

# BUDGETING, FORECASTING & DATA ANALYTICS

Increasing Agility through Technology



# About Your Presenters



- Shaz Mian
- Director
- Shaz is a leader in RSM's Technology Consulting practice. He delivers Enterprise Performance Management (EPM) solutions to enable organizations to effectively monitor and manage their business and execute on strategic goals.



## **Abdul Mohamed** Manager

Abdul is a member in RSM's Technology Consulting practice. He delivers Enterprise Performance Management (EPM) solutions to enable organizations to effectively monitor and manage their business and execute on strategic goals.



# CURRENT STATE OF THE FINANCE FUNCTION

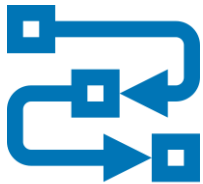
# Objectives

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By the end of this presentation, you will be able to:



- Evaluate pain points commonly seen within the accounting and finance areas



- Identify solutions for improving the productivity of your accounting and finance functions specifically related to reporting, budgeting and forecasting



- Explain the benefits of modernizing and automating the finance function

# Common Pain Points within the Finance Function

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- ***Over reliance on Excel for complex processes (budgeting / forecasting)***
- ***Hard to maintain reporting leaving little time for analysis***
- Lack of tools, including antiquated ERP system
- Lack of understanding of outcome
- Absence of policies, procedures & controls
- Account reconciliations aren't completed
- Inability to locate documents, contracts, plans
- Shared drives utilized for report storage and other workflow challenges



# LEADING TRENDS

# RSM 2018 Digital Transformation Survey

In a recent study, RSM surveyed 500 CFOs across the middle market to understand how they are thinking about Digital Transformation. Overall, we understand that Digital Transformation is one of the single-largest priorities for middle market executives over the next 1-3 years.

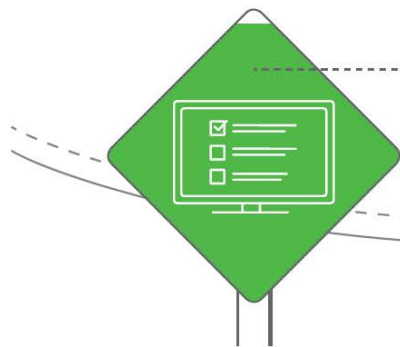
## MOST LIKELY ACTION ITEM FOR DIGITAL TRANSFORMATION



**55%**  
Increasing spend on digital solutions



**48%**  
Investing in education programs on digital for employees



**94%**  
of companies have a digital road map.

Only **48%** have a fully developed digital strategy



**72%**  
of organizations will increase digital transformation spending over the next three years.



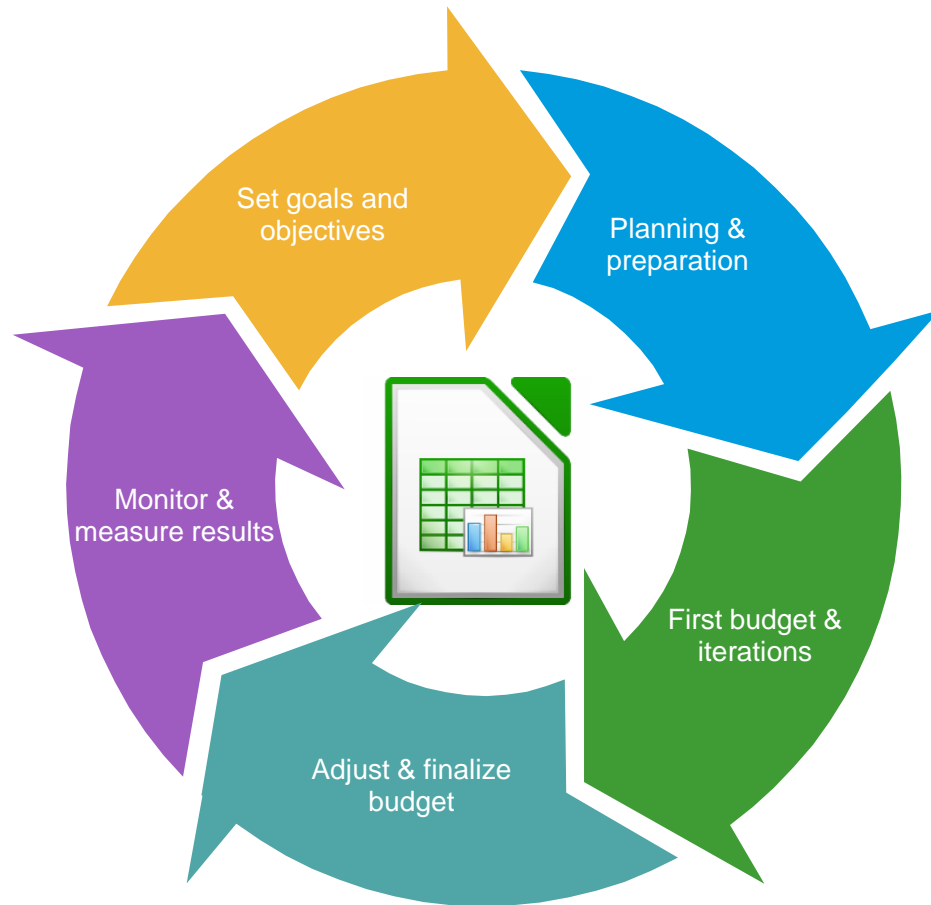
# DRIVING AGILITY IN PLANNING



## Where does budget/forecasting fall short?

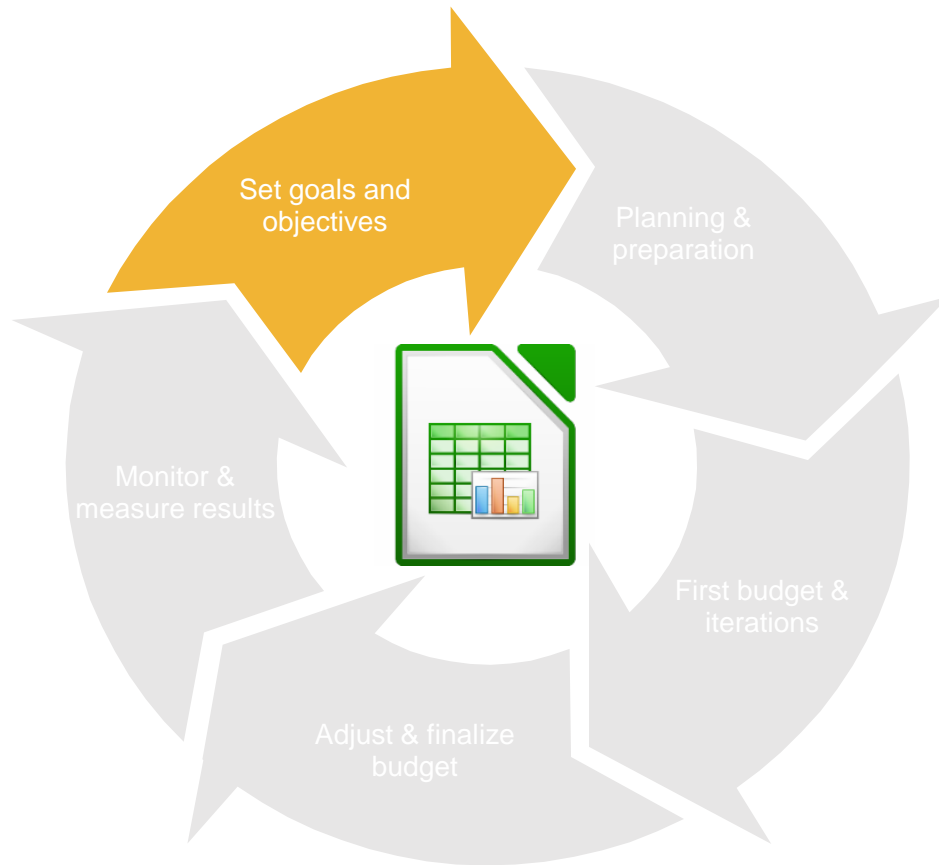
1. Process – Do you have the right processes in place?
  - a. Is there consistency?
  - b. Is there a workflow in place?
  - c. Are you forecasting? How often?
  - d. Do you perform scenario planning?

# Budget Process: Today



- The budgeting process can be broken down into 5 key phases
- These phases in the budgeting process are ongoing throughout the year
- When a company get stuck in preparing, approving, and executing the budget, they often neglect taking the time to evaluate their overall process
  - Failure to capitalize on opportunities to improve the process are often the result of time and resource constraints

# Budget Process: Phase 1 – Set Goals and Objectives



## Key Tasks:

- Define corporate and operational goals
- Define KPI's and link to incentives
- Set budget objectives & priorities
- Communication objectives
- Obtain organizational input & buy-in
- Identify required resources

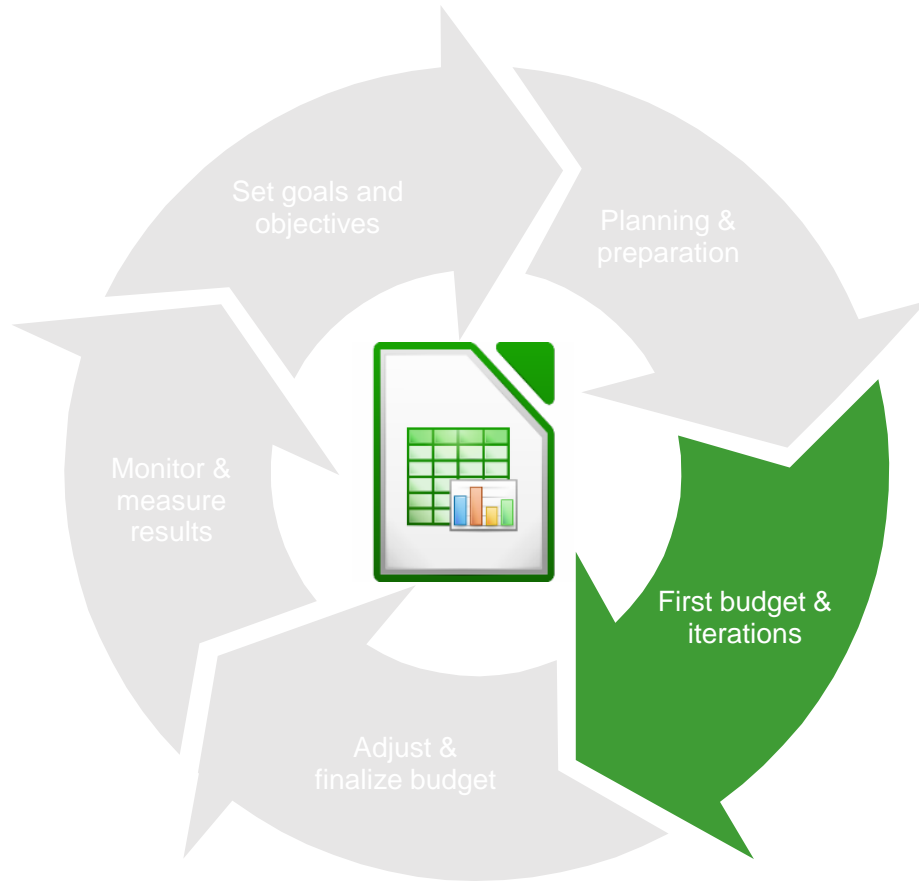
# Budget Process: Phase 2 – Planning and Prep



## Key Tasks:

- Communicate planning process to company
- Ensure assigned resources have adequate bandwidth, training, and tools to prepare budget
- Determine timing for budgeting activities and build schedule
- Create assumptions & obtain feedback

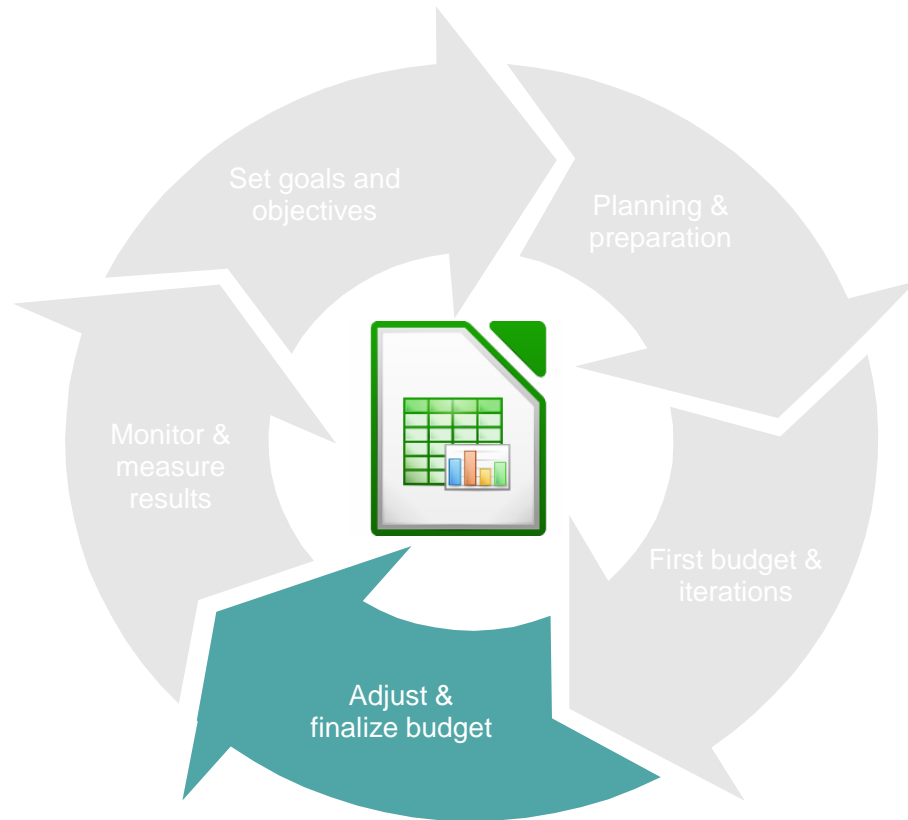
# Budget Process: Phase 3 – First budget pass & iterations



## Key Tasks:

- Build the budget model
- Input data
- Perform data manipulation
- Submit information for consolidation
- Create reports for comparison & variance analysis
- Review reports, data & apply changes (challenges)
- Accept submission & consolidate
- Complete first iteration of the budget

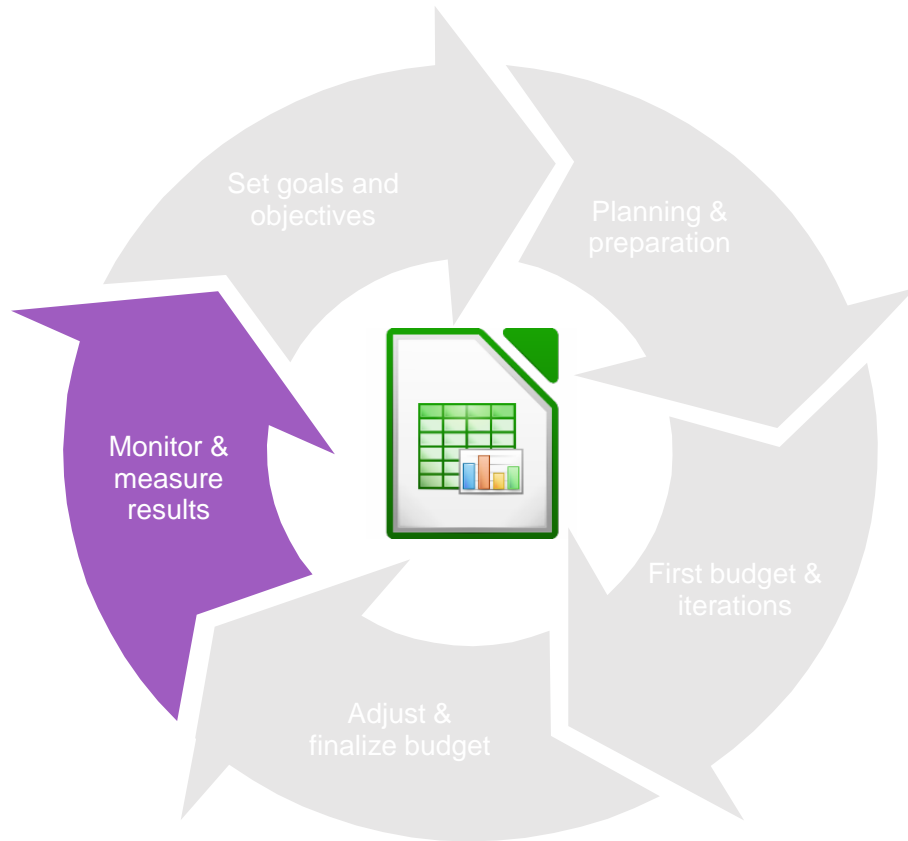
# Budget Process: Phase 4 – Adjust & finalize the budget



## Key Tasks:

- Complete second iteration of the budget
- Perform 'what-if' analysis
- Forecast & reforecast with additional data
- Evaluate budget areas with variances and understand rationale
- Review overall process performance and align with business strategy
- Make changes on an ongoing basis to improve process

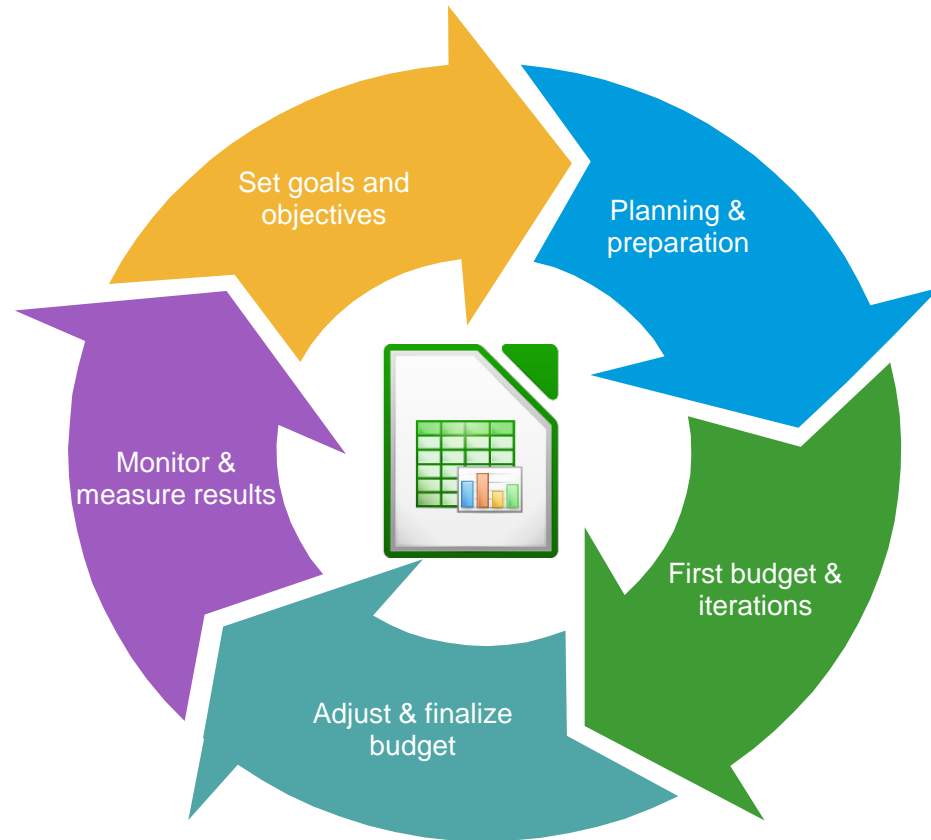
# Budget Process: Phase 5 – Share finalized budget



## Key Tasks:

- Finalize budget
- Communicate final budget to departments
- Review overall process performance and align with business strategy
- Make changes on an ongoing basis to improve process
- Measure and monitor results against the finalized budget

# Budget Process: Challenges



***Analyzing, monitoring, measuring results, and improving upon the process are the biggest challenges facing companies during the budget process... but why?***

Preparation, supporting business units, pestering business units, pestering them some more, rushing to consolidate budget templates, executive management makes a change, revisit the process again, rush to finalize the presentation, review and finalize, getting ready for the next reforecast.



# Best Practice – Simplify as much as possible

- Prior to diving into the process, evaluate the process for opportunities to streamline and simplify for end users
- Questions to Ask:
  - Do we have the right people involved?
  - Can we eliminate any unnecessary or redundant steps?
  - Is our technology optimal?
  - Is data entry and aggregation automated?
  - Are we using global drivers and formulas?

Simplify as much as possible

Phase(s) to apply best practice:



# Best Practice – Evaluate past performance

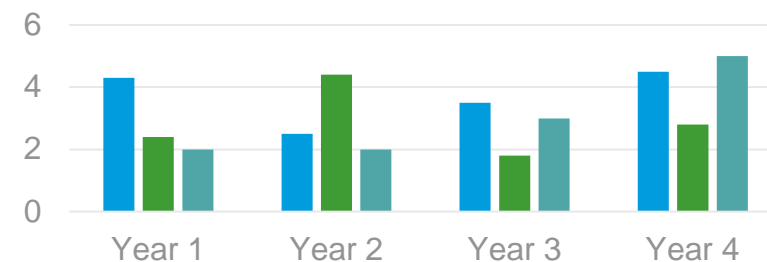
- Evaluate department/business unit past performance to budget
  - Review historical data during every iteration
  - Review accuracy of numbers in key areas – why did we budget incorrectly?
  - Where do we need greater assistance?
- Use quarterly close processes to keep managers on track
  - Involve resources across the organization

Continuously evaluate past performance

Phase(s) to apply best practice:



Historical Trend Analysis



## Where does budget/forecasting fall short?

1. Technology – What technology are you using?
  - a. How many people are using Excel?
  - b. How many people are using an ERP budgeting module?
  - c. How many people are using an EPM / CPM solution (i.e. Prophix or Adaptive)?

# Best Practice - Technology

- Establish a self-serve finance function
- Self-service finance functions reduce the burden on finance team members
  - Provide budget managers with access to financial data and ability to analyze data through technology
  - Enables finance to hold budget managers accountable for their performance to budget since they have access to relevant data at all times
- Encourage access to financial and operational data during the month instead of only after close
- Help departments identify relevant KPIs and reporting requirements so they can effectively manage the business
- Develop dashboards and reports specific to departmental needs

Drive accountability through accessibility

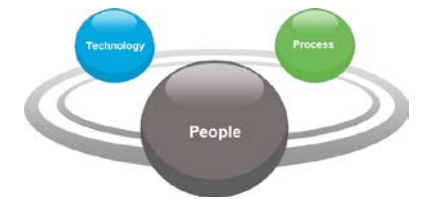
Phase(s) to apply best practice:





# IS IT TIME FOR DATA ANALYTICS?

# RSM Performance Management & Analytics



**PEOPLE**

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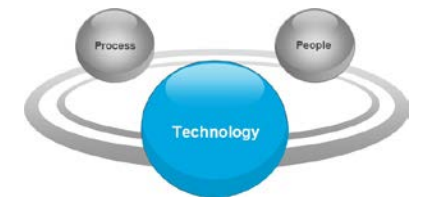
**PROCESS**

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**TECHNOLOGY**

- Design of optimal FP&A organizational structure
  - Alignment of FP&A with internal customers (e.g. sales, procurement, marketing, operations, human resources, IT, R&D, etc.)
  - Understanding of managerial vision and expectations, linking tactical activities with strategic outcomes
- 
- Design and implementation of budgeting, forecasting, consolidation, reporting, and analytical processes
  - Automation of manual processes
  - Definition of metrics/KPIs and improvement of performance measurement
  - Conversion of business strategy into tactical activities
- 
- Selection of enterprise performance management (EPM) solutions to streamline FP&A processes
  - Implementation of best-fit EPM solution, complete with development of industry specific models for budgeting, forecasting, and reporting
  - Optimization of EPM solution as business evolves (e.g. additional data sources, greater automation, departmental adoption, etc.)

# Process-Enabling Technologies



## Financial Processing

### Enterprise Resource Planning

#### ERP



- General Ledger
- Accounts Receivable
- Accounts Payable
- Inventory
- Treasury
- Fixed Assets
- HR/Payroll
- Budget (basic)

### Robotic Process Automation

#### RPA



- Bot deployment for structured, repeatable, and logic-based tasks
- Reduction of human error rates and enhanced compliance & security
- Productivity improvement (5x faster than humans with 24/7 run-time)

## Financial Close

### Financial Close Automation

#### FCA



- Account reconciliations
- Period-end checklists
- Variance analysis
- Journal entries
- Intercompany eliminations

## Data Analytics

### Enterprise Performance Mgmt.

#### EPM



- Budget/Forecast Modeling
- Scenario Planning
- Financial Statements
- Management Reporting
- Dashboards (basic)
- Financial Consolidation

### Business Intelligence

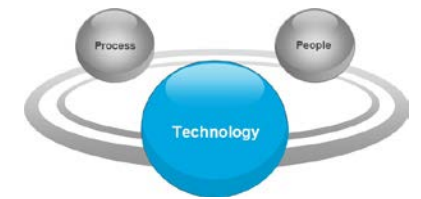
#### BI



- Data Warehousing
- Master Data Management
- Dashboards (advanced)
- Predictive Analytics
- Big Data / IoT



# Enterprise Performance Management



## CAPABILITIES

### BUDGETING & FORECASTING

- Revenue planning
- Personnel planning
- Operating expense planning
- Capex planning
- Balance sheet & cash flow planning
- Workflow and collaboration

### FINANCIAL CONSOLIDATION

- Intercompany eliminations, reclassifications, and allocations based on built-in rule intelligence
- Currency conversion and cumulative translation adjustment for multi-currency financial consolidations

### REPORTING

- Fully customizable reporting capabilities
  - Financial statements
  - Profitability modeling and optimization
  - Management and statutory reporting
- Dashboards, scorecards, and KPIs
- MS Office add-ins: Word, Excel, and PPT

## ENABLEMENT

### DATA AGGREGATION

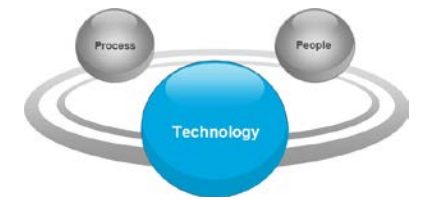
- Direct and/or manual system integration
- ETL of disparate data sources, including ERP/GL, HRIS, CRM, BI, and other sources of information necessary to drive better planning, reporting, and decision-making

### SCENARIO PLANNING

- Annual and multi-year planning, as well as periodic forecasting, controllable by version
- Dynamic what-if scenario analyses based on financial and non-financial drivers & assumptions



# Value of EPM



## Results



**38%** less time in planning process



**32%** less time creating mgmt. reports



**12%** increase in forecasting accuracy



## Impact

Dynamic, real-time budgets



Shift to value-add analysis



Greater insights for better decisions

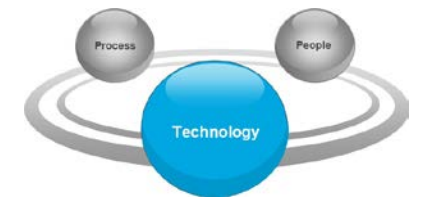


## Other Benefits

- Relieves challenges commonly associated with spreadsheet based budgeting and reporting (e.g. version control, broken links, inaccurate formulas, static structure, etc.)
- Creates consistency and visibility into the process (e.g. common templates, workflow approvals, global assumptions)

- SaaS solution accessible anywhere with an internet connection
- Does not require IT support – owned and operated by Finance
- Improved data security (e.g. restrictions by org structure, role, etc.)
- Effectively aligns corporate strategy with execution of operations

# Gartner Magic Quadrant: Financial Planning & Analysis



- Financial budgeting and planning: Using financial classifications found in the general ledger, planning processes are enabled by a financial modeling engine to integrate profit-and-loss, balance sheet, and cash flow forecasting. These capabilities support the creation, review, and approval of plans and forecasts, as well as associated workflows.
- Integrated financial planning: This area joins the financial planning components of other business domains, such as workforce and sales, with those of corporate finance. Innovative initiatives can be used to meet organization-wide requirements in specific areas, thereby linking corporate strategy and execution.
- Management and performance reporting: Collaboration capabilities transform traditional management accounting reports into “performance playbooks” that take a more inclusive approach to explaining results. Performance reporting incorporates operational results, financial results, and enhanced narratives.



# RSM EPM SERVICES

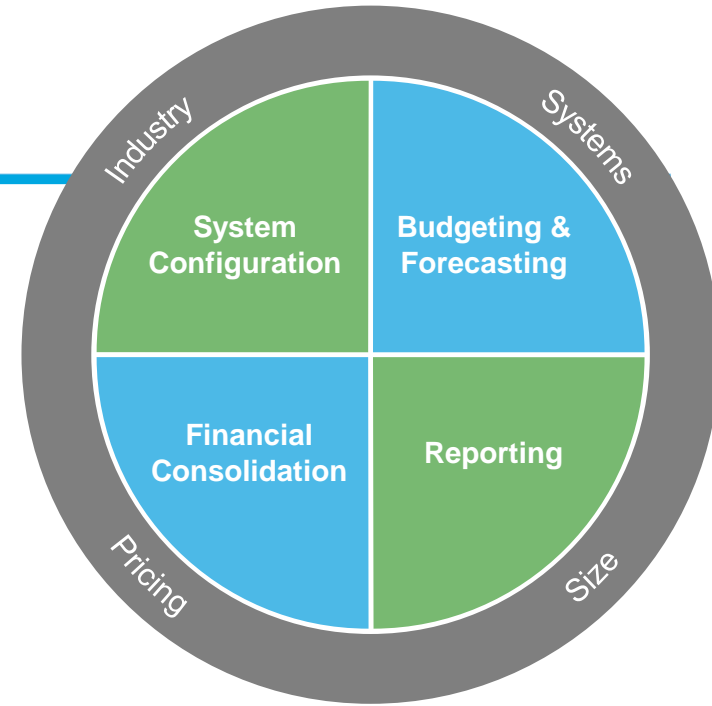
# EPM Selection Methodology

In many areas, functionality is highly comparable across Enterprise Performance Management solutions. RSM understands specific advantages among common systems in this market, and offers consultation for the selection process in order to maximize value and effectiveness for our clients.

RSM services include:

- Structured software selection process, including a detailed requirements review, facilitation of scripted vendor demonstrations, and delivery of associated analysis/recommendations
- Rapid fit assessment, including a high-level requirements review and our assessment of best fit against client requirements

Sample factors/considerations include:



Client Profile	System Configuration	Budgeting & Forecasting	Reporting	Financial Consolidation
Industry	Dimensions	Financial modeling	Financial / Mgmt. reporting	Elimination rules
ERP(s)	Multi-entity	Workforce planning	Dashboards	Standard/recurring journal entries
Size	Time dimensionality	Allocations	MS Office add-in	Currency translation
Pricing	Currency	Maintenance	Auto-distribution	

# EPM Implementation Methodology

Our approach and methodology seamlessly come together to provide your organization with optimal results. We have set quantitative and qualitative measures throughout the process which will guide your organization from strategy to execution using the key components of implementing an effective Enterprise Performance Management solution: *People, Process, and Technology*.



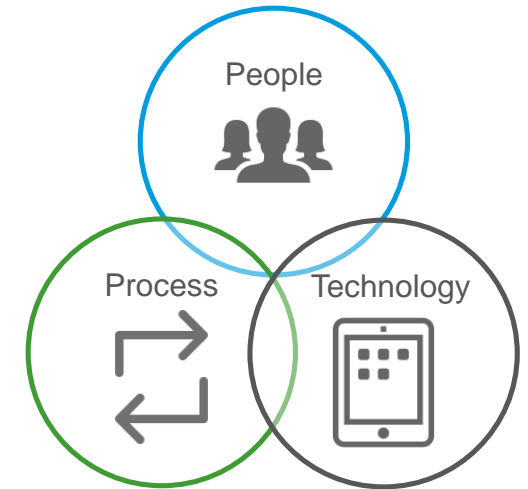
- Project management
- Scoping sessions
- Project planning
- Project kick-off meeting

- Facilitate system design workshops
- Document system requirements
- Develop system design document
- Infrastructure Readiness Assessment

- Configure system/application
- Configure data sources and loading rules
- Load and validate data
- Build system/application logic
- Build templates and reports
- Review and validate templates/reports

- Develop test scripts
- Conduct UAT
- Document issues
- Resolve issues
- UAT sign-off

- Develop training materials and documentation
- Deliver end-user training
- “Go-Live” planning
- Post “Go-Live” support



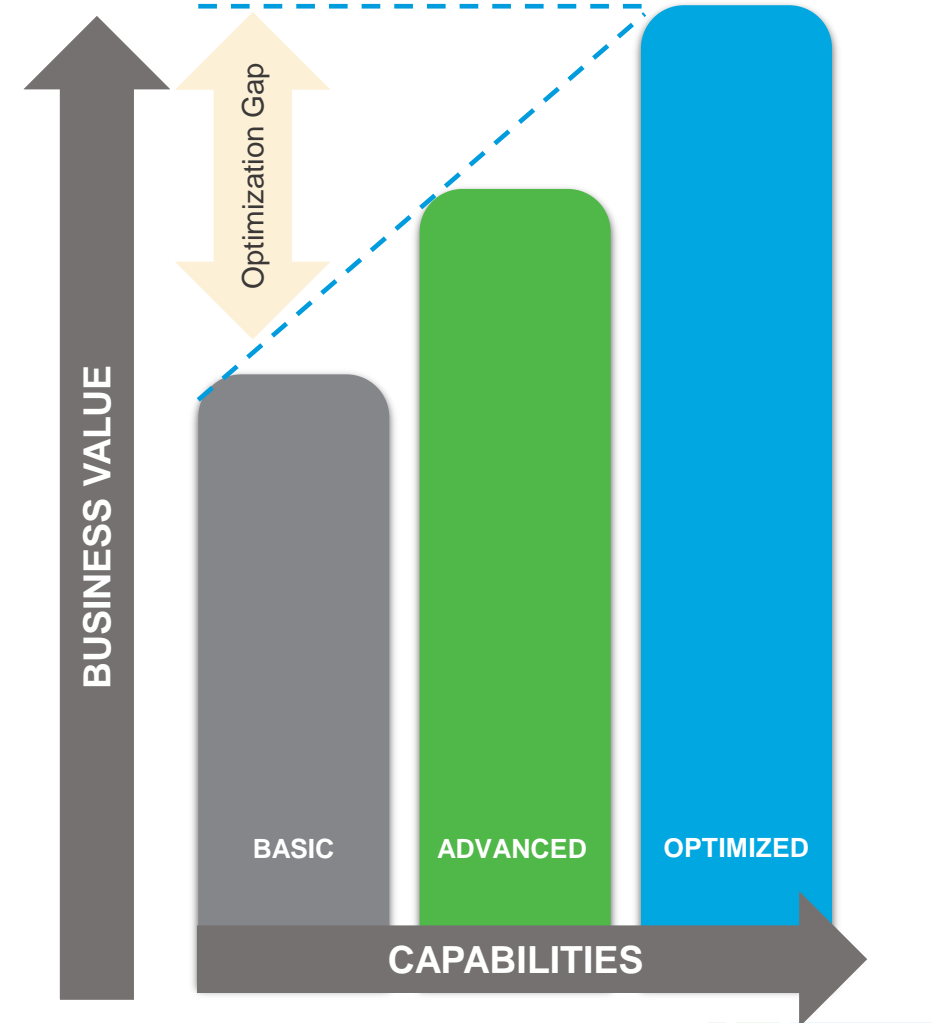
# EPM Optimization Methodology

## Assessment

- Is the entire organization utilizing the tool or a select subset in Finance?
- Is Excel still being used in some capacity to support FP&A processes?
- Are all components of the business – defined categorically across the P&L, balance sheet, and statement of cash flows – being automated through the EPM solution?
- Could additional data sources provide drivers/metrics that would allow for more insightful budgeting/forecasting and reporting?
- Have changes to the business/industry occurred since initial rollout?

## Opportunities

- Modification of existing templates/reports to enhance user experience and generate better results
- Creation of additional templates to automate new areas of the business previously disregarded or planned offline
- Decentralization of planning and reporting processes to end-users
- Development of new reports/dashboards
- Integration of new data sources to introduce additional dimensionality, drivers, and reportable metrics/KPIs

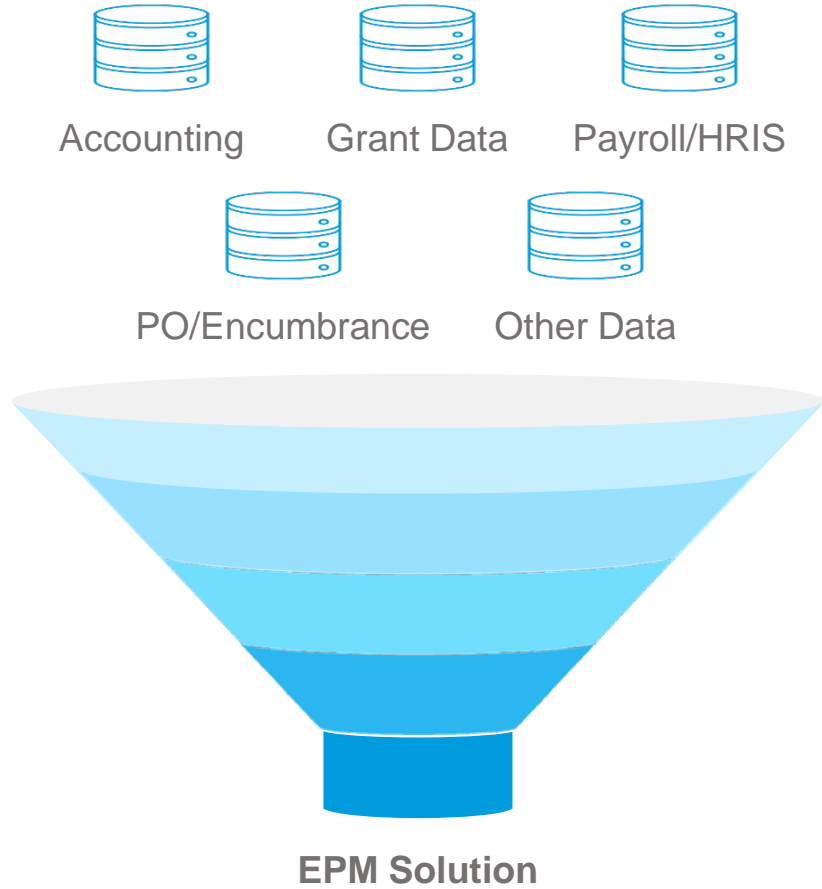




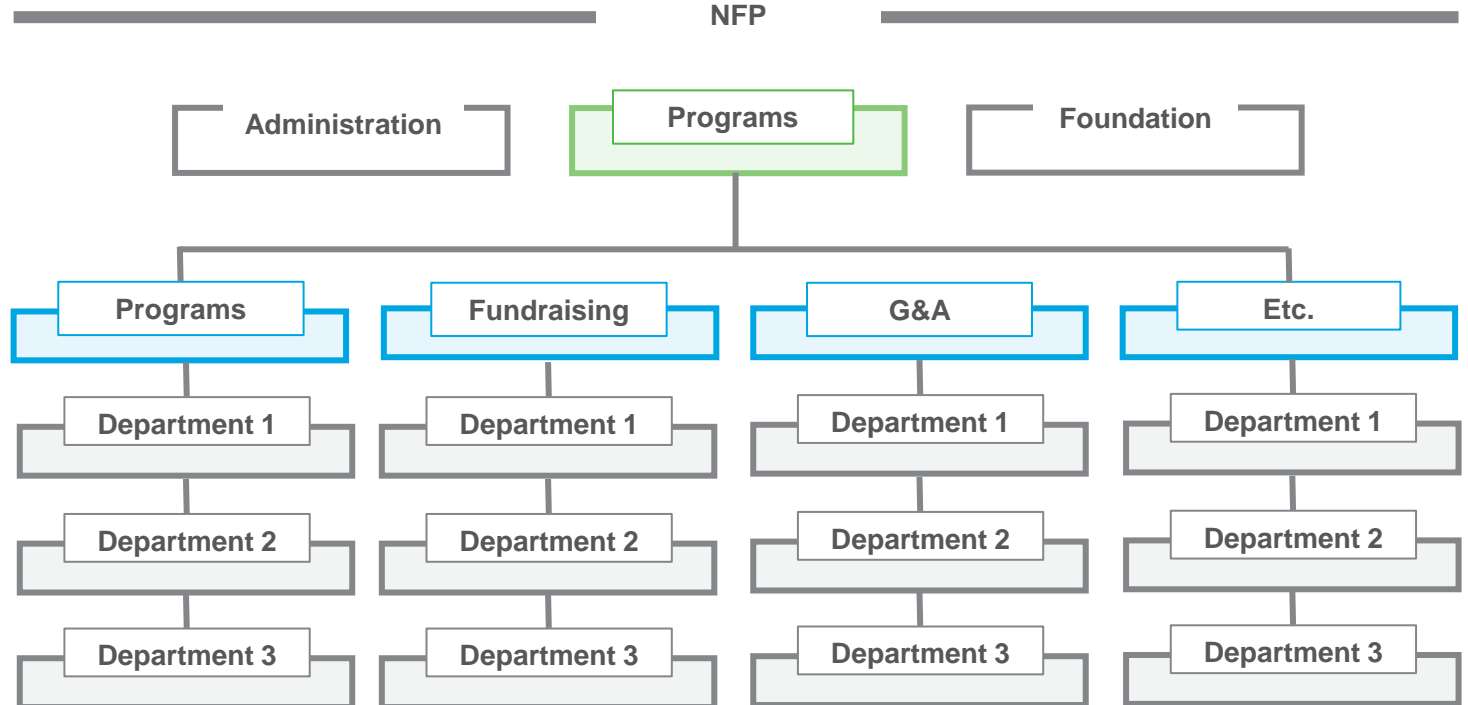
# EPM FOR NOT FOR PROFIT

# Purpose-Built Configuration

## Reference Data / Budget Drivers / Reportable Metrics



## Budgeting & Reporting Structure



## Dimensionality

Department	Grant	Fund	Restriction
Employee Type	Location	Program	Etc.





# NFP - Planning & Reporting Capabilities

Revenue Planning	Expense Planning	Balance Sheet Planning	Reporting
Grant and Contracts	FT Personnel – Faculty/Staff	Working Capital	Financial Statements
Endowment	PT Personnel – Adjunct/Wage	Property & Equipment	Budget vs. Actuals
Contributions	Operating Expenses	Debt	Grant/Statutory Reporting
Operating Revenue	Contractual Services	Cash Flow	Dashboards
	Capital Equipment		Self-service analysis
	Plant & Improvements		MS Office add-in
	Indirect Cost Allocations		

For each template, categories may be planned:

- Bottoms-up: Drivers and assumptions (e.g. rates) are paired with user inputs (e.g. grant information) to calculate totals
- Bottoms-up: Detailed schedules, e.g. individual line items by vendor to accumulate contract spend
- Top-down: Known amounts are allocated to individual campuses, departments, etc. manually or based on logic

# EPM Implementation Timeline

Pending a formal scoping process, we typically estimate 12-15 weeks for implementation.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Initiation &amp; Planning</b>	█														
<b>Business Processes &amp; System Design</b>		█	█	█	█										
<b>Development</b>				█	█	█	█	█	█	█	█	█			
<b>Refinement &amp; Testing</b>												█	█		
<b>Training &amp; Deployment</b>														█	█



# EPM CASE STUDY

# NFP Clients we've helped...

## Reporting: Enhancing information through consistency

International Association

### Business Need

Reporting across the finance organization was primarily a manual process and did not provide the appropriate information to management in a timely manner.

Manual intervention within the reporting processes caused control issues and resulted in inaccuracy of results.

### Result

- Designed and implemented an enterprise reporting solution to optimize performance within the finance organization
- Provided real time financial visibility into department and project performance
- Improved operational reporting to support faster, more effective decision making

## Improving Budgeting/Forecasting

Social Service Organization

### Business Need

Budgeting, reporting, and consolidation processes were complicated and inefficient.

Information was sourced from a number of different locations across the globe and a significant amount of manual intervention and effort was involved in developing recurring reporting.

### Result

- Developed a reporting process to improve close cycle and accuracy of information
- Decreased hours spent on the budgeting cycle by 50%
- Delivered a budgeting solution to analyze scenarios including possible grant additions, new projects, and country office openings, all while aligning forecasts with organization strategy.

## Program Budgeting/Forecasting

Foundation

### Business Need

Budgeting, forecasting and reporting actual was not done at the program level.

Many man hours were being spent post budget process assuring the budgeted and actual dollars for salaries, taxes and benefits were allocated to programs.

### Result

- Consistent programmatic definition across the organization
- Enable programmatic reporting and budgeting
- Cross functional collaboration
- Provided a centralized location for all data, streamlining and integrating personnel figures with other elements related to the financial budget.



# QUESTIONS AND ANSWERS?