

CFO Breakfast Talk

Corporate Performance Management:

Why “Real Time” alone is not good enough

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Agus Tirtoredjo

Background: 22 years of consulting experience in ERP, IT Strategy, Enterprise Architecture, Professional Services

Role: Director, Moore Stephens IT Solutions



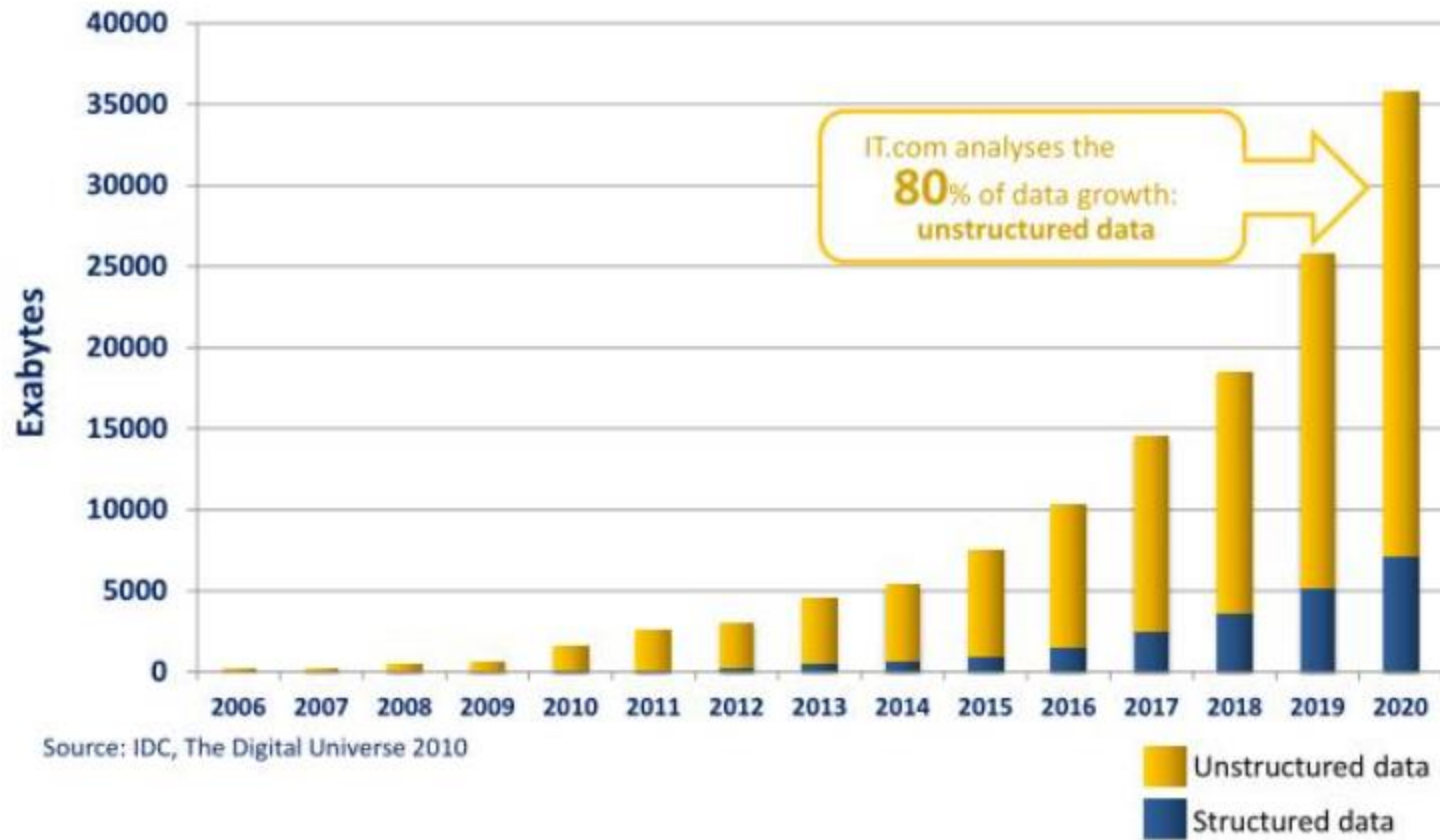
Agenda



1. Trends in Finance function and role of CFO
2. What is Corporate Performance Management
3. How CPM Supports Financial Planning & Analysis
4. How Analytics Supports Financial Planning & Analysis
5. What to look for in CPM
6. Takeaways

Data Growth

Worldwide Corporate Data Growth



Technology

Automating the future

65%

of respondents say that standardizing and automating processes and building agility and quality into processes will be a significant priority for tomorrow's finance function.

State-of-the-art tech

58%

of respondents say combining state-of-the-art technology with process improvement will be a major focus for the future finance function.

People

Focus on partnering

67%

of respondents believe that improving business partnering between finance and the business is a major priority.

New skills

57%

of respondents say that building skills in predictive and prescriptive analytics is critical for the future.

Making the Transition

Evolving the finance department and the CFO leadership role to a strategic role won't happen by itself. This transition requires different skill sets, culture change, and process improvement technology. To take on new responsibilities, finance leaders must do everything they currently do more efficiently.



ADMINISTRATIVE WORK SAPS PRODUCTIVITY

70% of respondents believe their companies would benefit if they reduced the amount of time professionals spent on administrative tasks.



TECHNOLOGY CAN STREAMLINE OPERATIONS

81% believe technology and automation would reduce the time spent on administrative tasks.

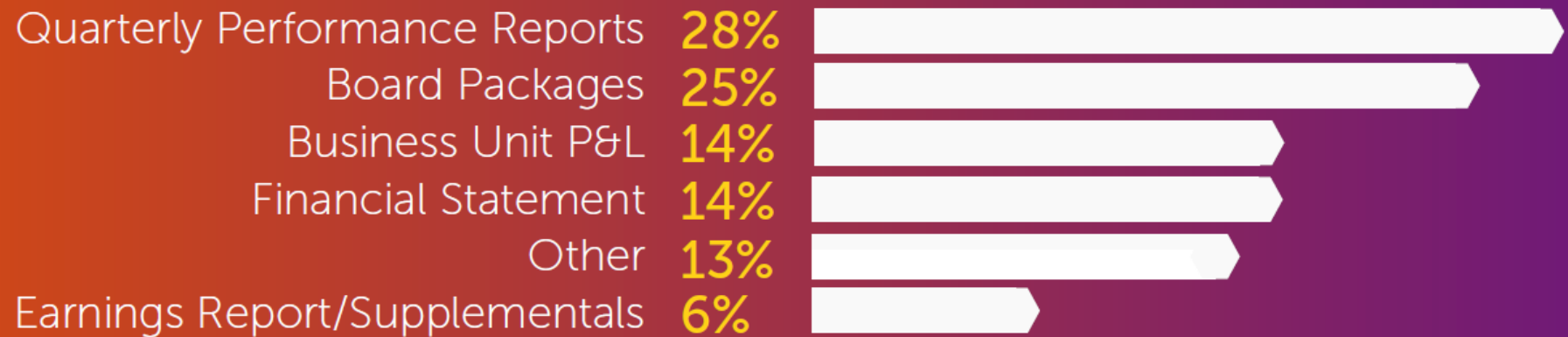


79% believe technology and automation would reduce the need for support staff.

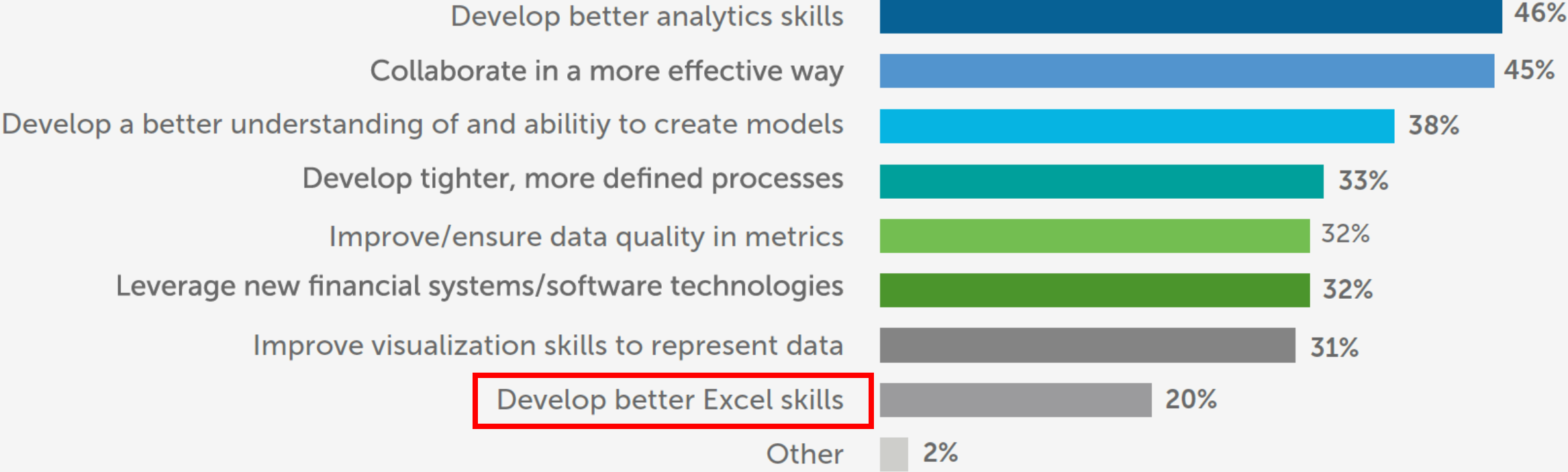
The majority of CFOs (68%) expect an increase in report volumes and, on average, expect an increase of 16% by 2020.

Source: CFO Indicator Reports.
Annual survey of over 400 global CFOs

What is the most challenging report your team prepares?



What Could Your FP&A Team Do To Be More Effective?*



Key Barriers to Automation

Fast



Mak



Imp



Imp



Oth



Red



34%

Lack of
time

18%

Team
skillset

17%

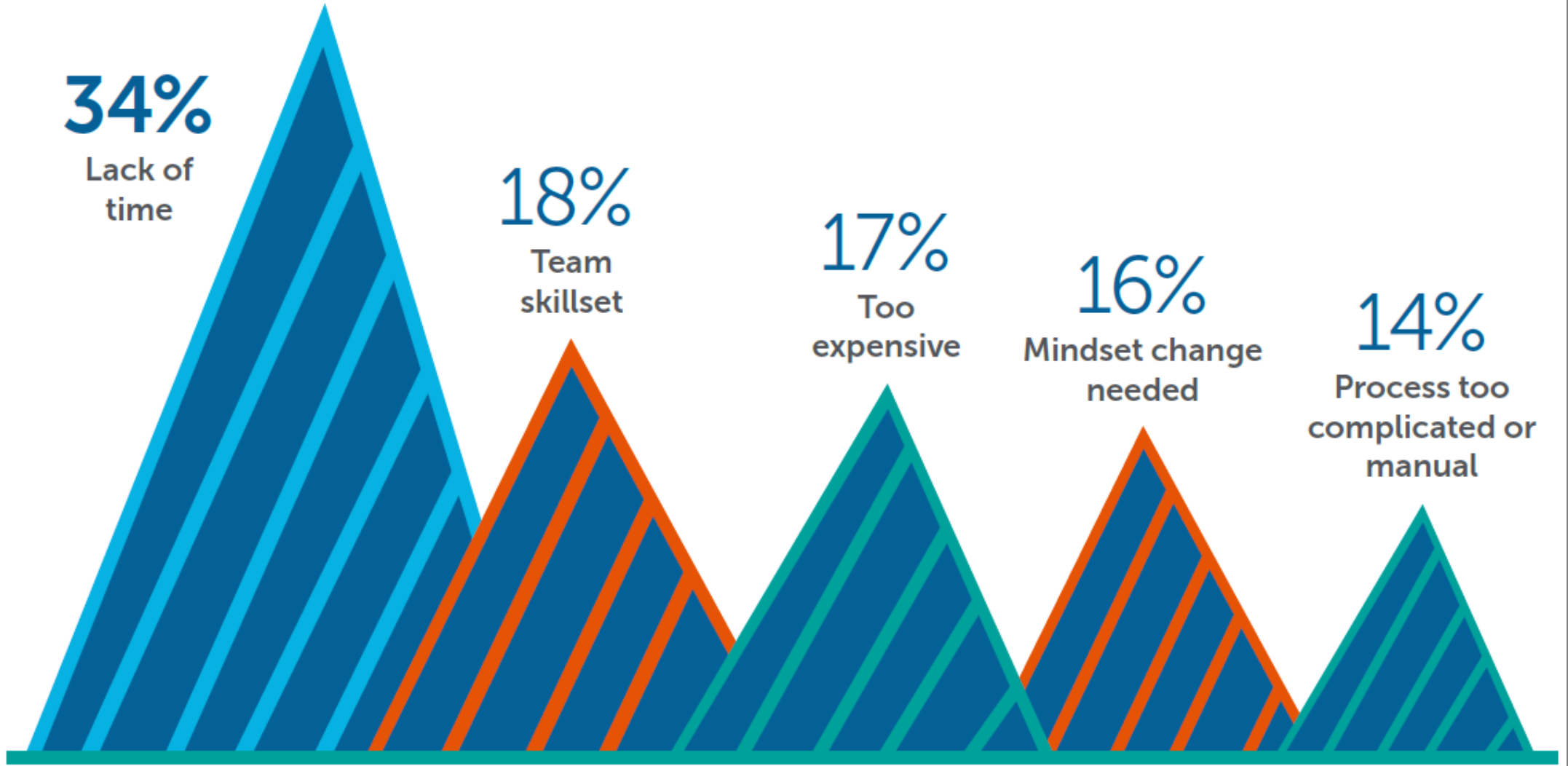
Too
expensive

16%

Mindset change
needed

14%

Process too
complicated or
manual



Who Gave You the Projections?



Poll Question:

Which is the biggest challenge in your organization?



1. Business plans not realistic, accurate or updated.
2. Plans are not aligned across organization.
3. Effort spent in budgeting and reporting process.
4. Multiple versions of truth.
5. Unable to identify root causes to recurring problems.



Why Most Financial Analysis is a Waste



The Error of FP&A

Typical analysis provides data-driven answers, generating unproductive debate around the numbers and distracting from alternatives and trade-offs.

To deliver more value, FP&A must clarify the business problem instead of leading with a recommendation, and they can do this by:

1. **Anticipating** implications of analysis beyond the near term.

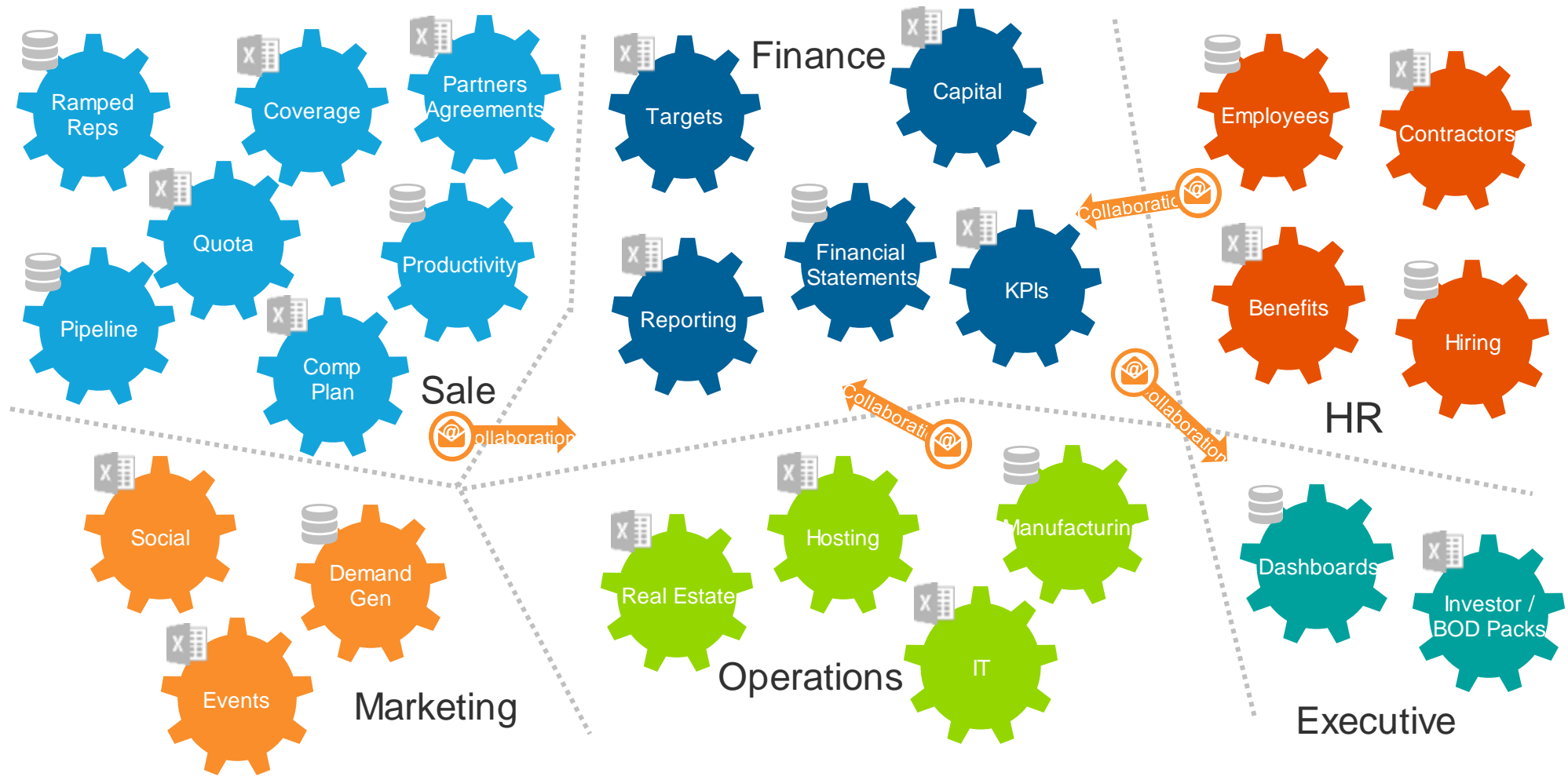
2. **Prototyping** collaboratively with business partners to present a holistic view of alternatives and uncertainties.

This problem-focused approach is twice as effective as of analysis during decision making.

However, the single biggest driver of analytic misuse is the **quality** of FP&A's analysis itself, assessed on:

-  **Timeliness**
-  **Accuracy**
-  **Comprehensiveness**
-  **Right Volume of Detail**
-  **Actionability**

1) The Problem: Proliferation of siloed data



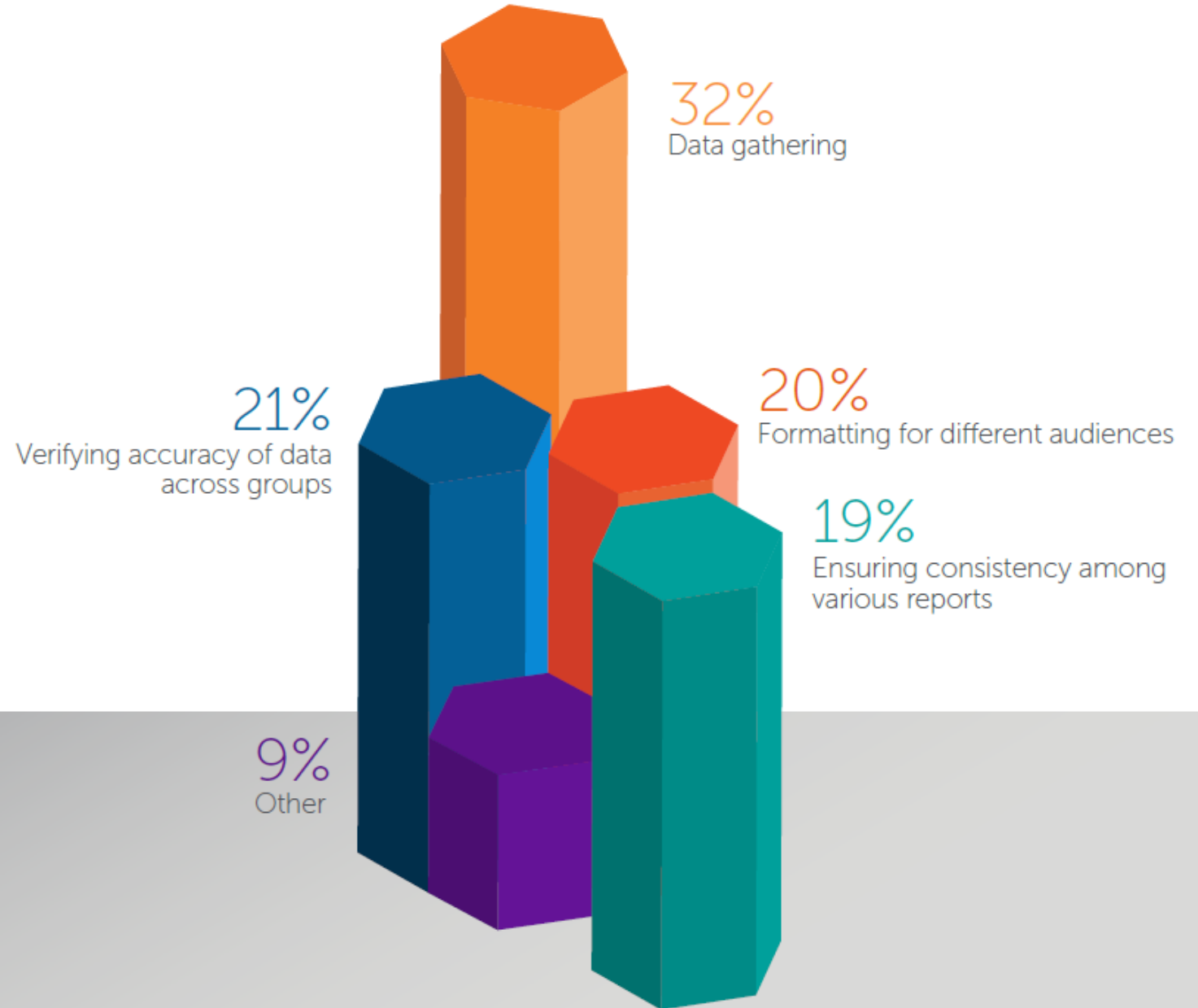
Which process most closely generates

Export actuals and data from the ERP system into Excel/Word/PowerPoint

Generate reports out of ERP

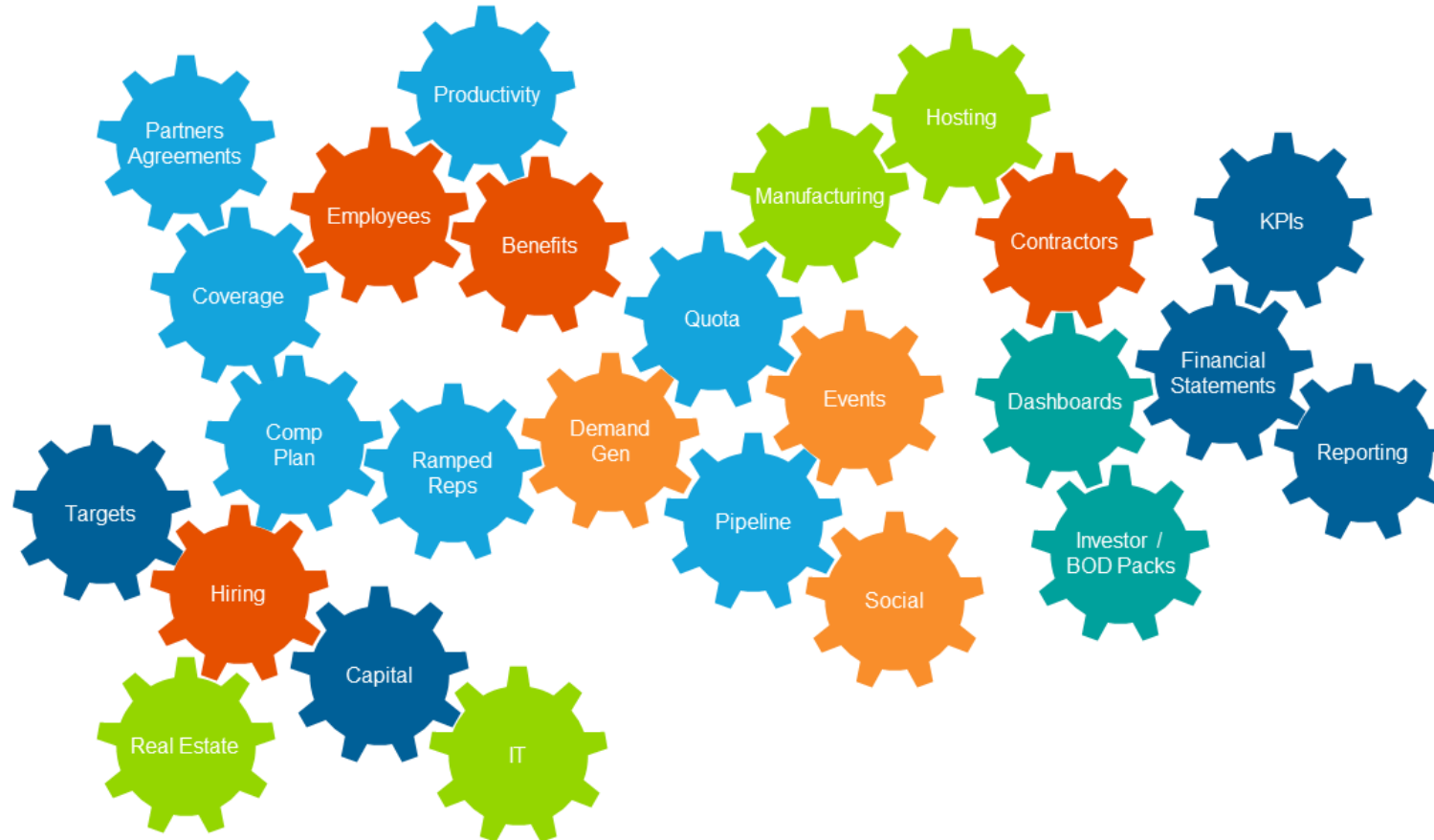
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What part of your reporting process could be most improved?



What If...

All Your Plans and Data are Inter-connected.



What-if
Growth
Competition
Currency
Investment
Reduction

Benefits:

- Clarity - interdependencies, impact on any change in business.
- Consistency – one version of truth for plans and actuals.
- Scenario Planning.



Corporate Performance Management

- Planning, Budgeting
- Driver-Based Modelling
- Scenario Planning



Long-Term Plan

Short-Term Plan



Do

Check



ERP

- Sales, Procurement, Supply Chain, HR
- Financial Acctg (General Ledger, Bank Acctg, Cost Acctg, Profit Ctr Acctg)



CPM

- Forecasting
- Variance Analysis & Diagnostics
- Consolidation
- Dashboard & Reporting



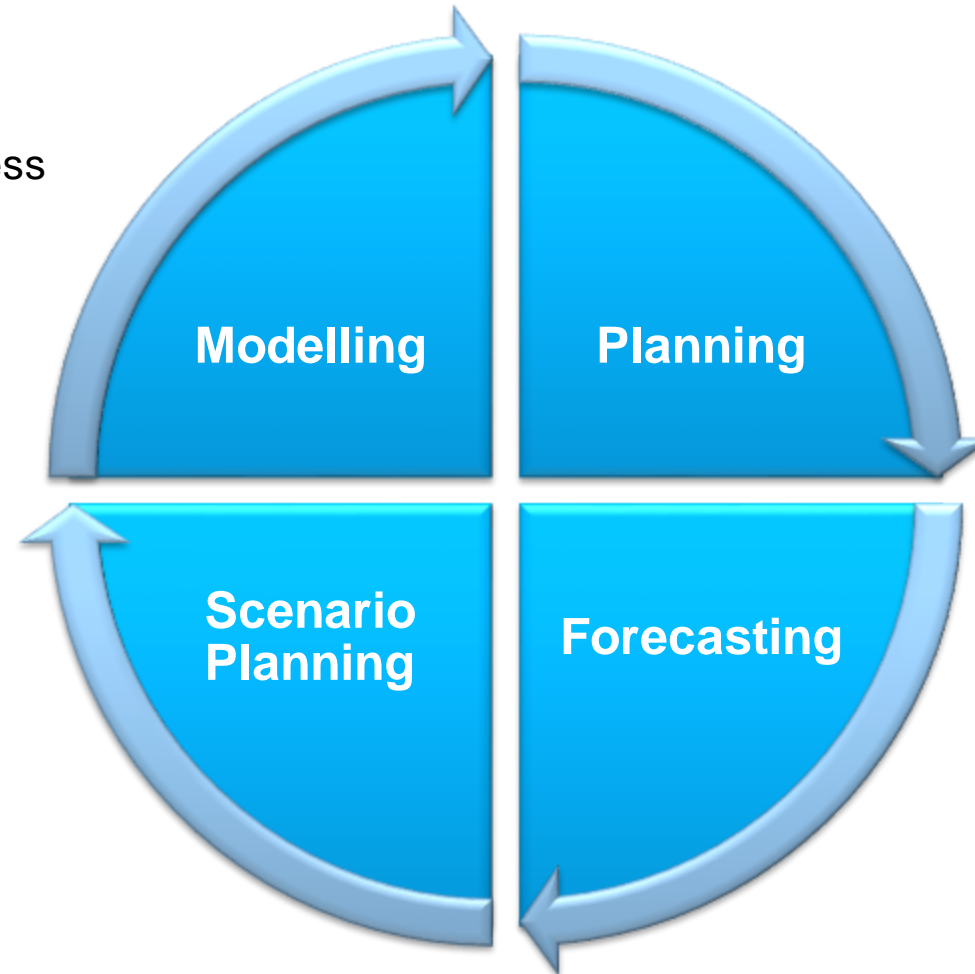
PERFORMANCE ANALYSIS
MANAGEMENT REVIEWS



How Predictive Analytics Optimize Plan

- **Identify Drivers & Assumptions**
with highest impact towards business objective, eg. Revenue, profits, market share, cost.
- *Principal Component Analysis.*

- Identify **most likely scenarios.**
- *Classification Algorithm.*



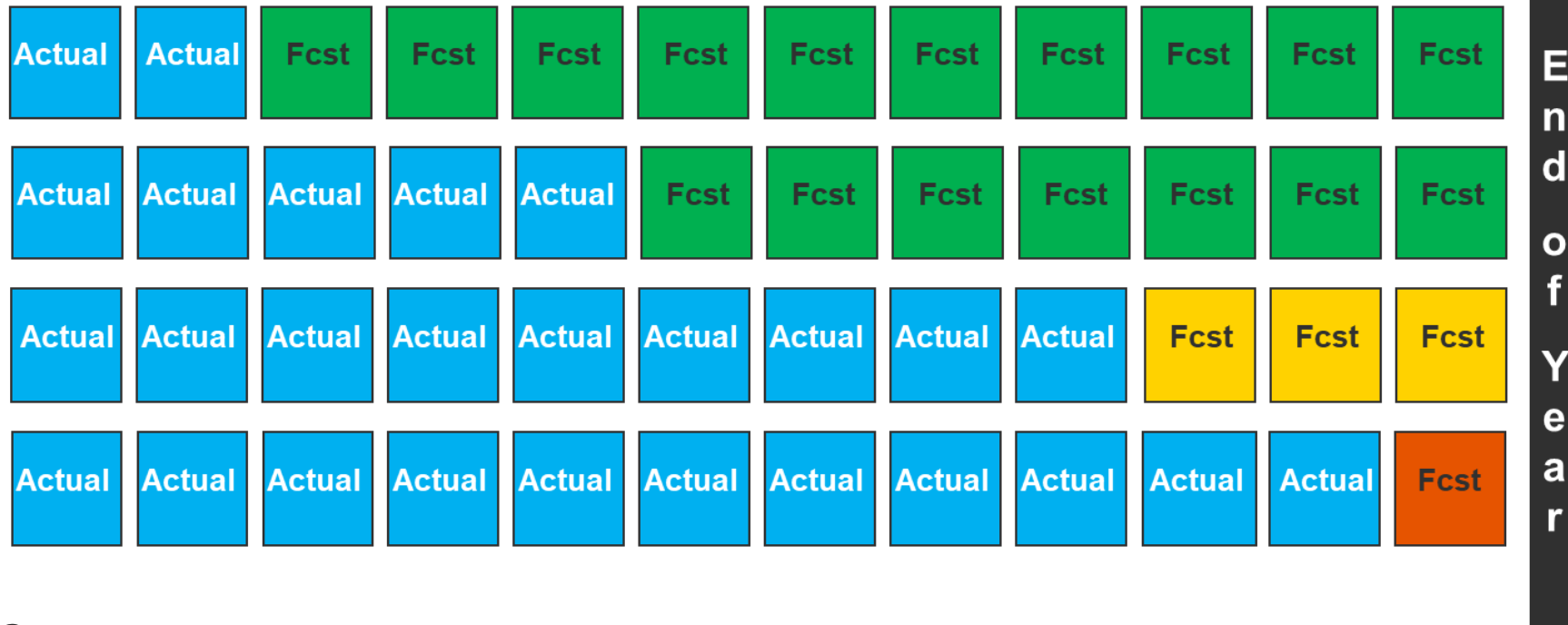
- **Identify the Planning Values**
for optimum business results.
- *Genetic Algorithm.*

- **Generating predictions** of
future values or events.
- *Regression Analysis.*

2) The Problem: Static Planning



The Wall



Issues:

- Requires detailed projects upfront (15 months in advance).
- Outdated once finalized. Resource allocation not changed to reflect changes in strategy or environment.
- Focus not on driving success of organization.
 - Secure resources, individual performance.

What If...

You can update your plans continuously



Rolling Forecast for 12 month horizon.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul			
Traditional Forecast				Q1 Forecast																		
							Q2 Forecast															
										Q3 Forecast												
Rolling Forecast				12-month view																		
					12-month view																	
						12-month view																

Benefits:

- Update to plans continuously in line of internal and external fluctuations.
- Reduce risks. Reallocate resources early and often.

IBM study on Rolling Fcst:

- 12% more accuracy
- 50% less budget preparation time
- **10% more profitable**

The Challenge:

Time to Update Forecasts



33%

Data aggregation and verification processes

29%

Team resources

23%

Software/tool limitations

15%

Collaboration skills

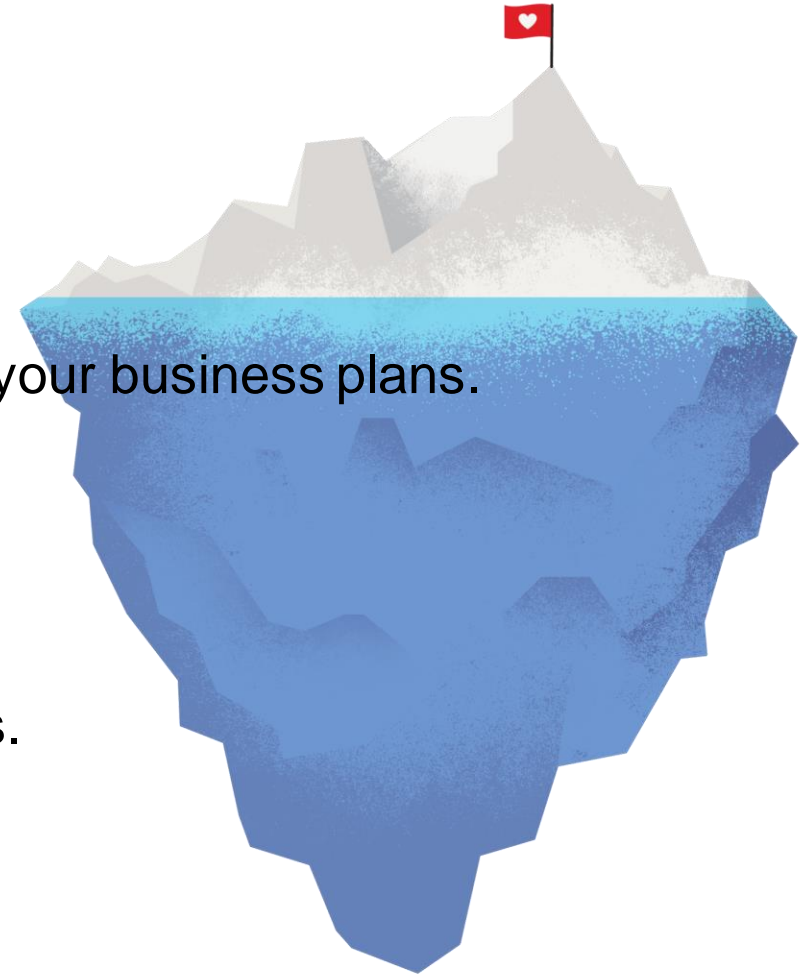
Biggest Time Challenge to Meeting Requests for Updated Forecasts

The True Cost of Static Planning



Wastes or Opportunity Costs from:

1. **Resources** for preparing budgets and monthly reports.
2. **Opportunities lost** due to lack of visibility and flexibility of your business plans.
3. **Misallocation of resources.**
 - Eg. Working capital lock-in from excess inventory, resources.
4. **Recurring problems** due to inability to identify root causes.
5. Lack of (or delays in) **decision making.**



Key Features of a CPM Solution



1. Flexible and Integrated Modelling
2. Collaboration
3. Integration with Transactional System
4. Integrated Dashboards and Reports
5. Ad-hoc Diagnostics
6. Management and Ad-Hoc Reporting
7. Financial Consolidation

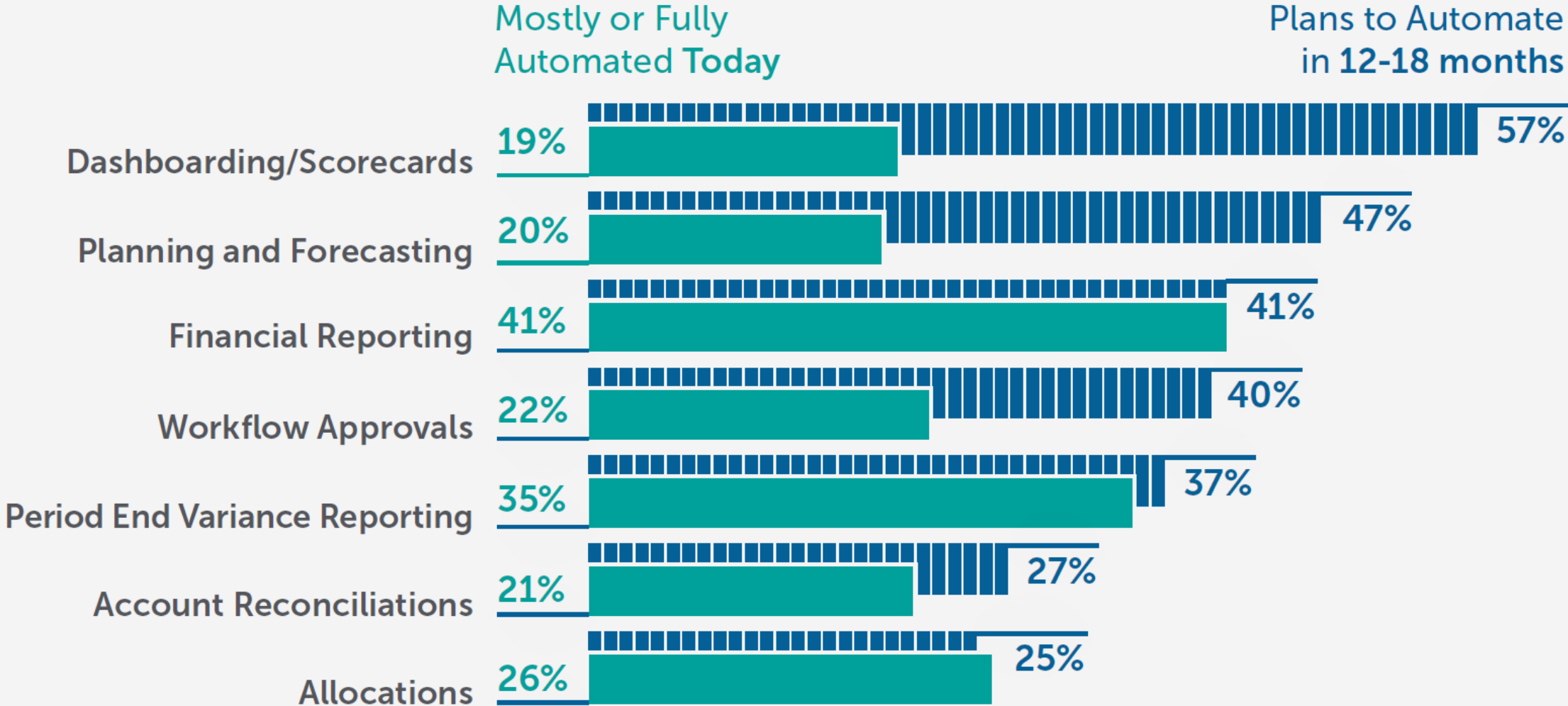
Video: <https://www.adaptiveinsights.com/demo/financial-planning-analysis>



Key Features of a CPM Solution

	<u>Excel</u>	<u>CPM</u>
1. Flexible and Integrated Modelling		√
2. Collaboration		√
3. Integration with Transactional System		√
4. Integrated Dashboards & Reports		√
5. Management and Ad-Hoc Reporting	√	√
6. Ad-hoc Diagnostics		√
7. Financial Consolidation		√
8. Traceability		√
9. Business Continuity		√

What are companies investing in in 2018?



Takeaways:

Call to action



Assess:

1. Effectiveness of your Finance team in strategic role. What are the gaps?
2. Effectiveness your current planning and reporting processes. What are the gaps and cost to business?
3. Effectiveness of your tools in uncovering actionable insights.
4. Business case for Corporate Performance Management and/or Analytics.
 - Consider Capability Development Grant

Financial Support for SMEs

Capability Development Grant



- CDG aims “to support SMEs to scale up business capabilities and ensure business sustainability.”
- Up to **70 percent of project costs** such as consultancy, training, certification and equipment costs.

Eligibility:

- Registered and operating in Singapore;
- Have a minimum of 30% local shareholding; and
- Have group annual sales turnover of not more than \$100m or group employment size of not more than 200 employees.



And If Your Boss Gives You the Projections...



**KEEP
CALM
AND
TRUST
THE CFO**

A large red rectangular poster with a white crown icon at the top center. Below the crown, the text "KEEP CALM AND TRUST THE CFO" is written in a bold, white, sans-serif font, centered on the red background.

Questions or comments?



Thank You



**Agus Tirtoredjo – Director
MS IT Solutions**

T +65 6226 2555

agus@msit.com.sg

