FROM IDEAS TO OUTCOMES

How Digital Enterprise Performance Management is fueling competitiveness.

#CFOReimagined
Companies now have access to richer data and advanced analytic tools that make it possible to rethink and re-invent Enterprise Performance Management.
Introduction

Let’s be honest: most companies’ planning, budgeting and forecasting processes are not fit for purpose. Weeks and months are spent negotiating targets, poring over spreadsheets, and performing endless iterations to try and magically close the gap between top-down targets and bottom-up budgets, only for the whole exercise to be invalidated by the real world failing to perform as expected.
This should not be a surprise; the expectation that more detail in our budgets and plans will somehow translate into a more accurate view of the future is deeply flawed.

Forward-looking Chief Financial Officers (CFOs) know this and are already setting a new course, one powered by data and analytics, and one that recognizes that uncertainty and volatility are the norm and that plans need to be flexible to changing conditions.

The rapid evolution of new digital technologies is powering the adoption of a new approach: Digital Enterprise Performance Management or d-EPM.

Companies now have access to richer data and advanced analytic tools that make it possible to rethink and re-invent EPM. The next level – d-EPM – has the agility, flexibility, technological sophistication and, above all, the data needed to align plans, budgets and forecasts with the organization’s overarching strategic objectives and the realities of competing in disrupted and uncertain markets, and to do so at greater speed and lower cost.
Transformation is already happening

Accenture research* indicates that 57 percent of CFOs have already started providing some real-time or near real-time insight into business performance to highlight risks and opportunities. And 81 percent of CFOs are currently identifying and targeting areas of new value across the enterprise, such as using data to better inform innovation based upon a much deeper understanding of how customers interact with a company’s products and services. While the data is available, Digital Enterprise Performance Management provides the structure and the technology to put it to use in the planning process.

57% of CFOs have already started providing some real-time or near real-time insight into business performance to highlight risks and opportunities.

81% of CFOs are currently identifying and targeting areas of new value across the enterprise.

*All data is from “The CFO Reimagined: From driving value to building the digital enterprise”, Accenture, 2018.
Is it time for d-EPM in your organization?

In many organizations, there are clear signs that traditional EPM processes have ceased to be effective. If any of the following statements are not true for your organization, it’s time for a change.

- Does the board, senior leadership and management have confidence that the agreed upon plan aligns with the business strategy and that the actions defined will meet or exceed performance targets?

- Is it absolutely clear who is accountable for delivering against each aspect of the plan?

- Is the plan updated in response to material events or actions that then translate into changes in operational behavior?

- Does the plan provide a clear line of sight from market, operational and financial actions to expected outcomes, allowing for rapid updates in response to changing circumstances?
Designing a

d-EPM solution

Digital Enterprise Performance Management brings together three elements that underpin a more dynamic, agile and actionable performance management process:

1. **Data**
   Broad and varied datasets (internal and external) that provide insight into markets, customers, operations and finances on a continuous basis.

2. **Technology**
   Digital technologies that allow for the rapid collection, structuring, sharing and analysis and visualization of data to inform strategies, plans and budgets.

3. **Talent**
   Equipping business leadership teams and their functional support staffs with the skills and confidence to rapidly interpret and action the insights delivered through Digital Enterprise Performance Management.
Elements of Digital Enterprise Performance Management are already in place. For example, Accenture research shows that three-quarters (74 percent) of finance executives are already using some predictive analytics to gain insight into the future and help set the right strategic course for the business. However, only a few have embedded this capability at the heart of their performance management processes.

Nearly two out of five (38 percent) of CFOs in our research identified difficulty in standardizing enterprise data or agreeing upon a single version of the truth as a major barrier to fully leveraging new technologies. CFOs are increasingly taking a leadership role in expanding disciplined data governance across the enterprise to ensure that whenever possible, market, operational and financial data are integrated and made accessible to all participants in the planning process.

Finance is not always properly equipped to handle high volumes of data and requests for information sharing, especially when the requests seek insights into non-financial data. Our research found that more than a quarter (28 percent) of CFOs described their skills in combining financial data with non-financial data (such as input from R&D or marketing) as “average to weak”.

Unlike in years past where technology was a major barrier to change, the focus is now shifting to data and talent.

74% of finance executives are already using some predictive analytics to gain insight into the future.
Similarly, market, operational and financial data may be housed in different parts of the organization and not readily available for EPM uses. The first step towards building a Digital Enterprise Performance Management framework is to organize the data fundamentals and establish effective governance across all business units and functions. CFOs and their teams are ideally placed to take on an expanded data governance role as they have been doing this for decades in supplying the financial data required to populate statutory reports. The same disciplines related to consistency of definition and usage need to be applied to the broader datasets now available. This is just one example of new or expanded skills and capabilities that organizations need to develop in order to profit from Digital Enterprise Performance Management.

Finance professionals will no longer be spending most of their time collecting data, organizing the data into spreadsheets and then formatting the results into reports. To be effective in the world of Digital Enterprise Performance Management, finance professionals must be able to interpret the information and analysis that is provided, clearly communicate the implications and options to business leaders and work collaboratively to ensure the right decisions are made and that those decisions are then implemented. For most this will be a liberating experience, but the need for effective coaching and guidance should not be underestimated.

38% of CFOs in our research identified difficulty in standardizing enterprise data or agreeing upon a single version of the truth as a major barrier to fully leveraging new technologies.
With d-EPM, Finance’s job STARTS when the report or the analysis is delivered:

From **Accountant**
- Account-centric
- Descriptive
- Backward looking
- Financial data only
- Accounting skills
- Functionally siloed
- Calendar driven

to **Strategic Enabler**
- Strategy-centric
- Prescriptive
- Forward shaping
- Financial/Operational/Market data
- Influencing skills
- Business aligned
- Event triggered
Getting the technology right

Sophisticated technology is at the core of the Digital Enterprise Performance Management approach. Ideally, technology should help the finance organization to:

1. Reduce and/or eliminate manual intervention, freeing up professional time for analysis and decision-making.
   - 79 percent of CFOs said that, by taking on routine tasks, automation creates the opportunity for finance in providing insight to the rest of the business.

2. Accelerate the speed at which data can be captured, processed, analyzed and disseminated.

3. Reduce reliance on spreadsheets to offer improved integrity, more sophisticated analytics, richer visualization, and better collaboration.

Fortunately, the technology supporting Digital Enterprise Performance Management has become both less expensive and less disruptive to implement. For example, cloud-based ERP platforms can help automate business operations and facilitate the integration of market, operational and financial data. Similarly, cloud-based planning and reporting solutions can increase the speed of the overall process and enable better cross-functional collaboration.

At the next level, companies are incorporating data science, machine learning and artificial intelligence into the planning process, going far beyond the spreadsheet to obtain insights that can be readily communicated and shared by all process participants.

Technology is the basis for all these advances, but Digital Enterprise Performance Management ties the technologies together, with robotics allowing data acquisition and processing at scale, AI adding intelligence to data, and visualization aiding the consumption and use of data.
Making Sense of Disruption

A leading global financial institution which is a clear market leader in its segment recognized that its traditional EPM processes were not fit for purpose.

Detailed bottom-up budgets predicated upon prior year outcomes were a staple of the EPM process. Plans and budgets took months to develop and were largely obsolete the day they were created as disruption roiled the marketplace. Both the CEO and CFO recognized the problem but also saw a way forward.

As their industry was digitizing almost every customer interaction, they had access to increasingly rich and detailed datasets. Harnessing the power of that data and coupling it with advanced planning and analytic techniques such as scenario planning, sensitivity analysis and other data science tools presented an opportunity to transform EPM across the business.

In less than two years, the company transitioned from a bottom-up, spreadsheet driven process that provided lots of detail but little insight to a top-down, driver and data driven process that provided rich insights at a granular level (product, market, channel and customer). This allows business leaders to rapidly model the impact of changing market conditions or test new strategies on a continuous basis to ensure plans are fine tuned using the latest and greatest insights.

In addition to a more agile and effective process, the time taken to develop plans and forecasts was more than halved and finance staff in business support roles were able to double the amount of time they spent supporting decision making as the manual effort to collect, organize and report data was slashed by over 60%.
The next steps toward d-EPM

Although the right technology is an indispensable part of d-EPM, the move towards Digital Enterprise Performance Management really begins with a series of organizational initiatives including:

1. Making finance a collaborator, rather than an intermediary, in the planning process, teaming up with business leadership and acknowledging that the process should be business-driven rather than finance-driven.

2. Making a commitment to data-driven decision-making.

3. Building flexibility and agility into the process, allowing the real-time flow of information to indicate changes in forecasts and in resource allocation rather than adhering to a static monthly or quarterly calendar.
Realizing the benefits of d-EPM

With its speed, accuracy and flexibility, Digital Enterprise Performance Management can provide significant benefits to CFOs and finance teams engaged in the enterprise planning process.

By using data, rather than guesswork, to create a foundation for planning, Digital Enterprise Performance Management helps the organization not only understand what has happened (and why it happened) but to get a better handle on what is going to happen. And Digital Enterprise Performance Management does so faster, with greater accuracy, at lower cost.

With Digital Enterprise Performance Management, organizations can have greater confidence in their capital allocation strategies, connecting high-level plans to front-line operational goals and targets. They can establish accountability for all elements of plan execution, and they can identify and model the impact of external market variables. Most importantly, they can better address the big strategic issues confronting all companies in a time of extreme volatility and rapid change.

Accenture research shows that organizations that invest in Digital Enterprise Performance Management, not just digitizing accounting and finance operations, realize financial effectiveness that is 50 percent higher than peers (Source: The Digital Finance Moonshot, Accenture 2017). Automating accounting operations certainly reduces cost and improves productivity in the finance function, but Digital Enterprise Performance Management impacts overall enterprise performance translating in much more substantial gains across the enterprise.

 Organizations that invest in d-EPM realize financial effectiveness that is 50% higher than peers.
About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With 482,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com

Contacts

Axson, David A.
david.a.axson@accenture.com

Robeznieks, Haralds
haralds.robeznieks@accenture.com

Join the conversation

#CFOReimagined

www.accenture.com/CFOReimagined

This document makes descriptive reference to trademarks that may be owned by others. The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.