Finance Transformation Roadmap – Best Practices for FP&A Excellence

Liran Edelist, Ph.D.
John Baule, CPA
Ramya Krishnaganth, CPA

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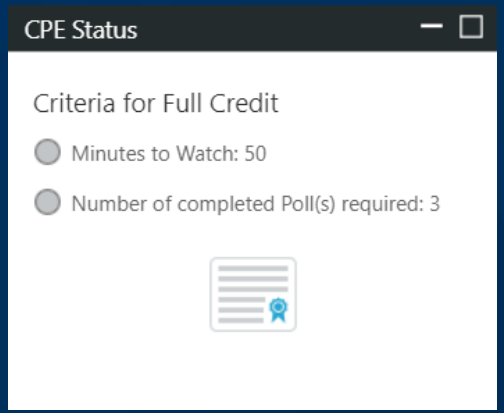

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Moderator

Sue Khawaja

Business Development Manager, Business Development

IMA

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Featured Presenter

Liran Edelist, Ph.D.
President
Jedox

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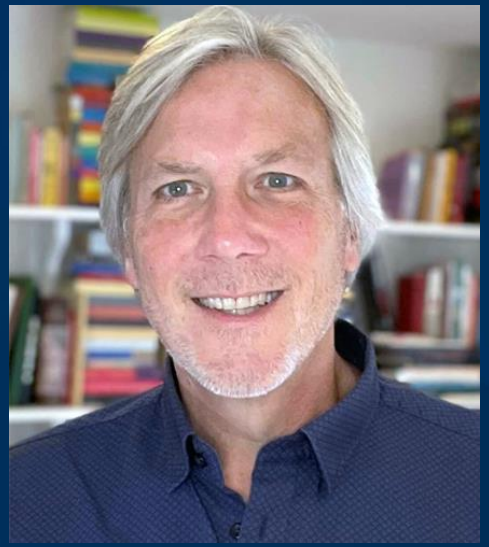
Liran Edelist's Biography

- Dr. Liran Edelist is the President of Jedox Inc. a leading global provider of EPM solutions. He has over 20 years of first-hand experience with financial and strategic planning technologies in both the public and private sectors.
- He holds a Ph.D. in Business Administration with a concentration in consulting and Information Systems. Dr. Edelist is also an experienced lecturer (visiting professor) at various academic and professional institutes.

Featured Presenter



John Baule, CPA

CEO and Co-Founder

FutureView Systems

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John Baule's Biography

- John Baule is the CEO and co-founder of FutureView Systems, an accounting, reporting and forecasting solutions provider that specializes in helping clients to develop a mature and impactful finance function. With over 35 years of finance experience across four continents, John has led multiple software, consulting and eCommerce companies as CFO, including two successful IPOs on the NYSE (K12 and ChannelAdvisor).
- John earned a bachelor's degree from William & Mary University in Virginia and is a CPA.

Featured Presenter

Ramya Krishnaganth, CPA

Founder and Manager Partner

Uvid Consulting

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Ramya Krishnaganth's Biography

- Ramya Krishnaganth is the Founder and Manager Partner of Uvid Consulting, an EPM service provider that specializes in creating value through Finance Process reengineering and Digital Transformation. She has helped various companies ranging from large enterprises with complex process and systems to fast paced startups in their successful EPM journey.
- Ramya has earner her MBA from the Wharton School, the University of Pennsylvania in the USA and CPA & Cost Accounting degrees from India.

Learning Objectives

1. Recognize when and how to start your finance transformation journey.
2. Describe the benefits of accelerating planning, forecasting and reporting through digitalization.
3. Apply a roadmap to help you create your own transformation plan.

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Agenda

1. Introduction - Defining Financial Transformation
2. Mature Finance Function
   - Automation
   - Collaboration
   - Transformation
3. Key takeaways

FP&A TRANSFORMATION ROADMAP

Best practices for planning excellence

Poll Question 1:

What is FP&A transformation to you?

a. A best practice
b. Utilizing the capabilities of technology that is within reach
c. Working faster, moving away from Excel
d. Enhancing business processes
e. A fancy buzzword

Poll Question 1 Results: (Placeholder)

A FANCY BUZZWORD

ABOUT WORKING FASTER

A BEST PRACTICE

MOVING AWAY FROM EXCEL

CAPABILITIES OF TECHNOLOGIES THAT ARE WITHIN REACH.

HOW TO ENHANCE BUSINESS PROCESSES UTILIZING THE LATEST TECHNOLOGY.

Financial Transformation

Poll Question 2:

How would you characterize your finance function in terms of people, processes and technology?

a. We operate 100% with all necessary skills, well-designed and completely automated processes
b. On the path to a mature finance function, largely meeting current business needs, but rely on too many manual and ad-hoc processes
c. Barely staying one step ahead – every month presents a challenge

Poll Question 2 Results: (Placeholder)

The Goal of Finance Transformation

— *Developing a Mature Finance Function*

What is a mature Finance Function?

- Works from a single and undisputed set of financial and operating metrics, to drive strategic conversations across all levels of the Company.

The Goal of Finance Transformation

— *Developing a Mature Finance Function*

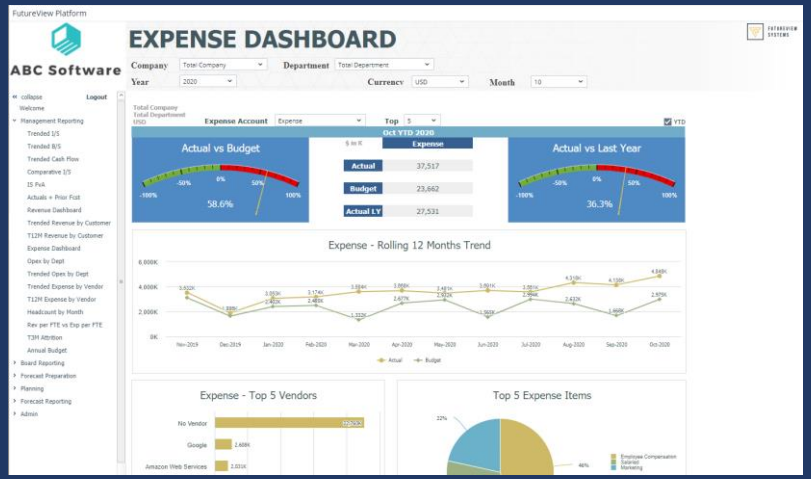
What is the architecture of a mature Finance Function?

- Proper synchronization between Accounting and FP&A

The Goal of Finance Transformation

— Developing a Mature Finance Function

Automate routine tasks to free up capacity for impactful and ad-hoc analysis



The Goal of Finance Transformation

— *Developing a Mature Finance Function*

Understand the importance of transforming early

- ACT now, not later (present value)

The Goal of Finance Transformation

— Developing a Mature Finance Function

Effective Finance Transformations
lead to better business outcomes

Journey to Digitalization

Think Big. Start Simple. Scale Quickly.

Automate

Automate Planning, Forecasting & Reporting

Get your spreadsheet chaos and outdated systems under control & increase efficiency

What

Collaborate

Collaborate Across the Business

Eliminate siloes & enable agile performance management

Why

Transform

Transform Planning to Create New Value

Respond faster & augment decision-making

How

Journey to Digitalization

Think Big. Start Simple. Scale Quickly.

Automate

Automate Planning, Forecasting & Reporting

Get your spreadsheet chaos and outdated systems under control & increase efficiency

What

Poll Question 3:

Which of the following is the **major** roadblock in achieving the desired FP&A cycle time in your organization?

a. Getting data from multiple systems
b. Integrating Forecast inputs from different stakeholders
c. Running scenario analysis for different business situations
d. Distribution of results & analysis for timely decisions

Poll Question 3 Results: (Placeholder)

Consistent Data Collection & Reconciliation

Reconciliation Report - September 2021

Accounts	COST_CENTER	PROFIT_CENTER	Segment	Year	Months	SAP	TargetCube	Variance
50100000	~None	10100	Product	2021	Sep	128818.9	128818.9	0
50100000	~None	10101	Product	2021	Sep	677870.76	677870.76	0
50100000	~None	10102	Product	2021	Sep	6921.81	6921.81	0
50100000	~None	10103	Product	2021	Sep	154371.41	154371.41	0
50100000	~None	10104	Product	2021	Sep	-87.53	-87.53	0
50100000	~None	10105	Product	2021	Sep	-3545.39	-3545.39	0
50100000	~None	20100	Service	2021	Sep	-1737.5	-1737.5	0
50100000	~None	20101	Service	2021	Sep	-130	-130	0
50100000	~None	20102	Service	2021	Sep	-8974232.71	-8974232.71	0
50100000	~None	20103	Service	2021	Sep	-65240806.88	-65240806.88	0
50100000	~None	20104	Service	2021	Sep	-500.4	-500.4	0
50100000	~None	20105	Service	2021	Sep	-822490.62	-822490.62	0
50100000	~None	20106	Service	2021	Sep	-18818689.8	-18818689.8	0
60107000	10010100	10100	Product	2021	Sep	25.4	25.4	0
60107000	10010101	10101	Product	2021	Sep	5.43	5.43	0
60107000	10010102	10102	Product	2021	Sep	313.81	313.81	0
60107000	10010103	10103	Product	2021	Sep	-230.87	-230.87	0
60107000	10010104	10104	Product	2021	Sep	-11.55	-11.55	0
60107000	10010105	10105	Product	2021	Sep	1216.32	1216.32	0
60107000	20010100	20100	Service	2021	Sep	1337.96	1337.96	0
60107000	20010101	20101	Service	2021	Sep	81.09	81.09	0
60107000	20010102	20102	Service	2021	Sep	5.46	5.46	0
60107000	20010103	20103	Service	2021	Sep	5305.15	5305.15	0
60107000	20010104	20104	Service	2021	Sep	22778.71	22778.71	0
60107000	20010105	20105	Service	2021	Sep	22400.74	22400.74	0
60107000	20010106	20106	Service	2021	Sep	212304.9	212304.9	0

XRate Validation

2021 · EUR · Base

Year	To_Currency	Scenario
2021	EUR	Base

	Oct						Nov						Dec			
	Budget		Forecast		Actual		Budget		Forecast		Actual		Budget		Forecast	
	Spot	Average	Spot	Average	Spot	Average	Spot	Average	Spot	Average	Spot	Average	Spot	Average	Spot	Avera
USD	0.00	0.00	0.00	0.00	0.00	1.18	0.00	0.00	0.00	0.00	0.00	1.18	0.00	0.00	0.00	0.0
GBP	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.00	0.00	0.0
INR	0.00	0.00	0.00	0.00	0.00	87.52	0.00	0.00	0.00	0.00	0.00	87.52	0.00	0.00	0.00	0.0
EUR	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.0
CAD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0

Year

Business Unit

Probability %

Add Closed Won Opportunities to download?

Download SF Opportunities

Sequence ID	Opportunity Name	Opportunity Owner	Type	Account Name	Product Category	Product Number	Created Date	Close Date	Customer Expected Shipping Date	Qty	Amount	Prob Adj Amt	Amount Currency	Customer Expected FAC Date	Probability	Stage	Channel	Billing Country	Amount Converted	Lead Time	Adjusted Shipping Date	Forecast Relevant Flag
All Opportunities																						
Product																						
006010000Ddq1hQAE	PX-375	John Zak	New Business	CA Department of Environmental Quality	Air Pollution		04-28-2020	08-16-2021		0.00	150,000.00	30,000.00	USD	11-15-2021	80.00	Qualification	North America	US	0.00	0.00	08-16-2021	Y
006010000Dgl2MTQA4	ReadyFuels Biodiesel Iowa	Dan Morse	New Business	Industrial Services	Combustion		04-28-2020	10-15-2021		0.00	180,000.00	54,000.00	USD	11-15-2021	70.00	Needs Analysis	North America	US	0.00	0.00	10-15-2021	Y

Increase Forecasting Speed & Reliability

ABC Ltd
13 Week Cash Flow - Jan 2, 2018
Weekly Cash Position Report

$ 000	Forecast Wk1 1-Jan	Forecast Wk2 8-Jan	Forecast Wk3 15-Jan	Forecast Wk4 22-Jan	Forecast Wk5 29-Jan	Forecast Wk6 5-Feb	Forecast Wk7 12-Feb	Forecast Wk8 19-Feb	Forecast Wk9 26-Feb	Forecast Wk10 5-Mar	Forecast Wk11 12-Mar	Forecast Wk12 19-Mar	Forecast Wk13 26-Mar	Forecast Total 13w
Total Operating Receipts	3,000	2,000	3,100	2,300	2,500	2,400	2,800	2,850	2,660	2,700	2,100	2,700	2,850	33,96
Total Operating Vendors	(700)	(2,500)	(2,090)	(1,700)	(2,100)	(2,160)	(3,000)	(2,100)	(2,030)	(2,050)	(3,500)	(2,300)	(2,200)	(28,43
Payroll	(200)	(250)	(40)	(250)	(30)	(250)	(30)	(250)	(30)	(250)	(30)	(250)	(30)	(1,89
Non-Recurring OPEX	-	-	-	-	-	(1,000)	-	-	-	(200)	(30)	-	-	(1,23
Others	(50)	(35)	(40)	(20)	(100)	(35)	(39)	(20)	(60)	(40)	(45)	(40)	(30)	(55
Total Op Disbursements	(950)	(2,785)	(2,170)	(1,970)	(2,230)	(3,445)	(3,069)	(3,069)	(2,120)	(2,540)	(3,605)	(2,590)	(2,260)	33,96
Total Operating Cash Flow	2,050	(785)	930	330	270	(1,045)	(269)	(219)	540	160	(1,505)	110	590	(89
Total Investing Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing / Equity Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Line of Credit Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financing / Equity Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Line of Credit Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revolver Credit Change	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Financing Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Balance (BoP)	2,500	4,550	3,765	4,695	5,025	5,295	4,250	3,981	3,762	4,302	4,462	2,957	3,067	2,500
Net Cash Flow	2,050	(785)	930	330	270	(1,045)	(269)	(219)	540	160	(1,505)	110	590	1,157
Total Cash Balance (EoP) - (A)	4,550	3,765	4,695	5,025	5,295	4,250	3,981	3,762	4,302	4,462	2,957	3,067	3,657	3,657
Outstanding Checks - (B)	150	100	400	125	125	200	200	125	100					
Outstanding Revolver Balance	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000					
Total Authorized Revolver	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250					
Net Available Revolver - (C)	250	250	250	250	250	250	250	250	250					
Total Liquidity (A-B+C)	4,650	3,915	4,545	5,150	5,420	4,300	4,031	3,887	4,452					

Revolver Credit Check

Cash Balance (BoP)	2,500	4,550	3,765	4,695	5,025	5,295	4,250	3,981	3,762
Delta Cash Flow (pre RC)	2,050	(785)	930	330	270	(1,045)	(269)	(219)	540
Cash Balance (before RC)	4,550	3,765	4,695	5,025	5,295	4,250	3,981	3,762	4,302
Minimum Cash Balance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Revolver Credit Change	0	0	0	0	0	0	0	0	0

ABC Ltd
13 Week Operating Receipt - Jan 2, 2018

Select Geography	All
Select Customer	All
Select Salesman	All

Source	Geography	Customer	Salesman	Forecast Wk1 1-Jan	Forecast Wk2 8-Jan	Forecast Wk3 15-Jan	Forecast Wk4 22-Jan	Forecast Wk5 29-Jan	Forecast Wk6 5-Feb	Forecast Wk7 12-Feb	Forecast Wk8 19-Feb	Forecast Wk9 26-Feb	Forecast Wk10 5-Mar	Forecast Wk11 12-Mar	Forecast Wk12 19-Mar	Forecast Wk13 26-Mar	Forecast Total 13w
CRM	All	All	All	1,250	1,000	1,100	1,000	1,000	1,400	1,800	1,500	1,660	700	1,000	1,000	1,000	15,410
AR	All	All	All	1,000	500	1,000	300	500	500	500	500	500	1,000	1,000	1,000	850	9,150
Backlog	All	All	All	750	500	1,000	1,000	1,000	500	500	850	500	1,000	100	700	1,000	9,400
Total by Week				3,000	2,000	3,100	2,300	2,500	2,400	2,800	2,850	2,660	2,700	2,100	2,700	2,850	

Company ABC
Forecast
2022

	2022	2022-01 Forecast	2022-02 Forecast	2022-03 Forecast	2022-04 Forecast	2022-05 Forecast	2022-06 Forecast	2022-07 Forecast	2022-08 Forecast	2022-09 Forecast	2022-10 Forecast	2022-11 Forecast	2022-12 Forecast
Income Statement Assumptions:													
Sales Growth %		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
COGS as % of Sales		68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%	68.00%
Marketing as % of Sales		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Commission Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax Rate	0.00	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Headcount		10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	13.00
G&A per HC		1,250.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Income Statement:													
Revenues	0.00	100,000.00	102,000.00	104,040.00	106,120.80	108,243.22	110,408.08	113,720.32	117,131.93	120,645.89	124,265.27	127,993.23	131,833.02
COGS	0.00	68,000.00	69,360.00	70,747.20	72,162.14	73,605.39	75,077.49	77,329.82	79,649.71	82,039.21	84,500.38	87,035.39	89,646.45
Gross Margin	0.00	32,000.00	32,640.00	33,292.80	33,958.66	34,637.83	35,330.59	36,390.50	37,482.22	38,606.68	39,764.89	40,957.83	42,186.57
Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Marketing & Sales	0.00	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,686.02	5,856.60	6,032.29	6,213.26	6,399.66	6,591.65
General & Administrative Expenses	0.00	12,500.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	6,000.00	6,000.00	6,500.00
Net Operating Income		14,500.00	22,540.00	23,090.80	23,652.62	24,225.67	24,810.18	25,704.49	26,625.62	27,574.39	27,551.62	28,558.17	29,094.92
Non-Operating Income	0.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00	-100.00
Non-Operating Expenses	0.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Net Income	0.00	14,475.00	22,515.00	23,065.80	23,627.62	24,200.67	24,785.18	25,679.49	26,600.62	27,549.39	27,526.62	28,533.17	29,069.92
EBITDA	0.00	15,000.00	23,040.00	23,590.80	24,152.62	24,725.67	25,310.18	26,204.49	27,125.62	28,074.39	28,051.62	29,058.17	29,594.92
Gross Margin %	0.00	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%
Net Income %	0.00	14.48%	22.07%	22.17%	22.26%	22.36%	22.45%	22.58%	22.71%	22.83%	22.15%	22.29%	22.05%
EBITDA %	0.00	15.00%	22.59%	22.67%	22.76%	22.84%	22.92%	23.04%	23.16%	23.27%	22.57%	22.70%	22.45%

Accelerate Decision Making

Scenario Analysis

	Base Scenario Total			New Scenario Total	Base Vs New Scenario		Go/No Go Decision
PL Topic	Base Case	Week1	Week2	Wk1 + Wk2 Total	B/(W)$	%	
Revenue	112,000.00	58,900.00	62,450.00	121,350.00	9,350.00	8.35%	
Variable Expenses	87,900.00	49,600.00	49,600.00	99,200.00	(11,300.00)	-12.86%	
Contribution Margin	24,100.00	9,300.00	12,850.00	22,150.00	(1,950.00)	-8.09%	GO

Automation

Automation is fundamental to FP&A Transformation!

Automation should focus on -

- Consistency – FP&A Source of truth
- Reliability –Forecast accuracy & compliance
- Speed – Shorter Forecast cycle
- Faster Action – Quick outcomes for changing business scenarios
- Platform – Foundation for collaboration and transformation

Journey to Digitalization

Think Big. Start Simple. Scale Quickly.

Collaborate

Collaborate Across the Business

Eliminate siloes & enable agile performance management

Why

“The only way for finance to manage business performance is by **extending beyond the finance silo** and **incorporating** key **non-financial data** in FP&A and other financial analytic processes.

This will give finance the opportunity to **become a more valued strategic advisor** to the management team and line of business leaders.”

Gartner: Best Practices for Improving Financial Planning and Analysis Systems and Processes

Published: 20 March 2018

Removing Silos Recommended by Gartner

Poll Question 4:

Which of the following best describes your budgeting and forecasting process?

a. Largely a finance exercise, where finance creates the inputs and visibility of the budget and forecasts to department heads, who lack ongoing visibility into the entire output.
b. Finance receives some inputs from department heads, but finance largely owns the inputs of the budget and forecasts, and department heads lack ongoing visibility.
c. Finance works directly with departments heads to complete budgets and forecasts, complete collaboration with inputs and visibility into the outputs.

Poll Question 4 Results: (Placeholder)

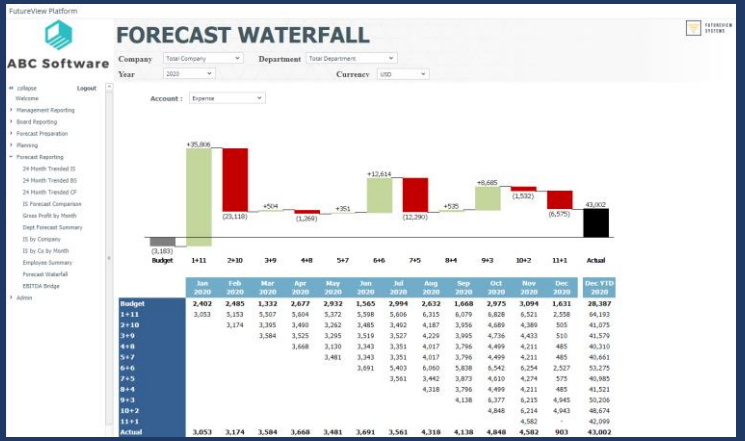
Collaboration

Finance is ultimately about enabling companies to make informed choices that consider all perspectives

- Department heads and budget owners working in tandem
- Finance maintains version control over the data

Collaboration

- The Accountability-based forecasting approach
  - 1+11, 2+11… Actual vs. Budget robust variance analyses is critical
- Implementing efficient Budgeting and Forecasting Processes are critical



Journey to Digitalization

Think Big. Start Simple. Scale Quickly.

Transform

Transform Planning to Create New Value

Respond faster & augment decision-making

How

Transform

Utilizing technology to enhance data automation and collaborative processes

- From Fiscal-Year forecasts to **Rolling** [12] Forecast Budget
- **AI**
  - Time series prediction *[Trends, seasonality, usually high-level]*
  - Drivers & Correlations *[weather → Revenue]*
  - Segmentation *[Customers, Employees]*
  - Data preparation *[Anomaly]*

Supporting the Entire Journey to Financial Transformation

Automate

Practitioners Choice
Excel-like
Business-user focus

Collaborate

Flexibility
Model anything
Connect anything

Transform

Digital transformation
Digital finance
The helping hand Augmented planning

Transformation Journey

	Actual	Budget	Forecast	Business Value
Automate	Replace data extract with detailed, live connection	Eliminate manual, offline budget setting	On-Going Managed Forecasting system	What
Collaborate	Data enrichment from various sources	“Link” Top-Down business drivers with individual models	Integrate data sources and drivers i.e. Backlog, Pipeline, Marketing	Why
Transform	KPIs and Alert-based reporting	Scenario planning and simulation capabilities	AI-Based Forecast	How

Key Takeaways

- Start with a roadmap decision, not a feature(s) selection
- Organization Readiness
- Short and long-term data Maturity
- Focus on improvement and collaboration

Please get in touch with us!

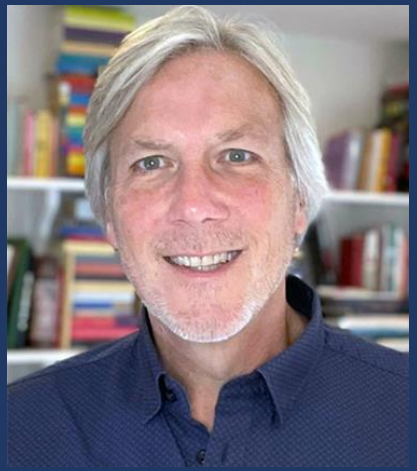
Liran Edelist
Liran.edelist@jedox.com
https://www.linkedin.com/in/drliranedelist/

John Baule
jbaule@futureviewsystems.com
https://www.linkedin.com/in/john-baule-639b142/

Ramya Krishnaganth
ramya@uvidconsulting.com
https://www.linkedin.com/in/ramyadurgak/

Questions and Answers

Liran Edelist, Ph.D.
President
Jedox



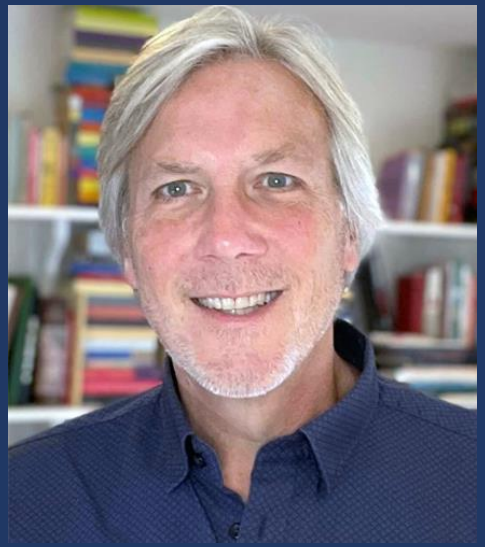
John Baule, CPA
CEO and Co-Founder
FutureView Systems

Ramya Krishnaganth, CPA
Founder and Manager Partner
Uvid Consulting

Sue Khawaja
Business Development Manager
IMA

Thank you to Our Featured Presenters!

Liran Edelist, Ph.D.
President
Jedox



John Baule, CPA
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Founder and Manager Partner
Uvid Consulting

Final Reminders

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Thank you!

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