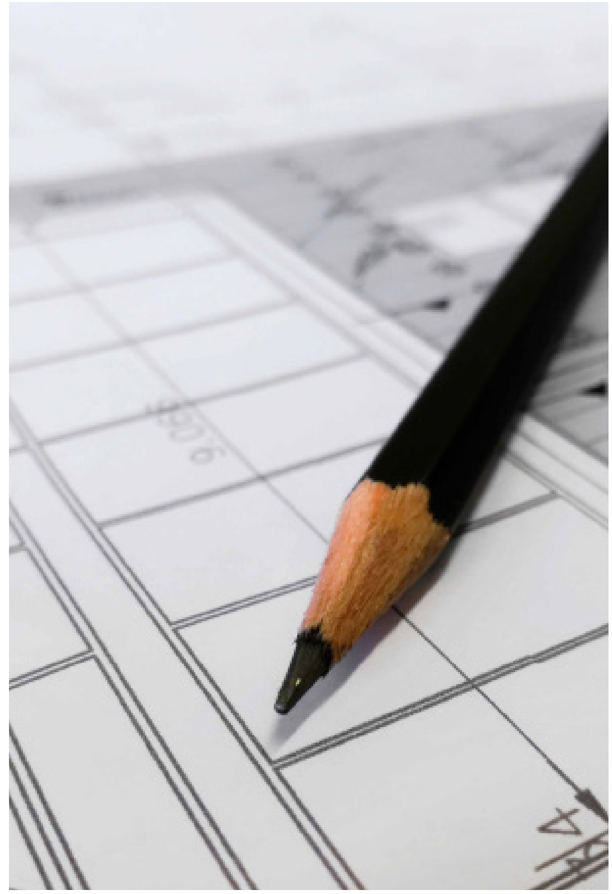
Building the Business Case for FP&A Transformation



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We've heard it said that Chief Financial Officers usually come in two flavors: the accountant or the banker. The accountant keeps the books clean, ensures reporting is accurate, and helps the firm take full advantage of the tax code. The banker, on the other hand, keeps the cash flowing, ensures plenty of financial might, and focuses on deal making.

What's often missing is an operational emphasis: The ability to use financial data and methods to understand and improve firm results and decisions. To get more operational, the key to success is the firm's financial and planning and analysis processes, or FP&A.

Transforming FP&A is essential for Chief Financial Officers (CFO) looking to deliver improved forecast accuracy and faster, decision grade data to their organizations. This series explores how to justify, plan and execute FP&A transformation.

The SynFiny Advisors' Definition of FP&A

- Critical value creation processes, which require a deep understanding of finance, modeling, data systems and processes, and accounting, all married to deep business knowledge.
- Typically combines financial and non-financial data as required to create strategic and operational financial plans.
- When done well, these processes are a clear competitive advantage and thus are viewed as critical by a firm's owners and senior leaders.

Start with a Vision

As a CFO, when you can combine FP&A with a vision, strategy and action plan, you can more easily gain leadership support and approval to begin the transformation journey. Let us guide you through the process.

A vision statement sets out the future operating model of transformed FP&A and should be an aggressive view of the future of finance in your organization. A vision statement should inspire readers to support it, so you'll want to use clear and concise wording.

Your vision statement has two primary readers:

- The C-Suite: The vision statement should read as business-friendly so that leadership will support the FP&A transformation plans.
- The broader organization: The vision statement should inspire employees and create excitement about the future.

While a vision statement should challenge the organization to achieve more in the future, be sure you outline goals that are attainable. It's important that your employees understand the long-term goals and can fully envision what's ahead. To do this, you or your finance leaders may need to share more information than you typically would. This allows the internal organization to see the plan and commit to its success.

Building Blocks of Strategy

With a strong vision statement in hand, the next step is to determine what building blocks you will need to achieve the vision.

A significant hurdle in this stage is determining which aspects of FP&A need to be substantially upgraded from their current state. Consider the various FP&A tasks within a company:

Strategy development • New business modelling • Forecasting • Budgeting • Management reporting • Analysis • Working capital • Cash forecasting • Capital spending

It can be difficult to determine which of these tasks should change, how they should change, and when they require intervention. Most leaders will want to touch everything, but prioritization is critical. Choosing which tasks to focus on first leads to much more success than trying to change all of the tasks at the same time.

Successful strategies can - and will - change over time as the FP&A transformation areas of focus and timelines change progressively.

The challenge for any CFO is determining the right sequence and depth of change to support the FP&A vision. Look to the company's vision statement or strategic priorities first to guide your FP&A priorities. Is the company priority product line expansion, then analysis and working capital might be the key FP&A interventions. Perhaps new facilities or equipment are on tap, therefore capital spending and forecasting become the focus.

The key is that your FP&A vision and strategies should be consistent with the company's overall long-term plans.

Turning Vision and Strategy into Action

With strategies in place to support the FP&A vision, you can now create detailed action steps to support the strategy and turn the vision into reality. Without actionable steps, strategies fall short and visions fall flat.

Before determining specific actions, ensure you have sufficient resources, funding and time to complete the FP&A transformation from beginning to end. If you miss one of these components in planning or need more, you'll need to either request additional support or return to leadership to reassess the FP&A vision and strategies.

Potential action steps to transform FP&A might look like:

- Develop pricing analysis tools to increase deal capture and sales growth.
- Develop budget tools to decrease overall marketing spend.
- Expand effective unit developed tools or processes to other parts of the business.
- Document and roll out your best-in-class tools and work processes.
- Create clear accountability and ownership for tools and processes.
- Develop simple-to-read, easy-to-access, and anxiously anticipated reports.
- Create training materials to build overall capability in the organization.
- Create and leverage multi-function networks inside the firm.
- Use the network to share or reapply best practices.

When you've defined the action steps that support the strategy to implement the vision, review all components with C-level leadership for approval. Leadership support is essential, so continue to refine the approach until you receive full backing.

With a clear vision and actionable strategy, you'll want to address any company-specific cultural adjustments you may need to make prior to launching the FP&A project.

Document and Approve the Business Case

Once you have an FP&A vision and strategy, and detailed action plan, along with leadership buy-in, you can now document the business case summary. The business case summary should provide the rationale and benefits of the FP&A transformation process you've outlined.

A sound business case summary includes the following:

- Business rationale for the change: What is driving the FP&A transformation? What business issue does the transformation fix?
- Scope of the full project: What is being transformed? Is it focused on one area of FP&A or multiple areas?
- Benefits realized: What will the transformation project achieve? Will it deliver cost savings, higher sales or improved productivity? Will it improve analysis, transform data into insight, enable better internal controls, or something else? The benefits should be clear and measurable.
- Company culture impact: Which aspects of the company culture need to support or will be improved by effectively implementing the FP&A vision? Clearly explain the behavior changes that need to or should occur as the FP&A work comes to life.
- Required investments or resources: How much is the investment? Which resources do you need? Are they internal or external resources? Are they staff, services or software and tools? Provide an estimated range of spending and resources required and an expected ROI.
- Intersecting projects: Are there other company projects or initiatives that impact the FP&A project? This could be a new ERP implementation or bookkeeping tools, new tracking or accountability software, etc. Whatever they may be, it is critical to document how the FP&A work intersects with, supports and enhances these allied efforts.
- High-level timeline: How long will the transformation take? What are the risks and impact of delays? Most projects face challenges and FP&A transformation projects are no different. So being clear about contingencies helps ensure you have C-level leadership support when you hit the inevitable bumps in the road.

When you have created a summary that addresses each of these areas, have C-level leadership review and approve.

The Path Forward

With a fully documented and agreed to FP&A transformation vision, action plan and business case summary, you're ready for next steps. These are typically:

1. Assigning a total project lead or owner.
2. Establishing a multi-function data and project team.
3. Develop the detailed project plans and cascading objectives to individual's work plans.
4. Setting regular action plan updates with C-level leadership.

These steps structure the transformation process and enable it to run smoothly.

Because FP&A processes are some of the most critical business functions in any company, it's essential to keep C-level leadership updated on progress. Also, you'll need to enlist their support when trying to overcome roadblocks or obstacles during the transformation process.

Organizational change is difficult. Organizations tend to revert to known, previous ways of doing things. Process transformation faces inertia. But broad involvement and regular communication and feedback from the organization to the project team to C-level leadership will help prevent falling back into old habits.

Ultimately, with a clear vision, strategy and action plan, you can more easily build support to embark on an FP&A transformation journey within your organization. The benefits are worth the effort: Better data, smarter decisions, improved results, greater impact! You can do this!

For more information please visit
synfiny.com

ABOUT THE AUTHOR

Jeff Wuest is the CEO and partner of SynFiny Advisors, a business consulting company. Prior to starting SynFiny Advisors, Jeff spent 25 years in finance at Procter & Gamble. Over his last 9 years at P&G Jeff oversaw global financial planning and banking services, and led the redesign of business processes in profit forecasting, cost forecasting, marketing budgeting, SG&A budgeting, reporting, and analysis. In addition, Jeff owns a real estate management company and is partner or CFO in several other ventures. He is also on the board of the Southwest Ohio Association for Financial Professionals. Jeff is a graduate of Marquette University with triple major(s) in Finance, Economics, and History.