transition. Also look for solutions that can be deployed quickly, and where finance can own and manage the entire deployment. Pre-built functionality also contributes to faster deployment while eliminating costly and time-consuming customizations.

Allows for easy expansion across the business

Cloud-based EPM provides the most flexibility for deployment and expansion. When taking a phased approach, incremental functionality and capabilities can be rolled out as needed to those who need it. This also lessens the early financial burden while allowing a learn-as-you-go approach to the overall transformation.

Enterprise Performance Management software like Host Analytics, is the tool you need to transform your business.

Host Analytics Planning is a complete application for financial budgeting, planning, and forecasting, with robust reporting and analysis capabilities. Its planning power and prebuilt financial intelligence significantly reduces implementation time and expense, and it has the flexibility to meet changing business needs and enable a more strategic partnership between finance and the business.

Learn more at **www.hostanalytics.com**.