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TRANSFORMATIONAL JOURNEYS: MODERN BUSINESS PLANNING

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How cloud-based financial planning and analysis systems are helping companies work faster and smarter

TRANSFORMATIONAL JOURNEYS: MODERN BUSINESS PLANNING

NO ORGANIZATION CAN thrive in a vacuum. Yet at many companies, the finance organization is asked to do just that. Despite the importance of the finance role and its unrivaled view of the enterprise, it is often seen by business leaders as a gatekeeper, headed by an executive derisively dubbed the "CF No." Hamstrung by their siloed processes and finance-centric view of the world, CF Nos steer their companies to suboptimal performance because companies perform best when finance operates not as a gatekeeper but as a true business partner—a strategic adviser, an identifier of opportunities, a facilitator in seizing and capitalizing on those opportunities. Without that partnership, companies evolving and competing in an ever-changing marketplace are almost certainly destined to fall short.

The plain fact is that finance cannot act as a strategic partner when it is isolated from the rest of the enterprise. The fault lies not just with organizational structures or historic views of the role that finance plays, but also with the technology of finance. Complex, cumbersome, and opaque, conventional finance systems discourage collaboration and underscore the organization's distance from the rest of the enterprise. In an age of big data finance—in which decisions are shaped by an endless stream of data coming from enterprise systems, point-of-purchase sensors, news feeds, and social media sites—companies need more access to information, not less.

"Conventional systems are inherently closed because they're seen as the repository of the company's crown jewels—and companies do not want everybody in there mucking around with the crown jewels," says Christine Dover, research director for enterprise applications and digital commerce at IDC, a global provider of market intelligence, advisory services, and events for the technology and telecommunications markets. As a result, finance extracts data after the books have closed and delivers reports that look backward rather than forward.

"Compared with where we were 30 years ago, current systems are manna from heaven," says Robert Kugel, CFO and head of business research at Ventana Research, a benchmark research and advisory services firm. "But for where we're headed, today's solutions will be increasingly inadequate." It isn't just the systems themselves that are the problem, he says. Companies don't pay enough attention to how they handle data. Consequently, extracting, processing, and delivering information from them is often spreadsheet-based, making it manually intensive and time-consuming.

PARTICIPATORY ENTERPRISE PROCESSES

Decision makers know they're not getting everything they should under that approach. In a recent study by Ventana Research, business leaders ranked collaboration second only to analytics as their highest technology-related innovation priority.[1] Finance leaders don't always share their sense of urgency. Ventana's research found that while 21 percent of executives in front-office roles say business and social collaboration are very important to their organization, only 4 percent of those in accounting and finance roles agree.[2]

When pushed, of course, "they (CFOs) all agree that partnership between finance and business is key," says Christophe Platet, partner and CEO with Abington Advisory, a European business consultancy headquartered in Paris. "But in real life they are focusing on the finance vision and use finance and accounting language that most business managers consider technical."

Companies need a new way forward by making planning a participatory process that allows business leaders throughout the enterprise to work hand in hand with finance. They're seeing this collaboration in new, cloud-based financial planning and analysis systems delivered via the software-as-a-service (SaaS) model. These systems have begun to break down barriers to collaboration and encourage strategic partnerships between finance and business users. Cloud-based and mobile-friendly, they represent an alternative not only to budgeting on Excel spreadsheets, but also to the legacy financial planning platforms that many organizations have used since well before workforces mobilized and corporate data moved off-premises and into the cloud.

"All the new system innovation, in terms of commercial application, is happening in the cloud," IDC's Dover says. "Businesses that are adopting these cloud applications are becoming more competitive. At some point, everyone is going to have to move to it."

Indeed, a majority of large and medium-sized organizations have embraced at least one type of cloud-based computing application, according to a survey of more than 500 managers and executives by Harvard Business Review Analytic Services. Of the 60 percent now using the cloud, roughly half of them now consider the technology a critical part of their infrastructure. Figure 1

What's more, for many of these organizations, the adoption of the cloud has already transformed them. In fact, the larger the company, the more likely it is to have been transformed by adopting cloud. Figure 2

"At the smaller end of the business universe this is a no-brainer," says Dennis Howlett, cofounder of tech media site Diginomica. "The middle and top-end companies are more complex, but the global 2,000 leading companies are just doing it anyway. There are reasons why they are leading companies, and technology is one of them."

THE RISKS OF STANDING STILL

Why isn't everybody following their lead? CFOs and tech gurus cite a variety of reasons. "Financial planning is so time-intensive at many companies that you feel you never have a sufficient window of opportunity to take out the old platform and put in something new," says Mark Rubash, CFO of Eventbrite, a San Francisco-based company that provides online ticketing and registration services for music festivals and other events. "By the time you've created your annual plan you're in the heat of battle, and then it's time to start the next one."

1 "Business Technology Innovation: Key Trends in Optimizing IT for Competitive Advantage," December 2012, Ventana Research, as referenced in Ventana SVP research Robert Kugel's September 25, 2013, blog post, "Next-Generation ERP Must Take a Giant Leap"

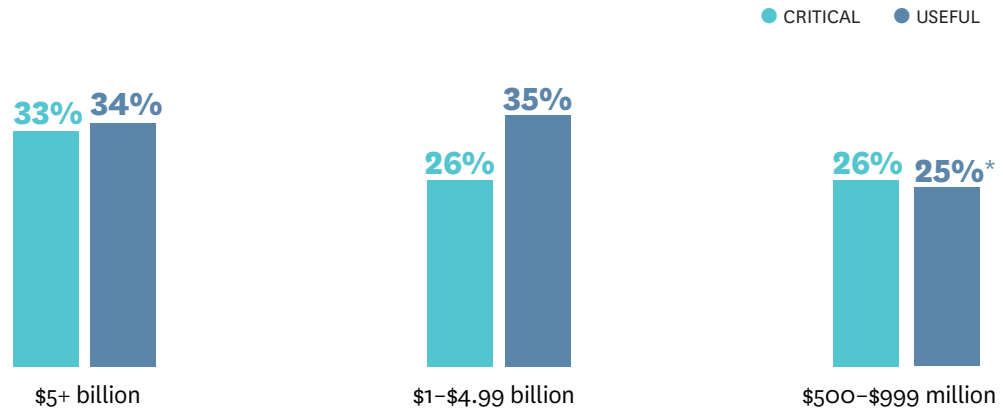
2 "Next-Generation ERP Must Take a Giant Leap," by Robert Kugel, SVP research, Ventana Research, September 25, 2013

Other CFOs live with the shortcomings of their legacy systems because finance executives are inherently conservative. "CFOs don't like to take risks, and anything that involves change involves risk," Howlett says. Still other CFOs don't appreciate how quickly cloud-based systems can be implemented—90-day rollouts are not unheard of—in part because they have painful memories of difficult, multiyear implementations with on-premises systems. Yet at a time when market spoils go to the most agile companies, many analysts say, holding fast to older, slower systems and processes comes with its own risks.

FIGURE 1

MOST CONSIDER CLOUD AT LEAST A USEFUL PART OF INFRASTRUCTURE

Percentage of respondents indicating their assessment of the current role of cloud technology



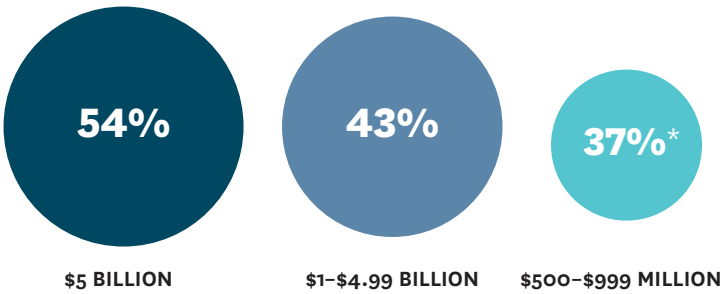
*N = 21–22, may not be statistically significant

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, MARCH 2014. N = 441

FIGURE 2

CLOUD TRANSFORMING MOST LARGE ORGANIZATIONS

Percentage of respondents reporting that cloud technology had transformed their organization



*Note small sample size (N = 23)

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, MARCH 2014. N = 188

62%

of executives say cloud is increasing productivity

And of course, some CFOs worry about the security of their data in a cloud environment, although tech experts say that's an increasingly specious argument. While it's important to ensure that cloud vendors adhere to appropriate security protocols, "the notion that security is a concern with cloud-based systems is misguided," Kugel says. "In a lot of cases—maybe most—your on-premises system may not be as secure as a cloud-based system. People need to recognize that it is in the absolute best interest of the SaaS provider to make sure they have everything nailed down. They're better able to afford security specialists and to invest in systems to provide better security because they can spread the costs across all their users."

TRANSFORMATIONAL DATA AND THE STORY BEYOND THE NUMBERS

Many CFOs who, like Rubash, have embraced cloud-based financial planning and analysis have come to view their decision less as a discrete technology choice and more as key means of transforming their organizations—and their companies as a whole. "When I think about transforming a company or business problem, I don't want to make incremental improvements to processes or software, but instead take a completely different view into the uses," says Mike Kail, a thought leader in IT who was recently named chief information officer and senior vice president at Yahoo!. "I want to deploy a completely new solution that allows for an innovative approach to problem-solving. The forward-thinking FP&A systems aren't simply a faster version of Excel in the cloud, but instead allow you to create playbooks around your finances and expenses that are meaningful to CFOs, controllers, and line-of-business owners. They present the data in meaningful ways that are much more actionable than the traditional Excel spreadsheet."

Telling the story behind the data also means understanding the context that surrounds data and gives it meaning. This capability is especially crucial when tying together the implications and context of collaborative planning, social media, consumer sentiments and unstructured third-party data like weather forecasts or commodity pricing reports. Without context, CFOs say, the burden is on users not only to consume terabytes or more of data but also to make sense of it.

FORWARD THINKING—BUSINESS FIRST

That notion of delivering easier-to-consume data is, in fact, a distinguishing characteristic of cloud-based finance systems. Cloud-based systems employ much more user-friendly interfaces than legacy applications, which are primarily designed for highly trained power users working in finance. These more modern applications feature user experiences that mirror those found within consumer applications like Intuit's Mint.com.

The combination of consumer-grade usability and a business-first approach makes it easier for users of cloud-based planning—including those on the front lines of the business—to take advantage of their capabilities, even on a self-service basis. Marketing technology company Acxiom Corp., which started to implement a cloud-based FP&A system earlier this year, says employees who have been exposed to the system found it instantly usable. "Because it is laid out to be more of a visual tool, I think they generally found that they instantly like it," says Chris Garber, the company's vice president for financial planning and analysis and investor relations. "It's very intuitive. Some of our folks are pretty experienced people who have worked for a lot of different companies and are used to looking at data. This is old hat for them, yet most have never had the capabilities the system offers."

FUTURE-PROOF AND IN THE NOW

Cloud-based systems enable faster access to data and analytics in part because in-memory computation services, unlike batch processing, enable real-time analysis. Real-time data isn't always critical to every business or every facet of business operations, but it does provide accurate and, in some cases, transformative information.

Diginomica's Howlett likes to say that companies need access not necessarily to real-time data but to "right-time data," depending on their needs. But he acknowledges that at his own company real-time access to information is tremendously helpful. "Suppose we're looking at some development opportunities and I'm going to spend a few thousand dollars on them," he says. "I want to know what my cash flow looks like. If my information isn't up to date, I can't make those decisions."

Companies are also beginning to layer onto their real-time operating environments new predictive analytics capabilities that help decision-makers identify useful correlations and run what-if scenarios so they can narrow their options around the actions most likely to produce the most desirable outcomes. Once the rarified domain of statisticians, predictive analytics have been working their way into modern financial planning systems, making it possible for finance and even some business users to pinpoint the factors most likely to drive their business, and then identify key risk factors that could jeopardize success. Finally, they can combine those insights to develop risk-adjusted forecasts for virtually any aspect of the business, including revenue, expenses, supply chain efficiencies, and employee churn.

The upshot, according to a survey of more than 500 managers and executives by Harvard Business Review Analytic Services, is that new technologies, including cloud technology, social media, big data, and analytics, are already helping businesses run better. Figure 3

Garber and other users cite a number of additional benefits to embracing cloud-based financial systems, including:

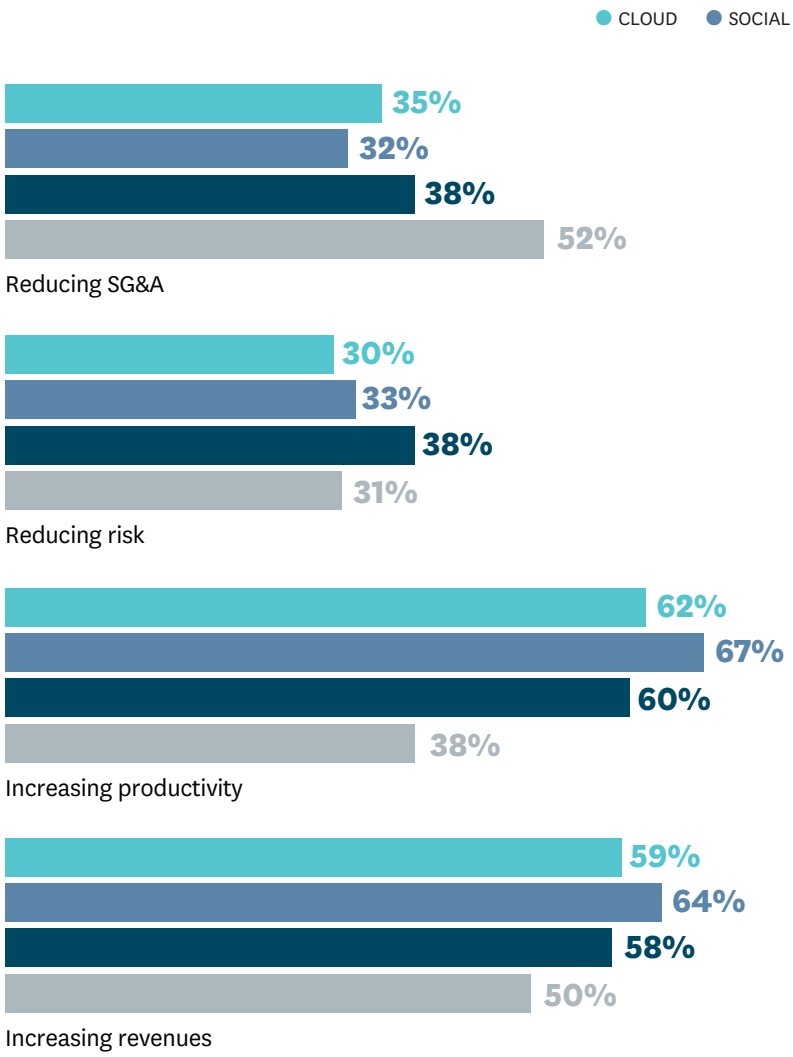
EASIER UPGRADES. Companies that use on-premises financial systems tend to take liberties in tailoring them to their own unique purposes. An unfortunate consequence, says IDC's Dover, is that those systems can become so highly customized that it becomes difficult to migrate to newer versions of the software—and the new functionality the upgrades are meant to deliver. "That's where you get the nightmare stories of being stuck in old releases," she says. Cloud-based systems, by contrast, are typically offered on an SaaS model, with updates delivered automatically, often multiple times per year, with little input required from the end user, although even in SaaS applications some new features may require configuration, implementation, and training.

EASIER CONNECTIVITY TO OTHER SOURCES OF DATA. The same customizations that make it hard to upgrade legacy on-premises systems also can make it difficult to connect them to other critical data systems or interface with new technologies. "It can become impossible to do things like add mobile connectivity or a more social engagement across the lines of business, or to bring in third-party systems and leverage big data," Dover says. Cloud-based systems, by contrast, are designed to be open and accommodate data integration.

FIGURE 3

CLOUD DRIVING TOP AND BOTTOM LINES

Percentage of respondents indicating that a specific technology had an impact on specific organizational goals.



N = 255

SOURCE: HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, MARCH 2014.

A SINGLE SOURCE OF TRUTH. A benefit of working in a cloud-based system that is sometimes overlooked is that it allows all users to work with the same set of data, the proverbial single source of truth. "Instead of passing around a master spreadsheet, you're accessing your data via the cloud using a web-based or mobile app regardless of your location," Kail says. "That allows you to start bringing in more of the real-time aspects of financial planning and modeling."

NO CAPITAL COSTS. Traditional on-premises systems often carry significant and sometimes onerous capital costs, not only for the software itself but for the servers and other hardware needed to run it. With SaaS cloud solutions, there are virtually no up-front capital costs. "By shifting a capital expense to an operating expense, cloud delivery allows companies to stretch their budgets in the pursuit of a lean balance sheet with optimal cash flow," Platet says. "That allows them to invest more in other value-added functionalities." Howlett agrees. "You don't want to be depreciating humongous hardware and software assets," he says, "when technology is moving quickly."

THE BUSINESS CASE FOR TRANSFORMATION

Some companies that have adopted cloud-based financial planning and analysis systems built a traditional business case for doing so prior to implementation. At one level, they found the task fairly straightforward. It isn't terribly hard, after all, to compare the ongoing licensing costs of an SaaS solution with the hard costs of buying on-premises software and hardware, possibly contracting with a vendor to install them, and then maintaining those systems with in-house IT resources.

On the other hand, it isn't so easy to quantify many of the benefits associated with moving finance to the cloud. "How do you quantify the business benefit of not having to staff a reporting team to access data, and being able to build a more nimble, analytical FP&A organization?" asks Garber. "What's the value of a product P&L owner having instant access to a view of their business? Some things were easy to quantify—we could take this number of hours out of different process steps in our close or forecast—and that was part of the return on investment that we calculated for our company. But it was harder to quantify the value of a business owner being able to make better decisions because the information they have is more actionable or available."

Some returns may be hard to quantify, but as the following examples show, CFOs who have embraced finance in the cloud believe their investments have already started to pay off.

REDDYICE

Finance Systems Help Build a Bridge from Bankruptcy

Just over two years ago, Dallas-based packaged-ice maker ReddyIce Holdings Inc. was in Chapter 11 bankruptcy proceedings. As part of its debt restructuring plan, it ceded ownership of the company to one of its creditors, hedge fund Centerbridge Partners, which promptly installed a new management team focused on transforming the company, whose roots date to the early 1900s, into a sustainable 21st-century enterprise.

"We all realized that the way things had been done in the past would not work in today's world," says Elliott Lester, the company's new vice president of information technology. "In today's highly competitive world, customers demand excellence. That requires an ability to understand what is going to happen in the future and the agility not to react to it but to manage it."

ReddyIce had been operating for years with a complex financial system that was not designed to offer real-time data or even connect with business intelligence software. Like many legacy systems, it relied on batch reporting, promoting what Lester called a "very manual, backward-looking financial planning, forecasting, and analysis capability. It did not provide the kind of data intersections that are crucial to a modern company. We were always in a reactive mode. At the end of the month you would review how well you did, but during that month you weren't able to base decisions on current facts, or even a comparison of your forecast and what was really happening."

To get those capabilities, ReddyIce implemented a cloud-based financial planning and analysis system in 2014. It interfaces seamlessly with the new cloud-based human resources software system that ReddyIce also adopted—along with a cloud-based time clock system and a new enterprise data warehouse populated with information from its general accounting system. Drawing on its access to the data in all those systems, the FP&A software is giving ReddyIce managers access to real-time data when they make decisions about when to ramp up or scale back manufacturing operations or add to or reduce the company's seasonal workforce. "If we can save two days in bringing on seasonal workers or a week by letting them go earlier, we can save a huge amount of money," Lester says, citing just one example of how the company is leveraging its new software. "Before we had this new system, we could not do it."

ReddyIce plans to use its new systems to improve worker safety too. "When we're in season and everyone is working hard, we want to understand what we're doing to our own employees," Lester explains. "Are we causing potential accidents by not having enough employees? By having too many? This system will allow us to answer those questions."

Having completed the implementation of its FP&A software in just 90 days, Lester is convinced that it's already helping steer the company in a new and more profitable direction. And, he says, "I think our customers, investors, and our employees are in agreement."

EVENTBRITE

Faster, More Frequent Planning Cycles

When Eventbrite decided to go shopping for a new financial planning and analysis system earlier this year to replace the spreadsheets it had been relying upon, one of its biggest goals was to enable simpler and more frequent planning cycles instead of its more time-intensive annual cycles. The company chose a cloud-based FP&A system to make it happen.

"Lots of companies do annual budgets and refresh quarterly," says Mark Rubash, CFO of the online ticketing company. "We wanted the ability to update forecasts and resource allocations in closer to real time and avoid waiting on a budget cycle or quarterly cycle to make investment decisions. Things just change too quickly."

Rubash also wanted a system that would allow business users to extract information and model decisions on their own, quickly, without having to delve deeply into the system's inner workings. That capability would free his finance team to advise and support the business rather than toil away on spreadsheets in the back office. And he wanted a system that would mesh easily with the cloud-based general ledger system the company was installing at about the same time.

Once he found a system that met all those criteria, committing to its implementation wasn't very difficult. "We didn't even build a traditional business case—we did a lightweight version," Rubash says. "We focused on the disadvantages and problems of a spreadsheet approach and the empowerment that would come from distributing the process to business owners."

Eventbrite is still in the early stages of implementing the new system, but Rubash is already anticipating positive results. "The system we chose distributes the workload across the business, provides high visibility and transparency, and is cloud-based and mobile-friendly," he says. "But it really won the day because of its ability to allow business users to work easily in the system and not be excluded from the planning process. We have high expectations for it."

FINANCE IS A PARTICIPATION SPORT

BROWN UNIVERSITY

Enabling Data-Driven Decisions

When Brown University finally replaced its 1970s-era financial system with a cloud-based system in 2013, it discovered that the budgeting software it had been using for four years couldn't work with the new system's data structure. The school quickly chose to install a cloud-based financial planning and software application that could communicate with its new cloud-based financial and HR systems. The results were revelatory.

"Getting reports out of our 40-year-old system had been pretty hard," confesses Susan Howitt, the Ivy League university's associate vice president for budget and planning. "You couldn't just look at data and slice and dice it in the budgeting system. All our multiyear planning was basically done in Excel spreadsheets, which you can never quite keep in sync."

With its core systems now integrated, managers and decision-makers at the university have a single source of data to work with, eliminating time-intensive manual processes and enabling more collaborative planning that drives better decisions. This also gives university management a much better view into the nooks and crannies of the school's finances. "If somebody comes to the provost and says, 'I need $10 million for a new initiative,' our provost can say, 'That's great, but I see your department has $2 million of unused funds. What's the plan for those funds and how are you going to use them toward this initiative?'" Howitt says. "This gives us more opportunities to talk about how to best use our resources to advance our academic and research mission."

Roberta Gordon, a former Brown employee who oversaw the implementation of the new financial system before taking a job with an IT services firm, adds that virtually all of Brown's core data systems are now cloud-based, befitting an institution of its stature. "Brown's administrative systems are support systems and should not drive what the school does," Gordon says. "But they should be at least reflective of its role as a premier institution—and now they are. That wasn't the case with its legacy technology, and it wasn't what the university wanted to provide for the faculty members who teach and conduct research there. We didn't want them to be submitting expense reports on paper, for example. We wanted them to be focused on their value-added work."

In short, the new systems reflect a new way of thinking about how the university operates. "There has been a big push from our president, who has been here just over two years, and our new provost, to have data drive decisions," Howitt says. "They recognize that we work with a certain set of resources and they want to be able to decide how best to invest those resources. Knowing where the money is, and what people you have, helps you make those decisions."

ACXIOM

Transformation Through Off-Premises Infrastructure

For many years, and through a succession of management teams, marketing technology company Acxiom Corp. pursued different strategies for growth, with mixed results. But since president and CEO Scott Howe took the reins of the company in 2011, he has sought to transform the company and find a new path to growth. Much of that effort has revolved around running a more simplified and efficient business, streamlining the company's product portfolio, and recapturing the innovative spirit that put the company on the map in the first place.

Real transformations seldom come easily, especially if a company's own infrastructure isn't up to the task. As part of Acxiom's journey, Howe and chief financial officer Warren Jenson have been pushing the finance organization to be less of a number cruncher and more of a business partner that can help drive the company's growth agenda.

The company's legacy on-premises financial systems weren't making that possible. Because the systems were expensive, complex, and difficult to use, only a small number of people were issued operator's licenses. New enhancements intended to improve efficiency never happened. To support the changing needs of the company, the FP&A and IT teams "would just sort of be hacking things together to make them work," says Chris Garber, the company's vice president for financial planning and analysis and investor relations. "Eventually, our system couldn't keep pace with the volume or pace of change."

In that environment, FP&A had largely been reduced, in the eyes of business leaders, to an information gatekeeper, one that distributed basic data but did little to drive growth or improve margins. Even when the company focused on improving profitability by developing discrete P&L statements for different parts of the business, the numbers were "never exactly right," Garber says. "We were always one or two steps behind where the business was."

A cloud-based FP&A system, installed in 2014, has enabled Garber's FP&A team to catch up. More than that, the transformation of finance's capabilities, Garber says, helps transform the business as a whole. "We're moving toward a big data, real-time infrastructure," he says. "We need more ways to slice and dice our business data and analyze it, because if you're trying to change the way your business works, a data vacuum is a death sentence." Better analytics will become even more important, he adds, as the company launches more products.

Because the new FP&A system is simple enough that business managers will be able to extract much of the information they need from it on their own, it promises to free Garber's analysts to do more value-added work. "That was a major driver for us in choosing a cloud-based solution," he says. "We licensed people beyond finance to have access to the software. So the promise of self-service is actually possible."

The new system also promises to integrate tightly with the cloud-based HR and core financial systems the company is installing, saving additional time and effort. "With our legacy systems, it took a lot of time to move data from system A to system B to C to D. We will probably save two days on our close process simply by having the new systems, because the way they ingest and export data between systems, through APIs, just works so differently than the ETL [extract, transform, and load] process did in a legacy world. One of the reasons we're embracing all these cloud-based systems is that their approach to data integration is much more scalable and seamless. It cuts down on a lot of time and the need to reconcile data from different systems and enables our teams to focus on analytics."

ACTING ON THE STORY BEHIND THE DATA

SHELTER INSURANCE

Riding New Workhorse Planning in the Cloud

Tina Workman had a mule, but what she wanted was a fast workhorse. Maybe a mustang.

Workman is vice president of corporate accounting and assistant treasurer for Shelter Insurance Companies, a Columbia, Missouri-based company that writes property and casualty and life insurance in 17 states and also operates a reinsurance business. In Workman's colorful lexicon, her "mule" was her company's nearly 20-year-old mainframe general ledger accounting system, which hadn't been updated since 1996. The "mustang" represented the fast and flexible financial systems she envisioned to replace it.

The old system had no drill-down functionality, a limited number of data fields that could be used to dissect information, and no real way to perform analyses. "Because the mainframe couldn't delve into the data, we had to pull it out using Access and create reports," Workman

35%
of executives say cloud is reducing SG&A

says. "It was cumbersome and manually intensive. If someone asked how much policy premium we wrote in one state for the past five years, it was a challenging question to answer. It was very difficult to support good decision-making."

The system wasn't too much of a liability in the late 1990s or even the early 2000s, she says, in part because many of the company's peers were using similar technology. But as time went on it increasingly put Shelter at a competitive disadvantage. "Our industry and our business are just moving much faster now," she says. "We needed systems that would help us meet the real-time information needs of management. That old system was a ticking time bomb."

In 2014, Shelter began working with two new cloud-based financial systems, one for general ledger accounting activities and another, from a separate vendor, for financial planning and analysis. The systems, which Workman says are highly compatible, went live in September. She adds that her experience in searching for the right systems said a lot about why her company chose to move its finance operations into the cloud.

"To find our general accounting system, we issued a request for proposals and basically solicited all the vendors we knew that were either best of breed for insurance or just had good accounting systems," Workman explains. "We pared that down to four vendors. Three were offering on-premises solutions and the fourth was a cloud solution. We then held two straight days of demonstrations from each of those four vendors, and it was remarkable how well our employees were able to understand the cloud version versus the others. I think the difference was the cloud system was already built. A lot of the others were not; their salespeople were just telling us we could do this or that. With an SaaS solution you can actually see what you can implement."

Even though Workman has just begun using her new software systems, she's optimistic about their capabilities. "In the past, we always started budgeting in July and finished in November," she said in early September. "Now we're starting in September and I'll be presenting the finished product at the December board meeting." She anticipates shortening the budgeting time frame even more and segueing into activity-based budgeting with rolling 12-month forecasts. She also wants to load industry data into her planning and forecasting system to benchmark Shelter against its peers.

"I have no doubt that we'll enable better decision-making," she says. "We will know what we budgeted and how we budgeted it because our system offers so much transparency. Line-of-business managers will be able to dissect their information. Maybe, because they have access for the first time to total costs per vendor, they'll see that they need to negotiate better pricing or terms from a particular vendor. Or see that a certain agent has lost three policies in a single month, which they can then address. We will have significantly more capability to analyze data and take action on it."

BLACKSTONE GROUP

Empowering an Entrepreneurial Spirit

Blackstone Group is one of the world's premier investment and advisory firms, renowned for its cutting-edge financial savvy. Now it is applying that savvy to automating its financial planning and analysis.

"Although we had automated the rest of our finance processes, FP&A up until this year was mostly done using spreadsheets," confesses Bill Murphy, the company's chief technology officer. That changed in 2014, when the company opted to implement a cloud-based FP&A solution. It is one of many SaaS implementations the company has undertaken in the past few years.

"We are a firm of only 2,000 employees, but with a very broad set of investments," Murphy says. "A lot of the way we stay small, in terms of head count, is by looking for efficiencies in everything we do. And using these cloud-based solutions has been part of that effort."

To maintain its entrepreneurial spirit, Blackstone divides its business operations into about a half-dozen different segments and empowers the leaders of those business units to "run fast and make fast decisions," Murphy says. But complex and plodding legacy finance systems were making that increasingly difficult. "We'd gotten to the point, as our business had grown, that the complexity had brought more and more pain," he says. "Eventually everyone realized it was something we needed to focus on."

In searching for the right solution, Murphy says, the company wanted to be careful not to adopt systems that would centralize financial planning and analysis so tightly that it could stifle Blackstone's entrepreneurial culture. With its new cloud-based system, he says, "we are aiming for the transparency of a centralized, heavily controlled organization in a way that will not be heavy-handed and will make it simple for our business units to report up—and for finance to consolidate—future-looking metrics across all our different businesses."

CERNER

Planning Faster, Easier, Better

Spreadsheet-based financial planning was no longer scalable for Cerner Corp. It was bad enough that the finance team for the healthcare software company had to spend inordinate amounts of time collecting data from decentralized sources, but there was no good audit trail either. The real killer, though, says Kimberly Gerard, Cerner's senior director for financial planning and analysis, was that there was no platform at the company that would allow 50 or 60 people from across the enterprise to work together on those forecasts. "Also, once we had our view in place," she says, "we couldn't pivot on it, drill down to details, or change it quickly."

In 2013, Gerard oversaw the implementation of a cloud-based FP&A system and began to work on jettisoning the spreadsheets. She chose a cloud-based system in part because she knew that her IT team had its hands full with its existing workload, and a cloud solution promised easy implementation. "I started reading about a cloud-based approach that would enable us to do a lot of self-service and leverage IT resources very little," she says. "I also was attracted to the constant upgrades happening in a cloud-based environment."

Gerard wanted a system that delivered a positive end-user experience, so that even finance employees who didn't know the ins and outs of the system "would be able to go in and get stuff done." That's what happened, she says, after giving employees just 60 to 90 minutes of training. She also liked that even as the system enabled collaboration, it remained secure, so that users couldn't go in and edit someone else's plan without authorization.

The system has delivered as promised so far, Gerard says. "Number one, it has reduced the time required for users to provide their plan inputs," she says. "Number two, it has improved accuracy. When you're working in Excel it's easy to make mistakes, and there are no controls over it. Number three, it's allowing us to do faster analysis since all the additions and changes are stored as discrete data elements within a larger database. You can break your data down in many different ways. You can analyze it by region, by business model, and by quarter, and also compare among multiple scenarios and versions. With a static Excel financial planning template, we weren't able to do that." Cerner is using the cloud-based system for core annual planning activities and plans to embrace quarterly forecasting as well as other planning across the enterprise soon.

HUBSPOT

Starting a Journey from Growth to Profitability

Since 2012, HubSpot Inc., a Cambridge, Massachusetts-based inbound marketing and sales company that sells its software on a subscription basis, has been growing rapidly. But like a lot of young SaaS companies that typically need several years for subscription revenue to offset customer acquisition costs, it isn't yet profitable, having lost $34.4 million in 2013 on revenues of $77.6 million. As the company continues to grow, it is committed to improving its margins.

At the core of that effort are two new cloud-based software systems that HubSpot is using, one for human resources management and one for financial planning and analysis. The company believes the systems will sharpen its ability to track expenses, develop forecasts, make smarter business decisions, and ultimately drive improvements in the bottom line.

"Like a lot of small companies, we were using Excel spreadsheets for budgeting and forecasting and got to a level where it just didn't scale," says HubSpot CFO John Kinzer. "In a high-growth business like ours you need the ability to do dynamic budgeting and forecasting. Our new systems are much more flexible. As the business changes, we can update our forecast to reflect those changes and minimize the work involved in the annual budgeting process. With the new system we will be managing the business with rolling forecasts over multiple periods to evaluate how the decisions we are making now will impact us in the next few years."

Choosing HR and FP&A systems that could work together seamlessly was important, Kinzer said, because the vast majority of the company's expenses are people—primarily software developers and sales and marketing personnel. "Integrating head count data from the HR system into the FP&A system is critical," he says. "When you're growing as fast as we are, you have lots of jobs being created all the time; you have to capture when those people are going to be hired and how much they'll make and layer that into your planning. That is even more critical now that we are public. We will need to be that much more accurate with our forecasting."

Armed with its new technology, Kinzer says his team is now working to help the company's business managers grow revenue faster than expenses. "As we think about our transformational journey," Kinzer says, "we're trying to empower our business leaders with financial information.

We want them be to able to go into the system themselves, see how their numbers are trending, understand the details behind their numbers, and allow them to refine their business plans using the data in the system."

Longer term, Kinzer also is hoping to use the new FP&A system to forecast not only profit-and-loss statements but also the company's cash flow and balance sheets. "Those things are tricky to forecast, but in SaaS companies, when you're taking money up front and recognizing it over time, investors are really focused on cash flow," he says. "That's a good measure of how successful you are as a business."

A ROAD MAP TO TRANSFORMATION

The companies profiled here had to reimagine their financial planning and analysis processes and systems and take a new approach to overcome their unique challenges to achieve their business and financial goals. Their examples, coupled with the insights of analysts and industry observers, offer a road map for transforming organizational planning, budgeting, and forecasting processes, as well as the systems used to accelerate them.

Every company must define its own unique transformational journey, but most experts advise organizations to follow some established practices at the start. CFOs and their teams weighing the prospect of their own transformation may find these practices helpful.

Become a strategic adviser to line-of-business counterparts. Finance leaders should explore how their organization can help engineering, sales, marketing, human resources, and operations groups achieve their goals and align their organizations with corporate objectives and strategies. When finance groups can pinpoint their counterparts' functional and analytical planning needs, they are better prepared to support them.

Establish a process and mantra for cross-functional collaboration in the financial planning cycle. It is crucial to identify the key contributors in the business lines and learn how finance can engage with them to add value—in the right way and at the right time—to budgets, plans, and forecasts. Finance can then identify the changes needed to enable timely, cross-functional collaboration in the planning cycle.

Evaluate and modernize financial planning and analysis systems for new and future processes, cross-functional collaboration, and analytics needs. Once finance executives understand what they need from their transformed financial planning environment, they can determine whether or not their existing systems can support it—now and in the future. With collaboration so essential to the real-time enterprise, decision-makers may consider how robust their existing system's collaborative capabilities are, if they exist at all.

Agile organizations operating in a big data world increasingly must take advantage of a mix of structured and unstructured data from a multitude of sources and on any scale. This requirement will likely grow over time. Advanced analytics capable of tracing causation and making predictions are also playing an ever-larger role in determining how companies respond to changing markets. These capabilities are therefore crucial to any evaluation of planning and analysis systems. Dispersed and mobile organizations will require a system that enables users to participate securely in the planning process and access related metrics from tablets and smartphones.

These considerations can help organizations establish a transformational baseline as they set out on their own journey to reinvent their financial processes with help from today's cloud-based financial planning systems. It's a journey that many of their competitors have already begun. ◆

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Business Planning and Analysis Reimagined for the Enterprise

Of all corporate functions, finance is arguably the most crucial to achieving success at a time when decisions are shaped by real-time data coming to us from an ever-widening array of sources. Finance is where all this data comes together, and it is here that decision-makers can plumb this information to determine what really drives revenue and margin growth, and what factors could threaten or improve those prospects.

All this is possible so long as finance acts as a strategic partner to the rest of the enterprise. But as Harvard Business Review Analytic Services has discovered, cross-functional collaboration in the planning cycle is a much-needed—but very new—paradigm for most organizations.

In an ever-changing and increasingly competitive landscape, planning, forecasting, and budgeting must move beyond the office of finance. For companies to keep pace with a real-time world, these vital processes must extend to business users whose daily actions and decisions influence expenses, revenue, and margins.

To reimagine business planning, enterprises can tap into a new generation of financial planning and analysis applications: built-in-the-cloud, subscription-based platforms that eliminate the high cost of owning servers and maintaining customized software and ensure users always have the latest capabilities.

The best of these solutions, however, offer much more. At Tidemark, our financial and operational planning and analytics solutions are designed to operate at today's accelerating pace of business. In fact, some of the world's most recognized and respected brands have turned to Tidemark for modern, cloud-first solutions that have helped them to reimagine and reinvent their business planning processes.

Why? Because Tidemark solutions offer enterprises four advantages they can't find anywhere else:

- They **make finance a participation sport** with consumer-grade user experiences built for easy collaboration on any mobile device, and with actionable infographics anyone can understand.
- They **put businesses first** by making it easy to configure, manage, and intuitively understand plans and analytics around business processes—not cubes or Excel spreadsheets.
- They enable organizations to **operate in the now while impacting the future** with fast computations and rich integration of any data for real-time advanced analytics.
- They equip managers to **act on the story behind the numbers** by giving them not just raw data but the crucial context that makes it meaningful and actionable.

Tidemark welcomes this report by Harvard Business Review Analytic Services, as it provides expert insights, real-world examples, and thoughtful considerations for transforming planning from an often-siloed activity to a highly collaborative, cross-functional process. It is essential reading for any organization looking to thrive in an increasingly real-time world. And it offers a powerful call to action for C-level executives who are beginning to realize that, in today's risk-laden business environment, standing still may be the greatest risk of all.

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