



SYNFINY

A D V I S O R S

LEADING PRACTICES PAPER

**HOW TO BUILD A
BUSINESS CASE FOR
FP&A TRANSFORMATION**

SynFiny Advisors LLC

INTRODUCTION

There is an old anecdote: “if you don’t know where you are going any road will get you there.” This is especially true today in finance and accounting as the CFO or CEO attempt to simultaneously deliver:

- Improved Forecast Accuracy
- Fewer People
- Lower Cost
- Improved Visibility
- Faster Data
- Easy Access to Data

To deliver this wide range of expectations, the CFO’s of leading corporations around the world are transforming Financial Planning and Analysis. However, the business case for justifying the FP&A change is not always easy to create. In most situations, FP&A has no aligned vision, detailed strategies, or fully developed action plans. And when the vision or strategies do exist, many times they are not aligned across senior Finance and Accounting leadership or other functions in the corporation, which typically results in partial implementation or inadequate adoption.

By first creating the FP&A vision, strategies, and action plans it becomes far easier to write the business case and then gain C-level support and approval for FP&A transformation.

READING THE TEA LEAVES OR STARING INTO THE CRYSTAL BALL

The vision articulates the end state of transformed FP&A. The vision should be a challenging and aggressive view of the future of FP&A (i.e., What does FP&A look like in 5 to 10 years out?). This does not mean you will necessarily achieve the full vision but even a partial achievement would be a significant improvement over the current state.

The best FP&A visions are simple and to the point. They do not require the organization interpret the vision statement. It should be articulated in a way it could be read and understood by anyone inside or outside of the company.

- ✓ From a C-level suite standpoint, it should be written in a business friendly way so functional leaders will be supportive of the FP&A transformation plans.
- ✓ From an organization standpoint, it should be written in a way employees would be inspired and excited about the future.

The following “potential” FP&A vision statements were based on a sampling of the mission statements of 10 companies across various industries.

POTENTIAL FP&A VISIONS FOR COMPANIES FROM VARIOUS INDUSTRIES

Company Mission Statement	Potential FP&A Vision Statement
1. Wal-Mart (Retailer) We save people money so they can live better.	FP&A enables best in class price and cost data to deliver industry lowest cost and profits.
2. Southwest Airlines (Airline) Dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.	FP&A maintains and provides the most accurate and timely salary data to ensure we are able to deliver the maximum but competitive compensation levels for our employees.
3. Starbucks (Food & Beverage) To inspire and nurture the human spirit— one person, one cup, and one neighborhood at a time.	FP&A translates per cup financial insights which enable business decisions and optimizes profits from each consumer, in each cup of coffee, and by our neighborhood stores.
4. Citigroup (Banking) Our goal for Citigroup is to be the most respected global financial services company. Like any other public company, we're obligated to deliver profits and growth to our shareholders. Of equal importance is to deliver those profits and generate growth responsibly.	FP&A ensures our profits and revenue growth are in excess of the industry. While at the same time, maintaining strong stewardship in the bank.
5. Ford Motors (Automotive Manufacturer) We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world.	FP&A enables the delivery of sales and profit targets by each consumer and country for mobility to ensure optimal penetration into each market we operate.
6. Harley Davidson (Motorcycle Manufacturer) We fulfill dreams through the experience of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments.	FP&A enables selective by country sales and price targets to enable rapid growth of our industry-leading motorcycles and branded products.
7. Nike (Shoe Manufacturer) To Bring Inspiration and innovation to every athlete in the world.	FP&A provides best in class pricing data to maximize profits with each and every consumer group around the world.
8. The Walt Disney Company (Entertainment) The mission of The Walt Disney Company is to be one of the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.	FP&A penetrates and understand the financials of our content, service, and consumer products. Through this understanding, we are able to deliver timely and accurate data to ensure maximum profits to the company.
9. Amazon (Internet Retailer) Amazon's vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.	FP&A provides deep understanding of the financial aspects of on-line retailing to enable best in class profit margins
10. Apple (Computer and Entertainment Devices Manufacturer) Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings.	FP&A enables a reporting platform for both upstream and downstream product financials to provide business insights. This enables our computers to achieve leading performance while delivering shareholder value.

The vision may be scary. The best vision articulates a future state which is difficult and time consuming to achieve. The CFO and Finance Leaders may need to over communicate so their organization understands and commits to the vision.

There are situations when a vision becomes too esoteric. If you find yourself struggling to identify specific actions to deliver the vision you have gone too far into the future. At least, for now, the vision is too far beyond the current realm of possibilities, capacities, or capabilities. However, keep this vision in the back pocket, since it may be a vision to come back to later in the life cycle of the FP&A organization.

BUILDING BLOCKS OF STRATEGY

The FP&A strategies are the building blocks required to get to the end vision.

The critical choices are determining which aspects of FP&A need to be transformed to move from current to future state. The FP&A tasks in a company vary from strategy development, new business modeling, forecasting, budgeting, management reporting, analysis, working capital, cash forecasting, and capital spending. It can sometimes be quite difficult to determine which of these tasks should change, how they should change, and when the interventions are required.

There is little chance of success if you attempt to fix all areas of FP&A at the same time. The strategies can and will evolve over time as the FP&A area is step changed according to the transformation plans and time lines.

The challenge for any CEO or CFO is to determine the right strategies and exact sequencing to support the FP&A vision. The company vision statement is the first place to start when determining the FP&A priorities. The FP&A vision and strategies should be consistent with the overall company plans.

For example, when a company prioritizes top line sales growth, finance needs to be focused on delivering transformation projects related to areas such as pricing, discounts, sweeten the mix initiatives, or other sales growth plans. Thus, the CFO would have included analysis and sales forecasting as key strategies in support of the overall FP&A vision.

TURNING VISION AND STRATEGY TO ACTION

We are now to the detailed action steps required to turn vision and strategies into reality. This is the point where the “rubber meets the road.”

This is also the step in the visioning process where you check and confirm sufficiency of resources, funding and allotted time to complete the end-to-end FP&A transformation. If anything is missing, you will want to go back and request more funding, resources and time. If any of those three are missing or inadequate, go back to the CFO or CEO and reassess the vision and strategies.

A few examples of potential actions to transform FP&A:

- ✓ Create and leverage multifunctional networks
- ✓ Develop pricing tools to increase sales growth
- ✓ Develop budget tools to decrease overall marketing spend
- ✓ Expand locally developed tools or processes into all business units
- ✓ Create and roll out best in class tools, work processes, and organization
- ✓ Create and roll out a global process ownership design
- ✓ Develop simple to read, easy to access, and anxiously anticipated reports
- ✓ Develop network to share/reapply best practices
- ✓ Create training materials to build overall capability in the organization

Once the vision, strategies, and action plans are complete, it should be reviewed once more with the C-level functional leaders for approval. The approved document can then be shared broadly with the organization (finance and accounting and all other functional leaders). If there is not unanimous support for the plans then continue to refine until there is full support.

WATCH OUT FOR CULTURAL WARNING SIGNS

The future of FP&A is now clearly articulated. However, this does not ensure a successful FP&A project. Each and every company has a unique culture that may need to be adjusted prior to launching the FP&A project.

There are a number of common issues that may need to be addressed prior to any successful FP&A transformation. Below are a few common cultural warning signs:

- ✓ **General mistrust in the motives of management** – An organization mistrusting the motives of management will not fully benefit from the regularly available and more transparent FP&A data.
- ✓ **C-level leaders are unable or unwilling to follow basic processes or timelines** – Refusal by senior leaders to follow process or time lines for forecast or budget data ensures the organization will be unable to drive efficiency in the FP&A process.
- ✓ **Intentionally delaying or providing incomplete status of the business** – The new FP&A processes deliver more timely and complete data. This enables the data to be turned quickly into insights and in turn improve business decisions. If data is delayed or incomplete this will not occur.
- ✓ **Functions assume responsibilities of tasks belonging to another function** – The functions need to “play their own position” when it comes to completing the FP&A tasks. The new FP&A processes will be created so each function is responsible for their key competency or expertise.

- ✓ **Data is held back from management until reconciled to the final penny** – The need to drive false precision into forecast or budget ensures the process will be less efficient and effective.

DOCUMENT AND APPROVE THE BUSINESS CASE

By creating the FP&A vision and strategy, the detailed action plan, and highlighting those areas of company culture needing to be improved, it is now much easier to formalize the business case summary.

The business case summary encompasses:

- ✓ **Business rationale for the change** – What is driving this change? What is the business issue being fixed? If you are unable to articulate a clear issue, challenge the need for the transformation.
- ✓ **Scope of the full project** – What is being transformed? Is the transformation focused on one area of FP&A? Or all areas?
- ✓ **Benefits realized** – What will the transformation project achieve? Is it to deliver cost savings, higher sales, improved productivity, improved analysis, transforming data into insight, internal controls, or something else? The benefits should be clear to all and possible to measure.
- ✓ **What company cultural aspects need to change** – The required cultural changes should be clearly spelled out in the business case. It should include what support is needed from the C-level functional leaders.
- ✓ **Required investments or resources** – How much is the investment? Which resources are needed? Internal and external? Provide a high and low level estimated range of spending and resources.
- ✓ **Significant interdependencies** – Are there other company projects or initiatives impacting the FP&A project? This could be across the organization – from planning, to marketing, to manufacturing, to sales, to new accounting systems.
- ✓ **High level time line** – How long will it take? What is the impact if it takes twice as much time? Make sure C-level leaders are comfortable with a long and painful journey. The benefits will outweigh the pain but get leadership support to the inevitable bumps in the road.
- ✓ **Review and approved** – The C-level functional leaders should now review and approve the plan.

THE PATH FORWARD...GAIN ALIGNMENT AND GET MOVING

The vision, strategies, and action plans have been full developed and aligned with the senior leadership of the company. The business case summary has been documented and approved for implementation.

The path forward is:

1. Assign a FP&A project owner for the transformation

2. Establish a full-time multi-functional data team
3. Develop the detailed project plan
4. Maintain regular action plan updates with the C-level functional leaders

The FP&A processes are some of the most critical business processes in any company. Whether you decide to start by transforming profit forecasting, cost forecasting, overhead or marketing budgets it is essential to keep all impacted functional C-level leaders updated on the progress. And enlist their help, when roadblocks or obstacles are faced during the challenging and sometimes painful transformation.

Finally, company culture should not be forgotten while implementing the FP&A transformation. There will be many situations where the organization will try to resort to the previous bad behaviors if there is no regular communication and feedback loop from the organization to the project team to the C-level sponsors and back again.

ABOUT SYNFINY ADVISORS

We value experience. Our advisors leverage decades of Fortune 50 experience in financial planning and analysis and shared services design and operations to deliver breakthrough solutions for our clients. Prior to joining SynFiny, our advisors have designed and operated global FP&A and accounting work processes (forecasting, budgeting, analysis, reporting, etc.), created global organizations (both centralized and in shared service centers), and rolled out various FP&A and Accounting systems and tools. This collective experience has been distilled into a proprietary consulting methodology that enables our advisors to quickly apply their experience to the specific objectives of our clients, leading to faster and longer lasting value creation.

You can learn more about us at www.synfiny.com.

ABOUT THE AUTHOR

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