



Tapping into the Power of Integrated Financial Planning

A Primer for CFOs and Controllers

A Prophix whitepaper

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The Executive Viewpoint

The world is messy. It's unpredictable. And, the pace at which forces are shaping how business is conducted around the globe is increasing every day.

In this dynamic business environment, companies have to constantly innovate and grow in order to survive. Fortunately, senior financial professionals do have a powerful tool at their disposal to help them achieve their ambitious corporate goals and stay ahead of encroaching competitors.

That tool is their data.

However, over the last few years, finance professionals have come face-to-face with a harsh reality. Their companies have inadvertently created processes and siloed structures that make it time consuming, labored, and expensive to turn their data into insights that can be acted upon. Without access to data that is complete, accurate, and timely from across their organizations, Finance Departments have had to focus on conducting more mundane and reactive budgeting tasks rather than on evaluating risks and opportunities that shape the strategic direction of their companies.

Meanwhile, the upside of effectively integrating a company's data and planning processes is considerable. Earlier this year, an independent industry research firm reviewed why high performing companies outstripped their industry counterparts. They found that best-in-class companies (i.e. in the Top 20% of their fields) were 45% more likely to have business units that collaborated with the Finance Department in the planning process and were 41% more likely to have financial planning, budgeting, and forecasting applications in place – when compared to companies that were “industry average” and/or lower.

To address the gap in effectively leveraging data when and where it has the greatest impact, Integrated Financial Planning (IFP) emerged from Finance Departments around the world. IFP weaves together operational data, financial data, and strategic data throughout an organization – i.e. across functions, business units, and geographic locations. Because of the collaboration it facilitates, IFP delivers to senior finance professionals ready access to data so that they can make better, more informed decisions. In short, it empowers them to identify the activities that deliver the greatest financial impact across their company. By extension, it enables them to ensure that their companies are more profitable, more efficient, and more future-ready.

In this whitepaper primer, we outline the benefits and costs of Integrated Financial Planning (IFP) so that any senior financial professional can determine if, how, and when to consider unifying technology solutions (e.g. Corporate Performance Management software) that help them unlock the insights captured in their company's data and planning processes.

Paul Barber
President, Prophix Software Inc.

Introduction

Who should read this whitepaper

This whitepaper is for CFO/Controllers (and other senior financial professionals) – in any industry – interested in improving the outcomes of their financial planning processes.

What you will know/be able to do after reading this whitepaper

By identifying the benefits and costs of Integrated Financial Planning (IFP) – this whitepaper will assist CFOs/Controllers to determine how IFP would best suit their organizations. The result: CFOs/Controllers can better prioritize, plan for, and evaluate unifying technology solutions (e.g. Corporate Performance Management software) that enable IFP.

Why Prophix has prepared this whitepaper

For over 25 years, Prophix has served as a valuable partner to senior professionals in corporate finance departments around the globe. In so doing, Prophix has continuously developed, tested, and refined technology solutions that help companies become more profitable, more efficient, and more future-ready.

Prophix recognizes that CFOs/Controllers have the right, the opportunity, and the business acumen to take control of how their companies conduct financial planning. By clearly and concisely identifying the benefits and costs associated with IFP, this whitepaper equips CFOs/Controllers with the knowledge they need to make better decisions about their current, and future, financial planning processes.

As one of the world's recognized leaders in Corporate Performance Management software, Prophix is committed to helping CFOs/Controllers by offering practical tools and insights to ensure that their decision-making is more successful.

Why it is important for CFOs/Controllers to be acquainted with IFP

CFOs/Controllers have the responsibility for ensuring that a company allocates its resources to achieve its growth goals. However, today's growing companies operate in an increasingly unpredictable and dynamic business environment. As a result, CFOs/Controllers have less time to make more complex, more nuanced decisions while the consequences and risks associated with those decisions allow for decreasing margins of error. IFP, along with the unifying technology solutions that enable IFP, help CFOs/Controllers make better decisions.

When CFOs/Controllers should use this whitepaper

CFOs/Controllers should use this whitepaper when doing any of the following activities:

- Conducting in-house reviews of current financial planning processes
- Setting goals for improving financial planning processes
- Exploring ways of improving company-wide decision-making processes
- Establishing criteria for unifying technology solutions designed to improve financial planning processes
- Reviewing the capabilities of unifying technology solutions designed for improving financial planning processes

What research was done to prepare this whitepaper

Prophix drew on the experience of the following internationally renowned groups dedicated to helping improve the effectiveness of financial planning and the outcomes of complex planning processes:

- Aberdeen Group
- Institute of Management Accountants
- Chartered Professional Accountants Canada

Prophix has also drawn upon its own considerable experience in developing tools and implementing unifying technology solutions that improve financial planning processes for many of the world's most influential and prestigious companies across industries, including: financial services, hospitality, construction and engineering, government, healthcare, high tech, life sciences, manufacturing, non-profit, professional services, retail and wholesale, transportation and logistics, and utilities.

Integrated Financial Planning

The Challenge that Integrated Financial Planning Addresses

As a result, Management, and CFOs/Controllers in particular, have a more accurate, more timely, and more complete picture of the impact of their decisions. In turn, they are empowered to better evaluate short-term and long-term activities and plans.

IFP, which effectively weaves data and planning processes together throughout an organization – i.e. across departments, business/operating units, and geographic locations – is made possible by leveraging unifying technologies (e.g. Corporate Performance Management software) that harness processes and data complexities as they evolve.

This collaboration provides greater relevance for CFOs/Controllers and Management than rudimentary planning which is limited to budgeting and is conducted in a Finance Department handcuffed by working with partial, expired, and/or error-ridden data.

At the same time, while IFP provides Finance Departments the ability to conduct long-term financial, operational, and strategic planning, it also enables planning and budgeting at a higher level of granularity. For example, IFP allows for greater frequency of planning (e.g. weekly or daily) as well as extends the flexibility of planning beyond the focus by General Ledger accounts to enable a focus by employee, by product, by customer, by vendor, or by project.

Integrated Financial Planning helps CFOs/Controllers identify the activities that deliver the greatest financial impact across their company.

The Benefits of Integrated Financial Planning

The core benefit that IFP provides for CFOs/Controllers is the clear identification of those activities that deliver the greatest financial impact across their company.

Other closely related and measurable benefits that CFOs/Controllers achieve with IFP include the following:

Increased time savings

Companies that replace basic planning and reporting – along with the manually intensive data entry and manipulation using spreadsheets – with an IFP unifying technology reduce the time required to prepare budgets, reports, and forecasts. While the amount of time savings varies, companies can expect to see project time drop by at least 70%.

Improved financial documents

Because IFP is built on collecting, reviewing, and analyzing data from across an organization, companies can draw in short-term cash planning into their long-term forecasting – which results in better Balance Sheet and Cash Flow projections/planning.

Reduced risk

By adopting IFP, Finance Departments reduce the risks associated with depending solely on a small number of spreadsheet 'power users' for their data manipulation and analysis.

Improved current analysis

Adopting IFP allows members throughout a Financial Department the opportunity to conduct more thorough data reviews and analyses. As a result, they can apply key ratios and business metrics to better validate plans and identify existing business risk exposures.

Improved future planning

Growth-oriented companies require analyses that go beyond explaining past business performance. IFP arms CFOs/Controllers with the ability to identify long-term trends and clearly map out multiple potential scenarios. By improving future-looking planning capabilities, Finance Departments' involvement in shaping the strategic direction of companies is increased.

Real Examples of Integrated Financial Planning

A **manufacturing company** conducts integrated financial planning to report on their distribution business and direct business – calculating margins by product, project, distributor, and personnel. They combine sales forecast data originating in their Customer Relationship Management system with projects and margin data held in their Enterprise Resources Planning system to achieve a consolidated view of revenues and margins. As a result, Senior Management knows the profitability of each product and project and where to focus business/resources to keep ahead of competitors.

A **marketing services company** conducts integrated financial planning to track the time staff and contractors spend on projects and how that compares to original plans. Month-to-date data is used to forecast whether monthly targets will be achieved. This information is reviewed by customer and by project to help manage customers' expectations.

A **manufacturer company** conducts integrated financial planning in their operational planning. Specifically, they calculate product costs by forecasting material prices under several scenarios. They produce sales forecasts based on product categories that roll up directly into their forecasted financials. They also track daily production levels and use this information to forecast monthly production figures. Production managers then adjust their production schedules/activities to determine how to meet production targets.

The Costs of Integrated Financial Planning

The core benefit that IFP provides for CFOs/Controllers is the clear identification of those activities that deliver the greatest financial impact across their company.

Other closely related and measurable benefits that CFOs/Controllers achieve with IFP include the following:

Ability to operate with existing systems

IFP ensures that information upon which to make decisions is complete, current and accurate. As such, IFP requires efficiently moving data between software solutions such as Enterprise Resource Planning (ERP) systems, Customer Relationship Management Systems (CRM), Human Resource Management Systems (HRMS), marketing automation systems, and/or payroll systems. To keep costs in check, any IFP solution needs to work seamlessly with these types of systems.

Ease of use

When adopting IFP, members of the Finance Department need to become comfortable with powerful unifying technologies that help them make better decisions. IFP-enabling solutions that are specifically designed for the unique day-to-day needs of a Finance Department keep the costs associated with learning a new solution to a minimum.

Company-specific flexibility

IFP helps a Finance Department make better decisions if its enabling technology evolves along with the company's changing business needs and circumstances. 'Out-of-the-box' solutions that require extensive customizations increase implementation costs, maintenance costs, and upgrading costs.

Robust workflow

Because IFP pulls together data and planning processes from across an organization, any IFP-enabling solution needs to establish thorough workflow protocols for tasks such as submitting data and providing approvals. Unifying solutions that include items such as templates and reminders will minimize the time, costs, and risks associated with sharing information across large/complex organizations.

How to adopt Integrated Financial Planning

Organizations can adopt IFP effectively without a long-range implementation program that spans every functional area, business unit, or office location.

Best practices suggest that IFP-enabling technology solutions can quickly demonstrate benefits for the CFOs/Controllers through the following progression:

Step 1:

Focus on financial planning or budgeting aimed at the General Ledger level of detail. Include Personnel and CAPEX planning at the same time since doing so automates the budgeting process and enables the development of monthly variance reporting, monthly forecasting, and rolling forecasts.

Step 2:

Focus on revenue-related processes and data in order to provide more accurate revenue plans that include billings forecasts as well as planned, desired, and actual revenue recognition levels. This allows for forecasting revenues based on billing and utilization rates (particularly relevant for services companies). At the same time, combining revenue and personnel data helps in capacity planning.

Step 3:

Focus on product costing and production (most applicable to manufacturing companies).

Step 4:

Focus on customer profitability and product/service profitability reporting to get improved insight into which areas of the business are currently most profitable.

Step 5:

Once all processes/data that influence the flow of cash are determined, focus on disbursements and receipts for forecasting cash.








Next Steps

The Complete CPM Readiness Checklist

Creating a Foundation for Integrated Financial Planning

Corporate Performance Management (CPM) software serves as the unifying technology that underpins Integrated Financial Planning – enabling companies to harness their data and automate complex planning processes for better decision making.

The **Complete CPM Readiness Checklist** helps CFOs/Controllers answer their question, “**Are we ready for a CPM solution to help us achieve the benefits of Integrated Financial Planning?**”

Topics	Action Items	Ask Within Your Company	Ask a CPM Vendor
Planning and data processes that suggest your company will benefit from a CPM solution			
	Have you identified bottlenecks in your budgeting and/or planning processes? Have you quantified how much time this takes (e.g. each Quarter)?		
	Have your planning processes and their outputs been compromised because you have had incomplete and/or inaccurate data?		
	Have you quantified the amount of time spent on manipulating spreadsheets within your Finance Department?		
	How confident are you with the outcomes of your forecasting and/or your 'what if' analysis conducted in your Department?		
	Have you identified the quantifiable benefits your organization, your team, and you could achieve if the time required to collect/analyze financial and operational data was cut by 70%?		

Topics	Action Items	Ask Within Your Company	Ask a CPM Vendor
Planning for a CPM implementation			
	Have you defined immediate/short-term goals that you would like a CPM solution to solve?		
	Have you documented the planning processes that you would like to improve/automate with a CPM solution?		
	Have you confirmed the process for integrating data from your ERP, CRM, HRMS, or payroll system into a CPM solution?		
	Have you identified the area(s) within your company where you would like to increase collaboration for planning, budgeting, and forecasting?		
Due diligence in reviewing potential CPM solutions	Have you identified someone within your Finance Department that would be an initial user of a CPM solution?		
	Have you attended any CPM vendor presentations or product demonstrations?		
	Have you identified the total cost of ownership for CPM solutions?		
	Have you identified a wish list of qualities and functionalities of a CPM solution that would help improve the outcomes of your budgeting, planning, and forecasting processes?		

Topics	Action Items	Ask Within Your Company	Ask a CPM Vendor
Knowledge of the myths and truths of CPM solutions	Have you reviewed industry analyst reports about CPM solutions?		
	Have you spoken with colleagues in your industry about their experiences with CPM solutions?		
Organizational structures that suggest that your company is well suited to benefit from a CPM solution	Does your organization have more than one operating unit?		
	Does your organization operate in more than one geographic location?		
External pressures and/or demands that suggest that your company is well suited to benefit from a CPM solution	Is your organization increasing, or planning to increase, the number of employees or offices in the next 12 to 18 months?		
	Are your competitors regularly bringing products/services to market faster than you?		
	Do you have multiple stakeholders that your business is accountable to?		

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing their risks. Thousands of forward-looking organizations in nearly one hundred countries use software from Prophix to gain increased visibility and insight into business performance. Prophix and its partners deliver superior value by combining high-end functionality with low cost-of-ownership and fast implementations.

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