



# The Power of Cross-Company Financial Planning

## A Primer for CFOs and Controllers

In this white paper we outline the benefits and costs of Integrated Financial Planning (IFP) so that finance professionals can determine if, how, and when to consider unifying technology solutions

(e.g. Corporate Performance Management software) that can help them unlock the insights captured in their company's data and planning processes.



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# Introduction

The world is messy and unpredictable. And the pace at which forces are shaping how business is conducted around the globe is increasing every day. In this dynamic business environment, companies must constantly innovate in order to survive. Fortunately, finance professionals have a powerful tool at their disposal to help them achieve their ambitious corporate goals and stay ahead of encroaching competitors. That tool is their data.

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

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

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

# The Challenge that Integrated Financial Planning Addresses

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

This collaboration between systems and processes provides greater relevance for CFOs than rudimentary planning, which is limited to budgeting and is conducted by the finance department who may be working with partial, expired, and/or error-ridden data.

While IFP provides finance departments with the ability to conduct long-term financial, operational, and strategic planning, it also enables planning and budgeting at a higher level of granularity. For example, IFP allows for a greater frequency of planning (e.g. weekly or daily), as well as extends the flexibility of planning to by employee, product, customer, vendor, or by project.

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

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

# The Benefits of Integrated Financial Planning

The core benefit that IFP provides for CFOs is the clear identification of those activities that deliver the greatest financial impact across their company. Other closely related and measurable benefits that CFOs can achieve with IFP include the following:



## Increased Time Savings

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



## Improved Financial Documents

Because IFP is built on collecting, reviewing, and analyzing data from across an organization, companies can incorporate short-term cash planning into their long-term forecasting – which results in better balance sheet and cash flow projections/planning.



## Reduced Risk

By adopting IFP, finance departments reduce the risks associated with depending on a small number of spreadsheet ‘power users’ for their data manipulation and analysis.



## Improved Analysis

Adopting IFP allows the Office of Finance the opportunity to conduct more thorough data reviews and analyses. As a result, they can apply key ratios and business metrics to better validate plans and identify existing risks.



## Improved Future Planning

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



## Ability to Operate With Existing Systems

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



## Ease of Use

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



## Company-specific Flexibility

IFP helps finance departments make better decisions as the if company's business needs and circumstances change. 'Out-of-the-box' solutions that require extensive customizations increase implementation costs, maintenance costs, and upgrade costs.



## Robust Workflow

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

# Examples of Integrated Financial Planning

## Manufacturing Company

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

## Marketing Services Company

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

## Manufacturing Company

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

# How to Adopt Integrated Financial Planning

Organizations can adopt IFP effectively without a long-range implementation program that spans every functional area, business unit, or office location. Best practices suggest that IFP-enabling technology can quickly demonstrate benefits for CFOs through the following progression:

1

Focus on **financial planning or budgeting** aimed at the general ledger level of detail. Include personnel and CapEx planning at the same time, since doing so automates the budgeting process and enables the development of monthly variance reporting, monthly forecasting, and rolling forecasts.

2

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

3

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

4

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

5

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

# CPM Readiness Checklist

## Creating a Foundation for Integrated Financial Planning

Corporate Performance Management (CPM) software serves as the unifying technology that underpins Integrated Financial Planning – enabling companies to harness their data and automate complex planning processes for better decision-making. The CPM Readiness Checklist helps CFOs answer the question, “Are we ready for a CPM solution to help us achieve the benefits of Integrated Financial Planning?”

### Planning and data processes that suggest your company will benefit from a CPM solution

Actions	Look Within Your Company	Ask a CPM Vendor
Have you identified bottlenecks in your budgeting and/or planning processes? Have you quantified how much time this takes (e.g. each quarter)?		
Have your planning processes and their outputs been compromised because you have had incomplete and/or inaccurate data?		
Have you quantified the amount of time spent on manipulating spreadsheets within your finance department?		
How confident are you with the outcomes of your forecasting and/or your ‘what if’ analysis conducted by your department?		
Have you identified the quantifiable benefits your organization, your team, and you could achieve if the time required to collect/analyze financial and operational data was cut by 70%?		

### Planning for a CPM implementation

Actions	Look Within Your Company	Ask a CPM Vendor
Have you defined immediate/short- term goals that you would like a CPM solution to solve?		
Have you documented the planning processes that you would like to improve/automate with a CPM solution?		
Have you confirmed the process for integrating data from your ERP, CRM, HRMS, or payroll system into a CPM solution?		
Have you identified the area(s) within your company where you would like to increase collaboration for planning, budgeting, and forecasting?		
Have you identified someone within your finance department that would be an initial user of a CPM solution?		

## Due diligence in reviewing potential CPM solutions

Actions	Look Within Your Company	Ask a CPM Vendor
Have you attended any CPM vendor presentations or product demonstrations?		
Have you identified the total cost of ownership for CPM solutions?		
Have you identified a wish list of qualities and functionalities of a CPM solution that would help improve the outcomes of your budgeting, planning, and forecasting processes?		

## Knowledge of the myths and truths of CPM solutions

Actions	Look Within Your Company	Ask a CPM Vendor
Have you reviewed industry analyst reports about CPM solutions?		
Have you spoken with colleagues in your industry about their experiences with CPM solutions?		

## Organizational structures that suggest your company is well suited to CPM

Actions	Look Within Your Company	Ask a CPM Vendor
Does your organization have more than one operating unit?		
Does your organization operate in more than one geographic location?		
Is your organization increasing, or planning to increase, the number of employees or offices in the next 12 to 18 months?		

## External pressures and/ or demands that suggest your company is well suited to CPM

Actions	Look Within Your Company	Ask a CPM Vendor
Are your competitors regularly bringing products/services to market faster than you?		
Do you have multiple stakeholders that your business is accountable to?		

## About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

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