WHITE PAPER

5 Key Factors for Effective

eXtended Planning & Analysis (xP&A)

OneStream™

Table of Contents

The Rise of eXtended Planning & Analysis (xP&A)

As organizations take steps to inspire a data-driven, performance-focused culture, Finance teams are redefining the mission for the Office of Finance. In fact, according to Accenture (see figure 1), CFOs are overwhelmingly using the opportunity to drive organization-wide operational transformation.

77%

77 percent of CFOs believe it is within their purview to drive business-wide operational transformation.

81%

81 percent of CFOs see identifying and targeting areas of new value across the business as one of their main responsibilities.

Figure 1: Accenture CFO Reimagined Report

How are CFOs driving such transformation? By extending beyond the traditional walls of Finance and FP&A with a new approach called eXtended Planning & Analysis (xP&A). Read on to learn more.

Gartner[1] predicts that, by 2024, 70% of all new FP&A projects will have an extended scope beyond the Finance department. What are the implications of such an evolution? Here are just a few important considerations:

- The "lines" between operational planning and financial planning **no longer exist**.
- Finance teams are now serving as strategic business partners and help drive Merchandising plans, Sales and Marketing plans and Operations plans (see figure 2).

Finance must **intelligently** align these granular operational plans with consolidated financial plans. And do it seamlessly at speed and **at scale**.

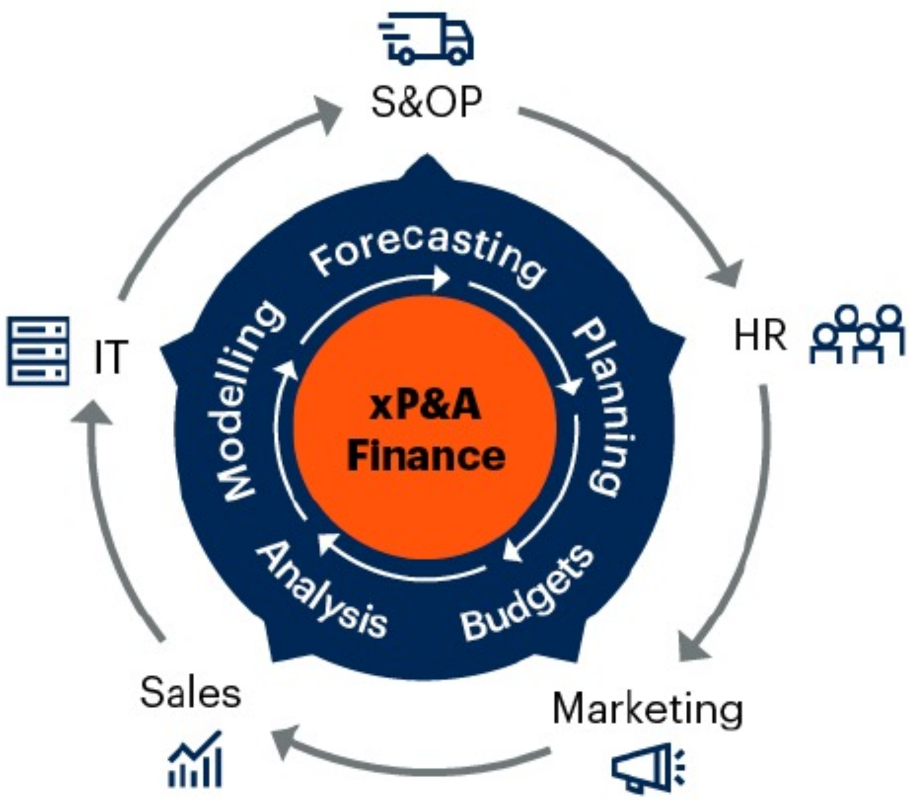


Figure 2: Gartner's View of Extended Planning & Analysis (xP&A)

[1] *Gartner, 2020 Strategic Roadmap for Cloud Financial Planning and Analysis Solutions, Robert Anderson, John Van Decker, 21 February 2020.*

Moving Beyond Connected Planning

In recent years, terms such as "connected planning" have emerged to describe the integration of key planning processes. And there's a reason for that: the concept of connected sounds compelling. The idea is that — by "connecting" people together with data, financial reporting and plans — "connected Finance teams" can move forward with speed and agility.

Over the past few years connected planning solutions (see figure 3) have offered a nice alternative for corporate and departmental Finance teams seeking to evolve from manual, spreadsheet-intensive processes. And for organizations with little complexity, connected planning solutions might work well. But how do those same connected planning solutions fare for large, global organizations with sophisticated requirements and processes that extend across the entire Office of Finance and into lines of business?

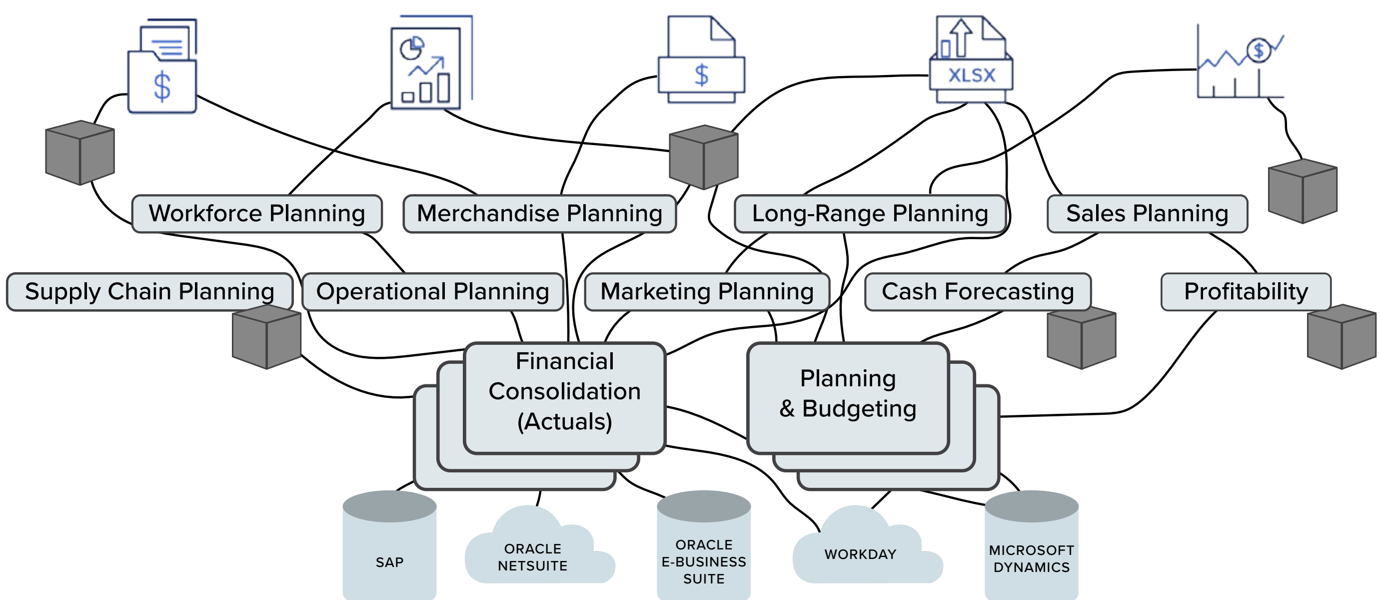


Figure 3: Connected Planning Solutions

For large, global organizations with dozens of diverse planning and Finance processes, connected planning solutions are **difficult to scale**. Why? Because **each and every** departmental and corporate application or model must be connected — **adding risk, cost and complexity** to already-taxed Finance teams (see figure 1). Here are some additional considerations:

- **Fragmented Software & Processes —** Connected Finance solutions require fragmented cubes, modules and sometimes third-party software to support diverse planning processes (e.g., S&OP, sales planning and long-range planning) and offer no solution for financial close and reporting requirements. At scale, the **constant addition** and introduction of new software and processes **adds risk, cost and complexity** across the Office of Finance.

- **More Data Management & Administration —** The fragmented software and technical processes needed for connected planning create added **technical complexity and administrative burden** on the Finance team. This burden includes moving and reconciling data, constantly managing metadata, monitoring data latency and managing security between fragmented products or models. Collectively, the burden **dilutes** the ability of strategic Finance teams to focus on driving performance and supporting critical decision-making. In fact, data management and administration are major barriers that prevent Finance organizations from leading at speed.

- **Lack of Financial Intelligence —** Many connected planning solutions offer no financial intelligence. What does that mean? It means **all** the core “financial logic” for monthly financial processes — such as debit or credit account types, hierarchies, dimensionality and currency translation — must be **built completely from scratch**.

5 Key Factors for Effective xP&A

For Finance leaders who are innovating their planning processes for xP&A, here are **5 key factors to consider as part of the evaluation**:

Key Factor 1: Unified, Extensible Platform

At the core of xP&A strategy is the alignment of granular operational plans with financial forecasting and performance through a unified, extensible platform and data model.

For xP&A transformation to be successful, Finance teams must be able to focus on adding value by providing knowledge, acting on insights and guiding operational decisions across the organization. Correspondingly, business-unit leaders require the ability to assess operational data and formulate plans in alignment with top-level organizational strategy.

In contrast, connected Finance solutions with data scattered across fragmented files, systems and cubes cannot effectively unify. Such data is, by definition, “connected” not unified. Complex organizations face an additional challenge: the variety of hierarchical structures across the organization where divisions, business units and departments require the capability and flexibility to plan and report at a lower level of detail versus corporate (see figure 4). And they must be able to do so without **forcing technical complexity** onto already-burdened Finance teams.

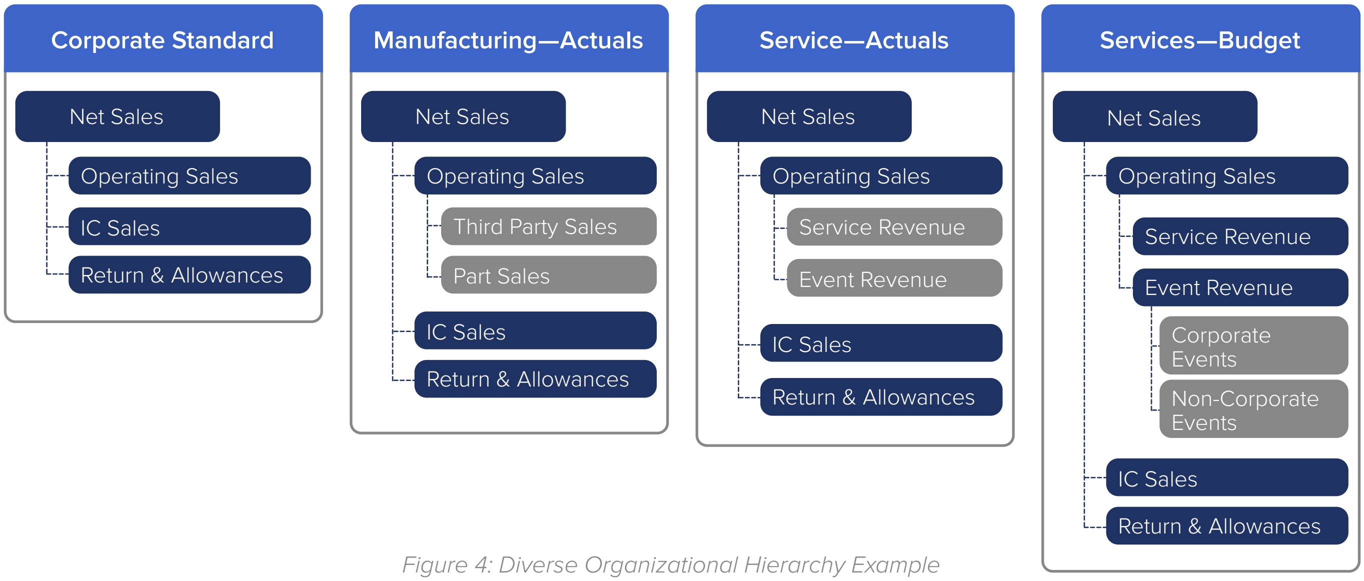


Figure 4: Diverse Organizational Hierarchy Example

To meet these requirements for unification and extensibility, an effective xP&A strategy must provide the following capabilities:

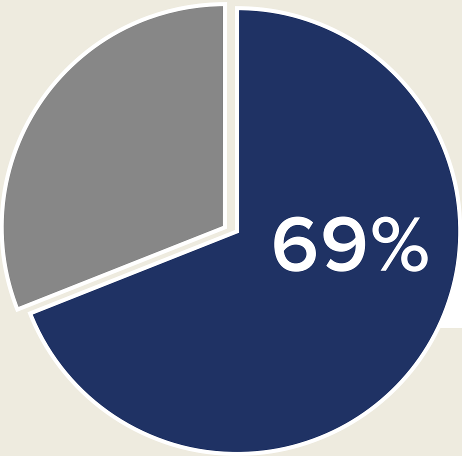
1. Planning processes must be unified through a **single, enterprise-wide platform** that is pervasive across operational and financial functions.
2. The platform must integrate data from various financial and operational sources (e.g., ERP, HCM, CRM) and provide access to that data across all financial and planning functions.
3. The platform must have the capability to support **corporate standards and controls**, with the flexibility for business units to report and plan at additional levels of detail — **all through a single application**.

Key Factor 2: Built-In Financial Data Quality

High-quality and accurate management reporting is critical to empowering Finance teams and their business partners to develop insights and guide key decisions that drive performance. But as integrations, data volumes and organizations become more complex (see figure 5), financial data quality is increasingly difficult to manage and control, adding risk and cost to processes that are already labor-intensive and inefficient.

Additionally, Finance teams must also ensure the right controls, audit trails and governance processes are in place across planning processes and underlying transactional systems. These processes include managing and controlling changes to user security, the chart of accounts, entity structures, departments and other analytic dimensions (e.g., products and channels).

Legacy CPM, ERP and connected planning systems, even those from the same vendor, are often not built to work together naturally or even designed with different technologies, leading to siloed and **disconnected applications**. Little to no connectivity often exists between the systems, and users are forced to resort to manually retrieving data from one system, manually manipulating the data and then loading it into another system. As a result, the lack of full integration creates a multitude of challenges — including cumbersome manual steps, wasted resources and time, risk of errors, poor financial data quality, and a lack of traceability and complete auditability.



Did You Know...

69% of companies with 1,000 or more employees have general ledgers from multiple vendors.

27% have them from **four or more vendors.**

—Source: Ventana Research, Strategic Considerations for Financial Consolidation Systems

Figure 5: Organizations with Disparate General Ledger Systems

To support xP&A strategies, organizations require a platform with built-in capabilities to check, confirm, certify and lock data for complete confidence in data quality and processes. Achieving such capabilities begins with effective data integration to ensure the timeliness and accuracy of financial and operational results. Users must also, at the same time, be provided with the ability to drill back into source data (see figure 6) for transactional analyses that assess invoices, capital projects, product profitability and workforce analysis.

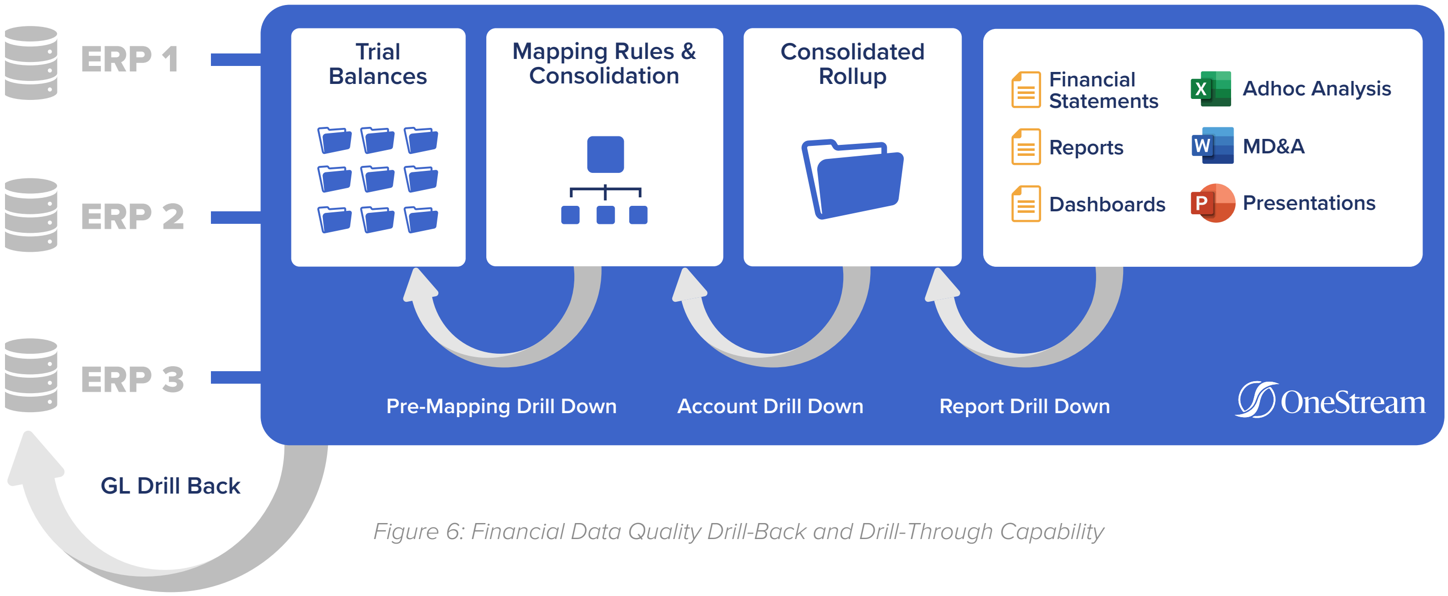


Figure 6: Financial Data Quality Drill-Back and Drill-Through Capability

Key Factor 3: Built-In Financial Intelligence

As a holistic planning approach centered around Finance, an effective xP&A platform starts with built-in financial intelligence. Why is built-in financial intelligence important? Because having built-in financial intelligence speeds the implementation process, reduces costs and ensures the accuracy of the results produced by the solution.

With some connected planning solutions, financial intelligence must be built during the implementation process. That process typically leads to more complexity and longer and more expensive implementations. At scale, this “custom” approach can also lead to a higher risk of producing inaccurate results and can be more difficult and expensive to upgrade and maintain. More connections means more complexity, not less.

OneStream considers the following capabilities as critical examples of built-in financial intelligence for effective xP&A.

- **Account Intelligence —** The solution should understand financial account types (e.g., assets, liabilities, equity, revenue, expense, intercompany and statistical or non-financial accounts). Having account intelligence is important because the system needs to natively understand how to handle debit and credit activity. This intelligence also matters when comparing actual results to budgets or forecasts (e.g., actual revenue higher than budget is positive, actual expense higher than budget is negative).
- **Time Intelligence —** Time intelligence is the ability for the solution to automatically accumulate data over time and support various time-based calculations. Such support should exist for month-to-date (MTD), quarter-to-date (QTD) and year-to-date (YTD) calculations; trailing 12-months (TTM); trailing 12-month averages; and roll-forwards. Having this intelligence is important for conducting the comparative analysis of financial and operational results (e.g., comparing results for the current vs. prior period, or YTD results for the current year vs. the prior year). Time intelligence automatically updates calculations and reports when the current period is changed to streamline the reporting and analysis process.
- **Currency Intelligence —** Since data for planning purposes is often entered or collected in different currencies, the solution must have built-in currency translation capabilities. Such capabilities should include translation rules for constant currency using either actual or budgeted translation rates and cumulative translation adjustment for each account and period.
- **Financial Consolidation & Reporting Intelligence —** Consolidating financial results for either financial reporting or planning purposes involves more than just adding up or aggregating numbers. Specific rules and calculations must also be executed throughout the process to accurately produce consolidated financial results. Such execution includes the following steps:
  - Calculating base-level entities
  - Accurately handling currency translation
  - Determining ownership and control (if applicable) for consolidation purposes
  - Accurately consolidating entity data up a hierarchy to the parent data
  - Supporting multiple financial, statutory and management reporting structures

Solutions built only on standard aggregation engines will not only require workarounds and the custom development of capabilities inherent in a consolidation engine, but also the ability to complete these steps efficiently and accurately across multiple hierarchies. In other words, effective xP&A solutions enable organizations to acquire capabilities for both high-volume aggregation and financial consolidation.

- **Security & Audit Trails —** Having the ability to control read/write/update access by users and groups is an essential control required in xP&A applications. Having complete audit trails for all data changes and processing steps is essential for applications that will be used to report official "book of record" financial information. Not to mention, audit trails are also beneficial in understanding the evolution of data throughout the budgeting, planning and forecasting processes.

Key Factor 4: Financial Signaling

Leading at speed during this time of rapid and complex economic change has become more critical than ever. Why? To survive, let alone thrive, organizations must finally break the traditional month-end reporting cycle and drive continuous performance through daily and weekly financial signals.

Unfortunately, many organizations struggle with silos of data across fragmented connected planning solutions and cumbersome spreadsheets. This environment limits access to data and insights, resulting in the lack of agility needed to quickly react at the speed of the business. In fact, according to FSN's Future of Analytics study[2], **only 14% of respondents answered that the analytic efforts exerted by their organizations are considered insightful**.

To truly lead at speed, Finance leaders and their teams must gain access to "right-time" insights and break organizational reliance on the month-end reporting cycle. Finance leaders, to achieve those things, must first leverage the financial intelligence at the core of the organizational monthly financial processes (e.g., hierarchies, dimensionality and translations), and then blend it with higher velocity financial transactions and operational data from multiple sources (see figure 7). Leaders must then also be able to decipher the hidden signals within their operational data to recognize opportunities to take action and impact outcomes before the month-end close.

Figure 7: Financial Signaling for Daily / Weekly Insights

[2] *FSN Future of Finance Analytics 2020 Survey.*

With this Financial Signaling capability, Finance teams can begin to analyze the signals on a weekly or even daily basis to compare how key metrics and KPIs (e.g., order pacing, controllable costs and working capital) are pacing vs. their monthly forecasts and run rates. By doing so, Finance teams can then provide guidance to business partners to drive continuous performance and in-period adjustments based on changing business conditions.

Key Factor 5: Auto AI

No matter where an organization is in the Finance transformation journey, it's critical to consider artificial intelligence (AI) as part of an effective xP&A strategy. Why? Well, like it or not, machine learning (ML) and other subsets of AI are here to stay as tools to help increase forecasting accuracy and enable continuous scenario modeling within the current environment of increasing complexity and pace of change.

Unfortunately, despite excitement across the industry, adoption in Finance still lags most functions (see figure 8) with only 20% of organizations currently deploying AI in the Finance function.

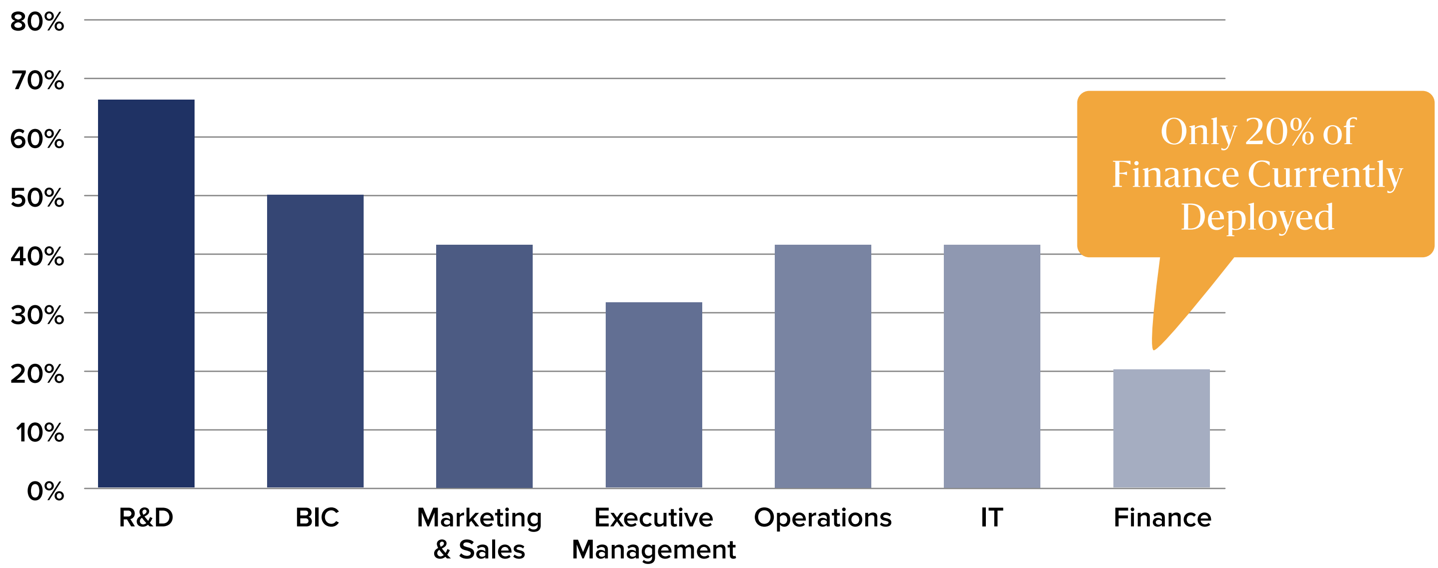


Figure 8: Dresner Advisory Wisdom of Crowds® Data Science and Machine Learning Market Survey

Here are a few questions Finance teams can ask themselves to help move beyond the hype of advanced analytics:

1. Does Finance really need to learn how to build ML and predictive models?
2. Are material investments into dedicated data science resources and AI infrastructure required?
3. What are the use cases where Finance can interact with advanced analytics within day-to-day processes?

Auto AI does ultimately live up to the hype — in fact, it's a gamechanger that allows Finance and Operations teams to drive an effective xP&A strategy. Why? In short, by design, Auto AI breaks down the traditional high barriers to entry of advanced analytics for Finance teams, enabling organizations to leverage internal and external data to create insights for decision-making. Instead of taking on the burden of building models, Auto AI unleashes the power and sophistication of data science across the enterprise, not only at scale but also at a fraction of the cost of compared to deploying teams of data science resources and infrastructure.

Here are some additional characteristics of Auto AI for Finance and Operations teams:

Faster — The Power of Automation

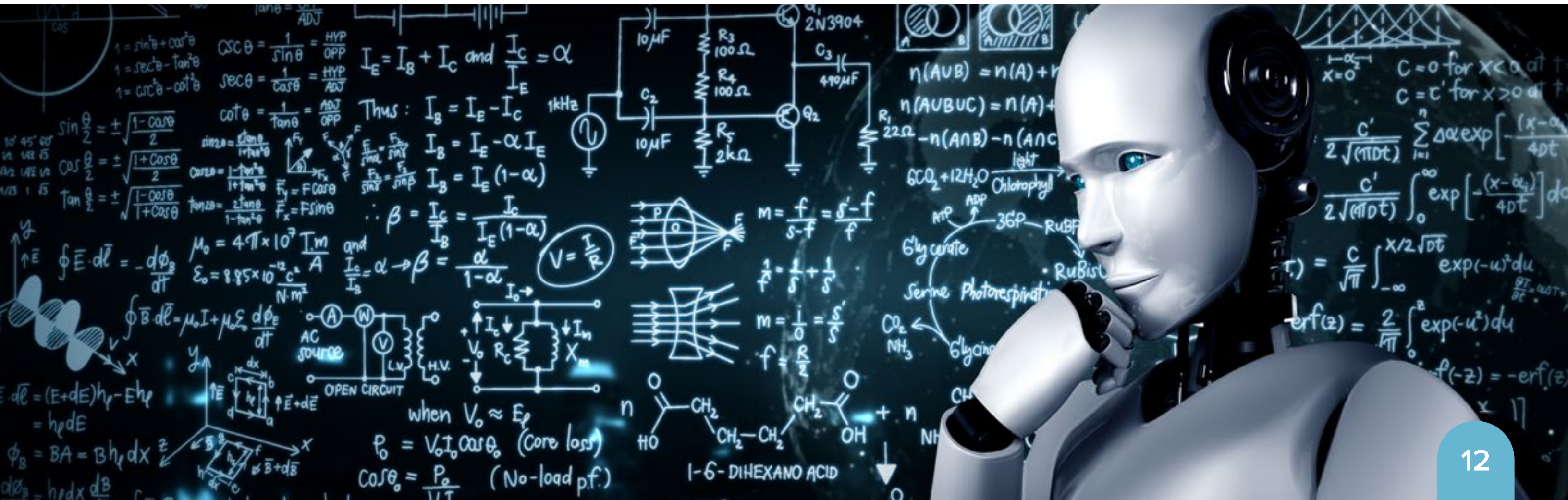
Auto AI develops and deploys thousands of ML and statistical models in a fraction of the time of compared to traditional data science groups by delivering a robust and systematized infrastructure to promote faster model development.

Easier — Programmatic Data Science Intuition

Auto AI gives Finance and Operations a user-friendly approach to take advantage of data science processes, techniques and development cycles — **without dedicated data science resources**.

Cheaper — Agile Data Science Teams

Auto AI **supercharges productivity** by removing the need to have in-house data science architects and engineers to build reusable and reliable infrastructure



An xP&A platform with Auto AI enables Finance and Operational teams (e.g., Sales, HR, Marketing and Supply Chain) to elevate partnerships to newfound levels of collaboration, find new ways to ask why and focus all their time and energy on driving continuous performance (see figure 9).

FP&A
- Set targets for AOP and Long-Range Plans
- Validate forecasts from business partners
- Seed baseline forecasts with predictive models

Sales
- Empower S&OP process with predictive forecasts
- Assist with customer AR analysis (DSO)
- Predict sales funnel stats

MFG Analytics
- Add predictive models to demand planning
- Analyze future labor costs based on historical run-rates
- Create baseline forecast for input costs

Brand Analysis
- Extend Price / Volume / Mix analysis
- Forecast by Store, Brand, Department, Product, Category, SKU
- Create baseline forecasting for ad spend

Figure 9: Use-Cases for AI-Enabled Planning & Forecasting

Conclusion

The rise of xP&A provides Finance teams with an ideal opportunity to **conquer the complexities** of their internal systems and processes by moving beyond connected planning solutions. Yet process automation, though critical, is not a new concept.

Still, xP&A puts Finance in the driver's seat to inspire a **digitally ready, data-driven and performance-focused** culture across the entire organization to help realize the promise of true integrated business planning. It provides the operational relevance and flexibility required for line-of-business groups AND Finance. It enables the organization with controls and the governance required to evolve and scale and continue the endless journey of unleashing the true value and potential of the Finance team. All with the goal of driving performance and inspiring a new standard for corporate performance management.

At OneStream, we call this **Intelligent Finance**.

About OneStream Software

OneStream Software provides a market-leading intelligent finance platform that reduces the complexity of financial operations. OneStream unleashes the power of finance by unifying corporate performance management (CPM) processes such as planning, financial close & consolidation, reporting and analytics through a single, extensible solution. We empower the enterprise with financial and operational insights to support faster and more informed decision-making. All in a cloud platform designed to continually evolve and scale with your organization.

OneStream's Intelligent Finance platform can easily be extended with over 50 solutions from the OneStream MarketPlace. These downloadable solutions are fully battle-tested and optimized for the OneStream platform. They allow customers to easily extend the value of their investment to meet the changing needs of finance and operations.

For more information, visit our website at OneStreamSoftware.com.

Updated: August 2021

OneStream™

OneStream Software
362 South Street
Rochester, MI 48307-2240
Phone: +1.248.650.1490

OneStreamSoftware.com
Sales@OneStreamSoftware.com