AVOIDING THE PITFALLS

for Corporate Performance Management Initiatives

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The core of management excellence is integration of business processes, organizations, technology and data.

CFOs must lead the charge with a clear Corporate Performance Management (CPM) strategy. It is critical that they help their organizations to see the importance of defining requirements, addressing structural and process challenges early on and managing the change throughout the life of the project.

Implementing a great Corporate Performance Management solution, or even a good one, requires thoughtful, focused leadership and a realistic plan to avoid common pitfalls to success.

Performance Management is an umbrella term encompassing the people, processes and applications that support strategy development, planning and forecasting, financial management, profitability management and reporting and analytics. EPM, CPM and BI are popular acronyms referring to Performance Management. At A&M, we believe that the core of management excellence is integration – integration of business processes, integration of organizational functions, and integration of technology.

In this article, we will share five best practices learned through years of standing up Performance Management Solutions.

Remove Complexity

The Problem: You won't get the value out of a Corporate Performance Management solution if you simply replicate tangled, overly complicated Excel models in the new, more sophisticated system. If you put garbage in, you will get garbage out.

The Remedy: Focus on simplification and standardization. Elevate the conversation beyond what has always been done. Make sure you identify the metrics you'll need to effectively manage business performance, and build the processes and solutions with that in mind. Remember to SIMPLIFY. More detail does not equate to better information, and precision is not an indication of accuracy. Consider the following tips for getting your general ledger and reporting structure in order:

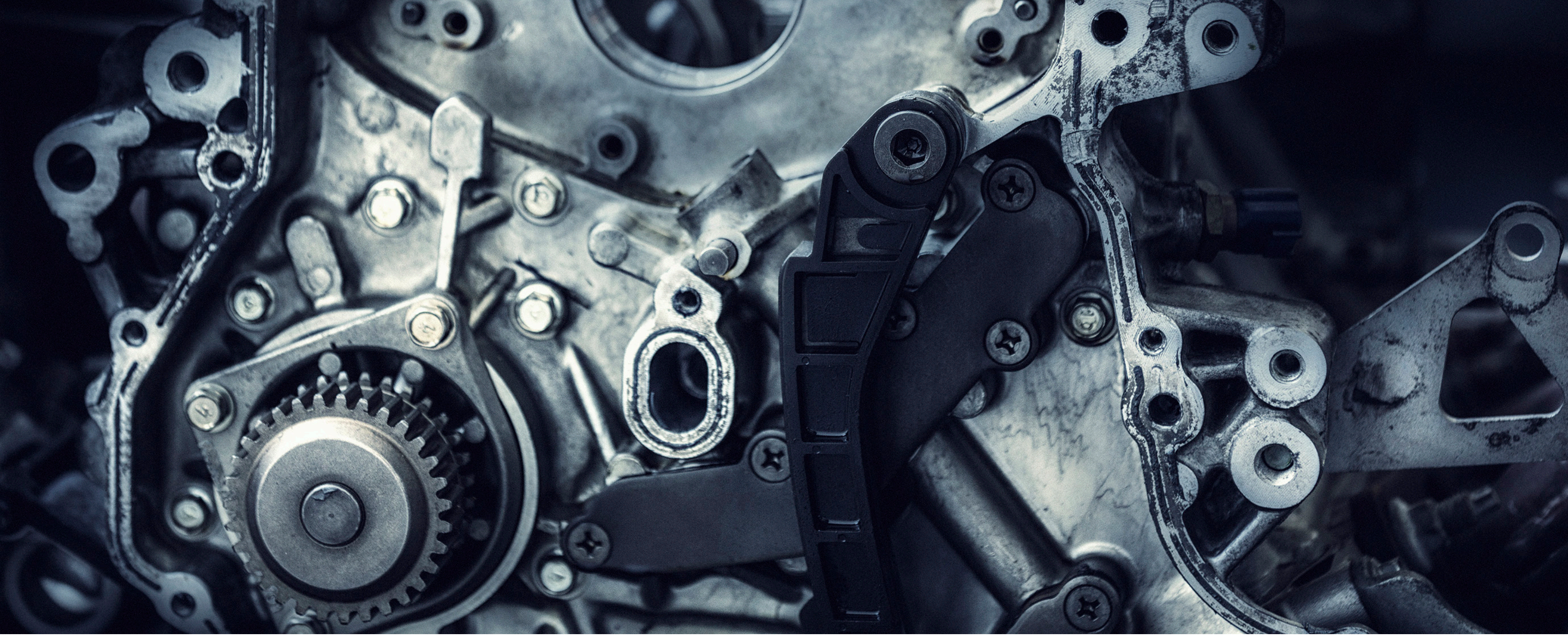
- Create one standard income statement structure for all cost centers that becomes the foundation for variations.

- Create a structure where a group of accounts is owned by a single planner across all cost centers or whereby all of the accounts within a cost center are owned by a single planner – there isn't a right answer, but consistency is key.

- Don't compromise the structure for a few reports – it's better to develop an exception process than to sub-optimize the entire solution design. Also consider technology enablers as a way to support simplifying processes and solutions. Many solution have predefined components, more robust and transparent data integrations, more sophisticated dash boarding and reporting, and built-in digital automation and machine learning.

CASE IN POINT

One of our clients had restructured their general ledger a few years earlier without adequate input from all the stakeholder groups. Most groups had built processes around report extracts of the G/L data, resulting in gross inaccuracies when departmental reports were summed to a company level and a highly manual planning and forecasting process that was costly, inefficient and inaccurate. With our help and the CFO's leadership, the client began redesigning the structure concurrently with their CPM initiative.



Don't Fix the Squeaky Wheel While Ignoring the Broken Engine

The Problem: When you're solving complex business problems through process change and technology enabled solutions, it's easy to get caught up in solving for a particular pain point and lose sight of the bigger picture. The workings of a CPM solution are interconnected – focusing on just one part without considering all of the others is like fixing a squeaky wheel while ignoring a broken engine. Even if the wheel works great, you won't be going anywhere fast.

The Remedy: Start with a vision and strategy before jumping in to solve for one particular pain point. Agree on a roadmap. Create a three to five year plan starting with an initial foundational project followed by subsequent enhancements, ideally in four to six month increments. An advisor with experience can help make sure this strategy positions your initiative for success.

CASE IN POINT

A large consumer products client had implemented a number of reporting initiatives, but still struggled to provide enterprise level insights with the data and information available. An assessment of their financial consolidation process showed they were using multiple systems each with a different set of supporting applications and processes. Furthermore, past reporting initiatives tended to solve for problems in one area, but failed to address the end-to-end integration of data and information. Using a full-enterprise view, we worked with the client to develop a comprehensive roadmap that laid out the projects and timing to ensure future focus and investment would address process, data and reporting deficiencies across the entire organization.

“Out of the Box” Doesn’t Mean What You Think

The Problem: One of the biggest misconceptions is that you can buy an “out of the box” planning system, pump your data into it, design a few forms and reports and then roll it out to your users. For the average large company, there is no “out of the box” system that can plan and report your business, with your chart of accounts, organizational structure and products and services without significant requirements, design, configuration, testing and training.

The Remedy: Do your homework before the implementation begins. Identify and understand process and structural issues before bringing in a system integrator.

Gather hard and soft copies of critical reports and spreadsheets, as well as any documented processes. Research and document what rolls into each line of the consolidated profit and loss statement, and document processes including roles and responsibilities and inputs and outputs. You will be better prepared for your CPM initiative, and the “homework process” will help you identify potential improvements for the future state.

CASE IN POINT

A software vendor convinced our client that moving their planning and forecasting solution to the cloud would be a simple “plug and play” exercise requiring less time than developing an on-premises solution. But while the implemented cloud solution did avoid the common infrastructure challenges associated with an on-premises system, it did not address structural issues with the G/L, the lack of standardization, automation and integration of reports or security. In order to reap the benefits of the system in which they had invested, the client had to retroactively solve for these problems which significantly impacted the original budget and timeline allocated for the project.

Don’t Let Perfect Be the Enemy of Good

The Problem: The benefits of CPM are clear, and your organization needs them now, but building an effective solution takes time. Finance professionals tend to hold out for perfection, but perfection isn’t always practical.

The Remedy: Set reasonable criteria defining when the system can go live and be realistic about the time, resources and prioritization it will take to achieve your goals.

It is rare that a company can do its internal homework, complete a vendor selection process and contract negotiations, engage an implementation partner and go through requirements, design, configuration, testing and roll-out all quickly. That said, you also can’t define “perfect” as the criteria for go live. Set realistic timeframes and criteria for go-live based on your company’s specific constraints. Gauge the amount of progress possible based on your team’s ability to participate in the process design, testing and rollout aspects of the project. Remember, your team already has day jobs. Finally, consider which requirements will drive the most business value, and prioritize accordingly. The majority of the benefits may be achieved through just a portion of the most important requirements.

CASE IN POINT

Several years ago, a large retailer wanted to design a future state planning and forecasting solution to address all the needs of Operations, Merchandising and Corporate business units. They insisted on gathering an exhaustive list of detailed requirements from every group in the company. The requirements gathering process, alone, stretched out over several years as they tried to build consensus among all groups involved. Without clear decision leadership and criteria for what “done” looked like, the subsequent development process took another 3 years as they attempted to reconcile all of the complex and sometimes conflicting requirements. By the time the system was ready for rollout, another company acquired them, and all system and process work was put on hold.

If You Build It, They May (or May Not) Come

The Problem: Just because you develop new, more efficient process and build a great system that simplifies and automates the financial and/or planning process doesn't mean everyone is going to wholeheartedly jump on board.

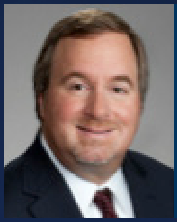
The Remedy: Proactively manage the change. CFOs usually cannot personally manage CPM projects, but they can make sure that everyone involved is aligned on what success looks like. These success criteria should be the common thread that ties every project decision together. Establish a partnership between the CIO and CFO from the outset. Based on our experience, CFOs must lead the change, but they can't be successful without IT's help. The CFO and CIO should be aligned on the overall roadmap and the resource and timeline constraints associated with the plan. Develop plans for stakeholder involvement, communication and training. Goals, priorities and success factors should be communicated top-down, starting with the CFO and CIO. No one should ever have to ask the question "Who is in charge of this Performance Management project." It should always be evident that the CFO is in the driver's seat.

All stakeholders who will use the solution or the information it provides should have a chance to weigh in, starting with process and design requirements and ending with rigorous user acceptance testing. In global organizations, make the extra effort to be inclusive with your international divisions, partners or affiliates. Face-to-face is best. An open exchange of different points of view shortens the time to reach consensus.

CASE IN POINT

Underestimating the pride of ownership in the system or process that is being left behind can doom even the best laid plans from the start. A recent client was on the verge of implementing a new solution that would provide users with significantly enhanced ad hoc reporting, easier data entry, faster turn arounds and reduced administrative maintenance, but their initiative was delayed at every turn by the head of internal audit – who just happened to be the former Financial Planning and Analysis VP who designed the legacy system. Their failure to bring him to the table early on as a critical stakeholder and think through how to manage the change caused significant delays to the overall plan.

CONTACTS



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With over 6,000 people across five continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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