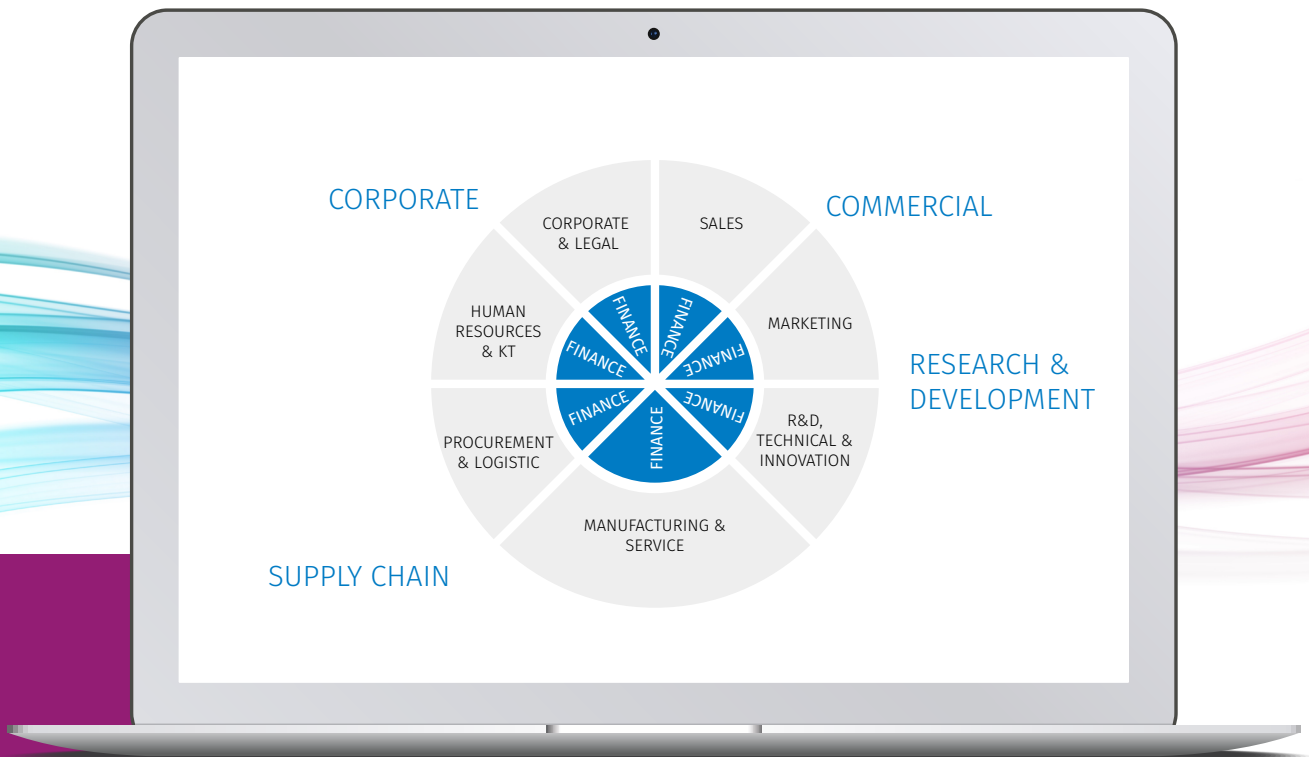


WHITEPAPER

THE 5 STEPS TO MAKE A MOVE FOR CONTINUOUS MODERNIZATION IN THE CFO OFFICE

Unleash your potential to Plan Smarter,
Manage Better and Act Faster



By Marco van der Kooij

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INTRODUCTION

We live in volatile times where business challenges and changes occur every day at an accelerating pace. At the same time technology is also driving change starting with the digital behavior of customers and all other activities in the entire value chain causing increased storage of so-called big data. This is also impacting the CFO Office. Companies and their competitors are in a race to move smarter and faster with innovation and new value propositions impacting margins and the bottom-line. The irrevocable move of the CFO Office to be a business partner for sustainable value creation and supporting the business with their challenges has an impact on people & organization of the CFO Office, information needs, the planning & control cycle and information technology used. At the same time companies are under pressure to reduce costs, despite the growing regulatory and tax demands and the magnitude of data to deal with. This requires standardization for improved automation and a continuous modernization strategy within the CFO Office to keep up.

Why read this whitepaper?

The way enterprise performance management (EPM) and advanced analytics are being used, today and tomorrow, has a significant impact as it is coming into the hands of all business users, who require self-service capabilities combined with Artificial Intelligence for speed-of-thought analysis. When operational, financial, non-financial and external data are combined and provided real-time or near real-time in order to steer the business more effectively with forward-looking insights, this results in a competitive edge when done smarter, better and faster than the competition. This whitepaper describes **WHY, HOW** and **WHAT** is needed for continuous modernization in the CFO Office to involve the right people and overcome challenges caused by current legacy systems.

Key takeaways:

- Data-Driven Decision Making leads to higher productivity and profits;
- Technology is driving change and is impacting the CFO Office. Make sure you are ready for the next steps and know how to make the right next steps;
- A vision and roadmap for continuous modernization is required including impact on:
 - Competencies of People & CFO Organization
 - Information Needs & Data
 - Planning & Control Cycle
 - Information Technology
- Get started to plan smarter, manage better and act faster

1.WHY

Today, the CFO Office is faced with many trends and challenges: demand for more forward-looking and in-depth planning, meeting new regulatory requirements, desire for self-service, real-time analytics, transparency and accuracy demands from shareholders and transforming for new advanced technologies (Artificial Intelligence (AI), Machine Learning (ML), Robotics Process Automation (RPA), predictive analytics). Unfortunately, the lack of automation with many siloed systems for processes and data, as well as the cultural shift needed to switch from data gatherer to data consumer, is holding the CFO Office back from meeting these new demands. Traditional Enterprise Performance Management (EPM) solutions only address one process with only summary data, leaving Finance to use spreadsheets or other systems to bridge the gap between their ERP and their EPM systems, and essentially care more about data integrity than analysis.

The key is enabling digital transformation and mining the powerful resource in the organization, the data, to empower the CFO Office to meet these challenges.

A study from the MIT Center for Digital Business found that organizations driven most by data-driven decision making had:

- **4% higher productivity rates;**
- **6% higher profits.**

Looking ahead, both the CFO and CIO can take the responsibility to enable this **business, finance and information technology challenge** with educated people and a future proof IT-platform in order to be compliant, in control, enable sustainable value creation and agility as a business partner. Many CFO's see the value of a digital transformation, but are unsure how to get started and see such a change as too risky (McKinsey & Company, Memo to the CFO: Get in front of Digital Finance—or get left back, July 2018)

Four digital technologies will reshape the finance function.

AUTOMATION
AND ROBOTICS



To improve
processes

DATA
VISUALIZATION



To give end users
real-time financial
information

ADVANCED ANALYTICS
FOR FINANCE



To accelerate
decision support

ADVANCED ANALYTICS
FOR BUSINESS



To uncover hidden
shareholder value and
growth opportunities

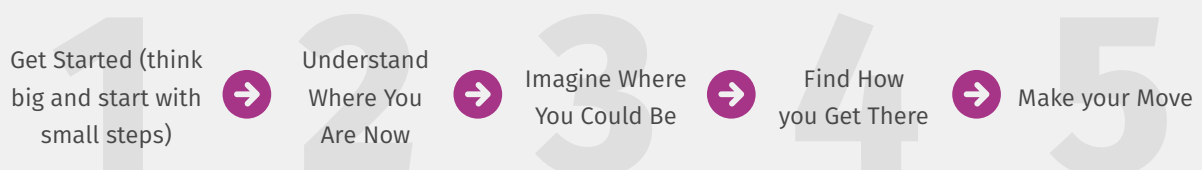
Moreover, from a recent Ventana Research Benchmark in 2019: “The results show that the (Finance) department continue to lag in executing higher-value measures such as the use of analytics and engagement with the rest of the organization, in part due to an inability to utilize information technology more effectively. Competence in using technology is associated with better performance in the CFO Office.”

In this whitepaper a framework is provided on how to Make a Move for continuous modernization in the CFO Office by thinking big and making small steps. Also, to quote Gartner: **“Spending large sums of money to update legacy systems, instead of implementing a continuous modernization program, does a disservice to your organization”.**

2.HOW

Continuous modernization in the CFO Office requires a unified platform for EPM and Advanced Analytics. When legacy systems are used then first a business case is needed to move to a new platform. As mentioned above improving productivity, margins and profits impacting the bottom line directly justifies the investment. Also quantify the total cost of ownership of legacy systems caused by e.g. additional manual work, reconciliations, IT involvement to make changes and for maintenance. Implementing a modern platform provides savings through a lower total cost of ownership and provides more flexibility when owned by Finance. With the 5 steps mentioned below you will be able to assess what needs to be done to define the ambition and vision for the CFO Office with a roadmap to Continuous Modernization via an agile approach in small steps.

The 5 steps for Making a Move are the following:



STEP 1

GET STARTED

There are two approaches for 'how-to' get started for continuous modernization. An outside-in approach and an inside-out approach. The outside-in approach looks at what's going on outside of the CFO Office from a business, regulatory and information technology perspective. Via the following questions the impact of these outside forces can be determined:

1. What are the company's key business challenges in the short, mid and long term?
2. What is the impact of these challenges?
3. How does this affect:
 - a. The information needs of key stakeholders?
 - b. The planning & control cycle?
 - c. Current applications and information technology?
 - d. Competencies of people and structure of the Finance organization?
4. What would you like to change?
5. What are the expected quick wins and their benefits in the short term?
6. What will be the overall expected benefits for your company and for you?
7. What is the value of these benefits?
8. What is the impact of expanding regulatory and tax requirements?
9. What is the impact of emerging technology like artificial intelligence, machine learning and advanced analytics on the CFO Office and how does this effect the CFO's view of the entire company?
10. If you had the power to change things what would you put in place to secure your objectives?

To get a full picture it is also important to take an inside-out approach to determine internal challenges, bottlenecks and shortcomings in the CFO Office.

1. What are the objectives of the CFO Office in the short, mid and long term?
2. What internal challenges, bottlenecks and shortcomings do you experience in achieving the objectives at the moment concerning:
 - a. The information needs of key stakeholders?
 - b. The planning & control cycle?
 - c. Current applications and information technology?
 - d. Competencies of people and structure of the Finance organization?
3. What is the impact of these internal challenges, bottlenecks and shortcomings?
4. What would you like to see improved?

5. What will be the expected impact and benefits?
6. How do you align the CFO's and CIO's roadmap priorities?
7. How would you improve data governance & stewardship, data quality, data integration and master data management?
8. How would you master increasing complexity in information technology?
9. Does the company have a cloud strategy?
10. If you had the power to change things what would you put in place to secure your objectives?

A 'dream team' is required to get started. A dream team is a highly skilled mixed team of people with finance, process, data modelling, data scientist, end user, IT expertise, change management skills and an architect to run the digital transformation program for continuous modernization.

Bringing together the right people will make sure that ambitions and realistic goals are set to get started with the right activities. As the program for continuous modernization will consist of multiple projects for a longer time period, it is essential to have this staff available on top of the current staff needed to perform the regular activities. It is also essential to educate all people in the CFO Office and business users on analytical and soft skills (e.g. communication) in order to be the business partner required. It is expected that the number of business users making use of advanced analytics will grow exponentially in the coming years (in 2020, the number of data and analytics experts in business units will grow at three times the rate of experts in IT departments, which will force companies to rethink their organizational models and skill sets).

STEP 2

UNDERSTAND WHERE YOU ARE NOW

On the next page a maturity model is provided to determine and understand where you are now. A distinction is made concerning people and finance organization, information needs reflected in one or multiple data models, the planning & control cycle and its subprocesses and information technology used. A classification is made in fragmented, connected, integrated and advanced to determine the current-state of maturity of the different components mentioned earlier. It is possible by component or organization unit (e.g. business unit or division) to be in a different classification.

Understand where you are now helps you to define the current state of your landscape. As a next step you can define your ambition and identify the main challenges.

	FRAGMENTED	CONNECTED	INTEGRATED	ADVANCED
Organization	<ul style="list-style-type: none"> Local diverse experts Lack of governance 	<ul style="list-style-type: none"> Local diverse experts Alignment through governance 	<ul style="list-style-type: none"> Center of Excellence for EPM MDM 	<ul style="list-style-type: none"> Center of Excellence for EPM & Analytics Data Stewardship
Data model	<ul style="list-style-type: none"> Separate disconnected models 	<ul style="list-style-type: none"> Separate connected data models 	<ul style="list-style-type: none"> Harmonized financial data model 	<ul style="list-style-type: none"> Harmonized financial & operational single data point model
Process	<ul style="list-style-type: none"> Separate disconnected processes 	<ul style="list-style-type: none"> Separate connected processes 	<ul style="list-style-type: none"> Collaborative, aligned and harmonized financial processes 	<ul style="list-style-type: none"> Aligned & harmonized financial & operational processes
Technology	<ul style="list-style-type: none"> Point solutions 	<ul style="list-style-type: none"> Point solutions Automated data integration 	<ul style="list-style-type: none"> Platform 	<ul style="list-style-type: none"> Platform Extended Analytical Capabilities

STEP 3 IMAGINE WHERE YOU COULD BE

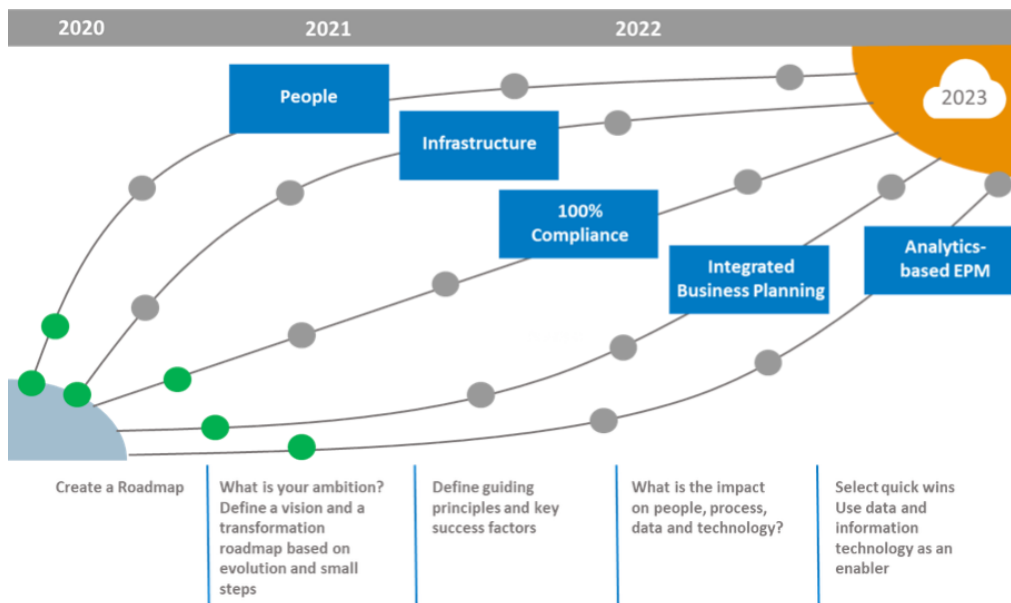
The same maturity model can be used to imagine where you could be. A realistic view has to be taken into account to see what can be realized in the short (1 – 2 years), mid (3 – 4 years) and long term (5 years and longer). Although an urgency to act faster e.g. through severe business challenges or a deadline for new regulation like IFRS 17 for insurance companies may result in a more ambitious program or shift priorities.

However, the need to act and embrace new information technology is apparent, as described earlier. Also, to retain and attract new data and technology savvy talents (millennials), who are used to work with technology in a very advanced way already. If the CFO Office is lagging behind with legacy systems and manual or repetitive work the appetite to work in your Finance organization will be very low.

Please revisit the answers to the inside-out questions on page 4. This will help you to understand where you want to be and what needs to be done to get there in order to realize the Finance vision. Also, it is possible to decide what not to do and evaluate the impact of this.

STEP 4 FIND HOW YOU GET THERE

To find how you get there a roadmap is needed. A roadmap is a means to visualize the steps for continuous modernization from the current state to realizing the Finance vision. It is an evolutionary process in small steps with an agile approach and a realistic horizon.



If you think, as part of your roadmap, e.g. a new modern unified EPM and/or advanced analytics solution is needed and this needs to be justified in a business case then look for the following:

1. Decide on how to best convince key decision makers that there's a real problem with a negative impact on the company's operations and finances;
2. What are the shortcomings and dissatisfiers of the current state and their impact?
3. What doesn't the current software provide to meet the key business challenges and the objectives of the CFO Office?
4. What is the total cost of ownership of the current legacy system, including hidden costs of manual work, security, data protection, waiting time through disconnected processes or long throughput time for making changes?
5. What does a modern software platform provide you cannot do today?
6. Calculate improved productivity in the CFO Office and also from reduced reliance on IT or external resources;
7. What are the benefits to the entire company and is the value of that for your company and for you?
8. Finally, what is the risk and impact of "NOT doing anything"? What would you miss? What would be the impact?

The answers to these questions and the questions in 'Step One' should provide tangible outcomes to make the business case for making a move for continuous modernization in the CFO Office.

As day-to-day activities need to take place a non-disruptive approach is recommended. A modern unified EPM platform with advanced analytics is capable to be extended over time. Once users are already familiar with this modern platform, when new functionality is added, a short learning-curve is mostly the case.

STEP 5

MAKE YOUR MOVE

A holistic view is required to Make your Move for continuous modernization. The framework below is used to identify and make next steps. Each component is evaluated through a number of questions. An example is provided below.



VALUE DRIVERS: WHAT are the unique capabilities the company has to differentiate in its market(s)?

STRATEGY & STAKEHOLDERS: HOW are the value drivers reflected in the company's strategy and information needs of all stakeholders?

FINANCE VISION & KNOWLEDGE: HOW can the CFO Office contribute to the company's strategy and address the stakeholders' information needs?

DREAM TEAM: WHO do we need and **HOW** to organize? **WHAT** is required to retain and attract finance top talent?

SIMPLIFY PROCESSES: HOW can processes be simplified and integrated to manage and optimize the value of business outcomes from business & financial objectives?

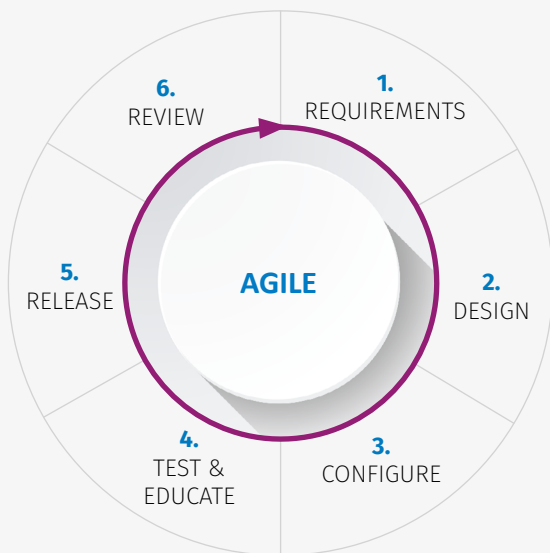
METHODS: WHAT is the maturity of the methodologies used (e.g. ABC, ABM, Integrated Business Planning, Integrated Reporting, automated forecasting by Machine Learning) and are the models up-to-date?

DATA DRIVEN: HOW can the CFO Office improve financial close, compliance, planning, advanced analytics and performance management?

TECHNOLOGY & INNOVATION: HOW can we improve our current technology and systems or is innovation in technology and systems required to make a difference? HOW can we leverage new advanced technology like RPA, AI and ML?

DATA QUALITY & STEWARDSHIP: HOW can the CFO Office act as a data steward to serve business operations and other stakeholders?

The answers are used to create a master plan with deliverables for continuous modernization in the CFO Office. An agile project approach is used to make progress in small iterative steps, like below:



1. REQUIREMENTS

Define and rate functional, technical, non-functional and user requirements

2. DESIGN

Create design document, prototyping and education of project team

3. CONFIGURE

Co-configuration, process-oriented, iterative and system test

4. TEST & EDUCATE

User acceptance test and educate end users

5. RELEASE

Go-live, go live support and after-care

6. REVIEW

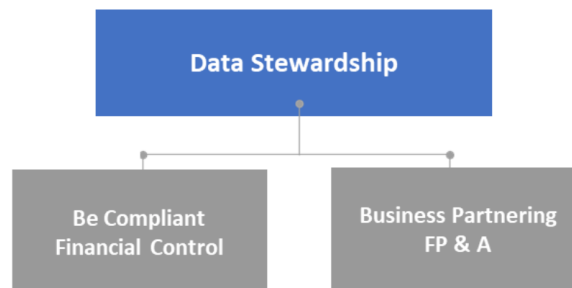
Feedback-loop for improvements

PROJECT MANAGEMENT

Single point of contact, management of scope, time, money, quality and deliverables

3.WHAT

The CFO Office needs to be equipped to meet the objectives to plan smarter, manage better and act faster as a data steward. Data stewardship is the management and oversight of an organization's data assets to help provide business users with high-quality data that is easily accessible in a consistent manner.



The objectives for the CFO Office can be divided in:

1. Compliance and financial control with a focus to **improve efficiency and data quality for higher productivity** in the process from close to disclosure;
2. Financial Planning & Analysis as a business partner to **collaborate with data-driven decision making to improve agility and gain a competitive edge** by providing enterprise wide support to meet the business and finance challenges, where every user is a data scientist who needs to work with:
 - Excellent data visualization for speed-of-thought analysis;
 - Advanced analytics;
 - Through self-service with control.



A data-driven architecture needs to be able to capture both financial and operational data at a granular level to support both EPM and advanced analytics enterprise wide. Preferably owned by Finance to be flexible and to act fast when changes occur.

4. RECOMMENDATIONS

How to get ready for continuous modernization? Below are some recommendations to keep in mind:

- 1.** First, understand where you are and imagine where you could be;
- 2.** Then define what is required in your CFO Office to make next steps? Do you have the analytical and communication skills, IT-tools and a culture for continuous modernization? If not, how do you get them?
- 3.** Implement a Center of Excellence (your Dream Team) for knowledge sharing, to acquire new skills and with a budget to accommodate innovation in the CFO Office and embed analytical skills in business processes;
- 4.** Start collecting and storing the relevant financial and operational data as soon as possible. Collaborate with all stakeholders to define what is needed today and tomorrow;
- 5.** Invest in a unified software platform for EPM and Advanced Analytics, like Wolters Kluwer CCH® Tagetik. The most optimal solution should at least consist of:
 - a.** ONE software package with the technical and functional ability to unify all processes in the planning & control cycle with strong workflow capabilities to guide users and with collaboration tools to share insights based on the same set of master data and data without the need to copy these from one part of the software to another;
 - b.** Store actual and more granular operational and financial data in an information-centric data hub for more reliable trend analysis, outlier detection and forecasting or mandatory regulatory detailed information for e.g. lease accounting or country-by-country reporting;
 - c.** Ability to handle large data volumes with in-memory data processing, non-financial and external data, apply drivers for driver-based planning, version control and excellent capabilities for variance analysis to detect root-causes of outliers automatically;
 - d.** Integrated planning capabilities from strategic planning to driver-based operational planning resulting in a pre-seeding financial budget/target by unit, cash flow planning and a driver-based rolling forecast with top-down and bottom-up planning capabilities and automated reconciliations;
 - e.** A flexible system with built-in planning and consolidation functionality (or intelligence) that can be used and maintained by finance and data savvy users without specialist IT intervention;
 - f.** An agile system that's easy to add new models or dimensionality;
 - g.** Self-service data visualization needs to be top notch, including interactive

- strategy maps, performance scorecards and dashboards, which means adding collaboration and data storytelling functionality with an audit trail;
- h.** ABC/ABM for profitability analysis with easy to apply allocation rules with automatically created journal entries;
 - i.** Excellent integration with MS Excel, Word and PowerPoint for reporting and disclosures with collaboration (multi-user) and data storytelling capabilities;
 - j.** Powerful search, voice-enabled interaction and natural language-based exploration of the data, Artificial Intelligence and Machine Learning capabilities that automatically guide and recommend datasets, visualizations for automated insight discovery and follow-up questions to ask the data and find unhidden patterns in the data to have end-users interact with the data in a new way and (near) real time;
 - k.** Predictive forecasting with prescriptive analytics from an integrated statistical library in order to forecast what might happen in the future and to advise on possible outcomes before the decisions are actually made;
 - l.** Simulation capabilities using driver dependencies and probabilistically cause-and-effects-rules derived from forecast predictions;
 - m.** Strong audit trails on changes to data, processes and master data for transparency.

5. BENEFITS AND VALUE WHEN APPLYING CONTINUOUS MODERNIZATION

	FROM	TO
Role of Finance	Financial, Management & Cost Accountant	Strategic Business Partner
Focus	Story of what happened	Critical decisions to improve future performance
Staff leverage	60% of time spent on collecting and validating data	Freeing capacity so that 60% of time is spent on delivering reliable forward looking insights
Business partnering	Support functional silos	Aligning corporate objectives to financial plans linked to operational tactics and market events
Systems	Complex collection of spreadsheets and disparate legacy systems	One cloud platform for modeling, planning, analysis and reporting across a breadth of financial and operational planning use cases
Challenges	Cost control, compliance and efficiency	Digitization, data literacy, forward-looking insight at scale and speed, data storytelling
Approach to improvement initiatives	Big-bang: Large time consuming initiatives, that are outdated by the time they go into production	Incremental: Short, fast initiatives that deliver measurable value quickly as part of a continuous modernization and improvement program

As value creation is the primary outcome for the use of AI-Enabled Analytics, according to a research by EMA . Greatest value creation is coming from in the following order:

1. Innovation opportunity
2. Time savings
3. Money savings
4. Resource savings
5. Risk avoidance

6.ABOUT THE AUTHOR

Marco van der Kooij is Managing Director of ForSight Consulting and Domain Expert Digital Transformation in the CFO Office. He has over 25 years of experience in enterprise performance management and business intelligence. During his career he has been involved in more than 250 projects across Europe.

ForSight Consulting supports the CFO office to align its Enterprise Performance Management (EPM) capabilities with scalable finance technology to achieve the goal of sustainable value creation and to improve agility. We do this by helping them benefit from an enhanced understanding of EPM practices, knowledge of enabling and emerging technologies and leverage a network of more than 170 EPM experts. ForSight Consulting helps customers to uncover the opportunities created by an effective and efficient EPM function optimizing financial close, compliance, planning, forecasting, profitability analysis, performance management & advanced analytics to drive improved financial and operational results. ForSight Consulting also supports the CFO office orchestrate their finance & operational data and technology strategies to drive sustainable value creation through continuous modernization.

ForSight Consulting provides a 1-day inspiration workshop and 5 days hands-on workshop to define a vision and roadmap for continuous modernization in the CFO Office and supports with the creation of the business case.

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Together, [inlumi](#), [Inulta Consulting](#) and [ForSight Consulting](#) have established a strategic alliance to support the digital finance transformation in the CFO Office by providing full service and end-to-end Enterprise Performance Management and Advanced Analytics solutions from advisory and functional consulting to operations and infrastructure with more than 170 EPM experts




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ⁱ MIT. Strength in Numbers: How Does Data-Driven Decision making Affect Firm Performance?

ⁱⁱ Gartner. Magic Quadrant for Analytics and Business Intelligence Platforms. 11 February 2019

ⁱⁱⁱ EMA. Innovation in the use of artificial intelligence and machine learning for business intelligence. EMA Top 3 Report and Decision Guide for Analytics Leaders ENTERPRISE MANAGEMENT ASSOCIATES® (EMA™). Report by John Santaferro. Page 3. July 2019.