

Finance in the 2020s

# Leading at Speed



# Table of Contents

Introduction ..... 3

Navigating the Increasing Complexity of Business ..... 4

Conquering Complexity to Lead at Speed ..... 5

Leading at Speed with OneStream. ....11

Leading at Speed in Action ..... 12

Conclusion ..... 13



# Introduction

The 2020s started off with a major disruption caused by the COVID-19 pandemic, and the decade is likely to continually challenge CFOs and Finance teams. They will be challenged to navigate changes in an external environment combined with increasing internal business complexity as their organizations grow and evolve. To conquer these complexities and “lead at speed,” Finance executives and teams must master the basic Finance processes, then layer on more advanced capabilities that can drive strategic advantage. Here’s a snapshot of what that layering entails:

- ✓ Streamlining and simplifying book-of-record financial reporting
- ✓ Implementing agile planning and forecasting
- ✓ Supporting enterprise-wide strategic decision-making via period-end performance reporting
- ✓ Mastering the art of financial signaling

This white paper aims to help modern Finance teams to achieve mastery in these areas by providing a framework we have seen successful Finance organizations use to conquer complexity and put themselves in a position to lead at speed. The paper also highlights the capabilities of OneStream’s Intelligent Finance Platform, which empowers Finance teams to **lead at speed**, and highlights the results achieved by organizations that have conquered complexities in their own organizations.

# Navigating the Increasing Complexity of Business

Let's face it, complexity is the inevitable byproduct of growth and change. As organizations grow, what happens? Their revenues increase. They gain more employees. They extend their product and service offerings. They expand into new global markets. Amid all of that (and more!), Finance Leaders face the diverse challenges of rapidly changing markets, operational complexity and accountability to deliver on stakeholder expectations. These interconnected challenges create a continuously evolving array of obstacles that CFOs and Finance teams must navigate effectively. The chart below lists a few of those obstacles.

We've seen Finance teams take steps over the past several years to conquer these complexities. We've seen transformation taking place in the financial close, consolidation and

reporting process — changes that focus on delivering a timelier and more accurate book of record. We've also seen many modern Finance leaders take steps to increase agility in planning and forecasting processes and to ensure alignment between strategic, financial and operational planning.

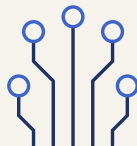
And while many organizations continue to invest in simplifying and scaling these processes, we are now seeing a new inflection point building for the Office of Finance. One that requires taking the vision of the virtual close and bringing it closer to reality. One that requires understanding what is happening right now and taking action to impact performance — before month- or quarter-end. Accordingly, we see financial signaling as the next critical innovation to help Finance teams conquer this inflection

## CFOs and Finance Teams Face a Continuously Evolving Array of Obstacles



### External Forces

Uncertain global economic conditions, increasingly fragile supply chains and pricing pressure from global competitors are just a few potential external challenges.



### Internal Operations

Organic growth combined with any mergers and acquisitions brings new internal challenges that range from integrating acquired companies, people and systems, to connecting and aligning the islands of information created by departmental silos.



### Stakeholder Expectations

CFOs and Finance teams must ultimately meet the needs and expectations of a growing pool of demanding stakeholders. Yet Finance leaders must also help their organizations move away from the siloed decision-making that can happen within lines of business or functions where access to data and insights are fragmented, impeding the agility needed to quickly react at the speed of the business.

point and break free from restrictive monthly performance cycles. We refer to this approach as “right time” Finance (see figure 1).

Sounds logical, right? But how do successful Finance teams make the leap? To start, when seeking to unleash their true value, Finance teams can’t ignore the basics. They must instead

conquer the complexity of basic processes — such as the financial close and planning processes — and be prepared to “lead at the speed” of the business. What follows is a road map or “maturity model” we have seen many successful organizations follow to transform into a modern Finance team.



Figure 1: Financial Signaling

# Conquering Complexity to Lead at Speed

Unleashing the true value of Finance requires organizations to first get their core Finance processes under control and then to attack more value-added processes. We typically see Finance transformation projects starting in one of two areas:

- 1 Financial Close & Consolidation
- 2 Planning, Budgeting & Forecasting

But some Finance projects involve simultaneously attacking both of these areas.

Whatever the case, with these two core processes running well it's easy and logical for Finance teams to add on performance reporting and then move into the more advanced process of financial signaling. On the next page is a sample maturity model (see figure 2) depicting these processes and an overview of each process, including the challenges involved and the value each delivers.



Figure 2: Modern Finance Maturity Model

## Financial Close and Consolidation

This process drives the “book of record” reporting for the organization, making it an important process to conquer. Whether the organization is private or publicly held, reporting for external stakeholders needs to be accurate, timely and compliant with US GAAP, IFRS or other local regulations. These requirements apply to financial statement reporting, as well as statutory reporting and filings for regulatory bodies.

In mid-sized to large enterprises, the financial close and consolidation process can be complex due to the need to collect financial results from multiple GL/ERP systems across the enterprise, which often include different charts of accounts that must be mapped to the corporate chart of accounts. Other complexities include currency translation, intercompany eliminations, accounting for partial ownership, and the ability to consolidate results across multiple hierarchies for different purposes – e.g., multiple accounting standards, management vs. legal, tax and other requirements.

The financial results must also stand up to internal and external auditing. That means detailed account reconciliations and audit trails going from financial statement balances back to source data must be available (see figure 3).

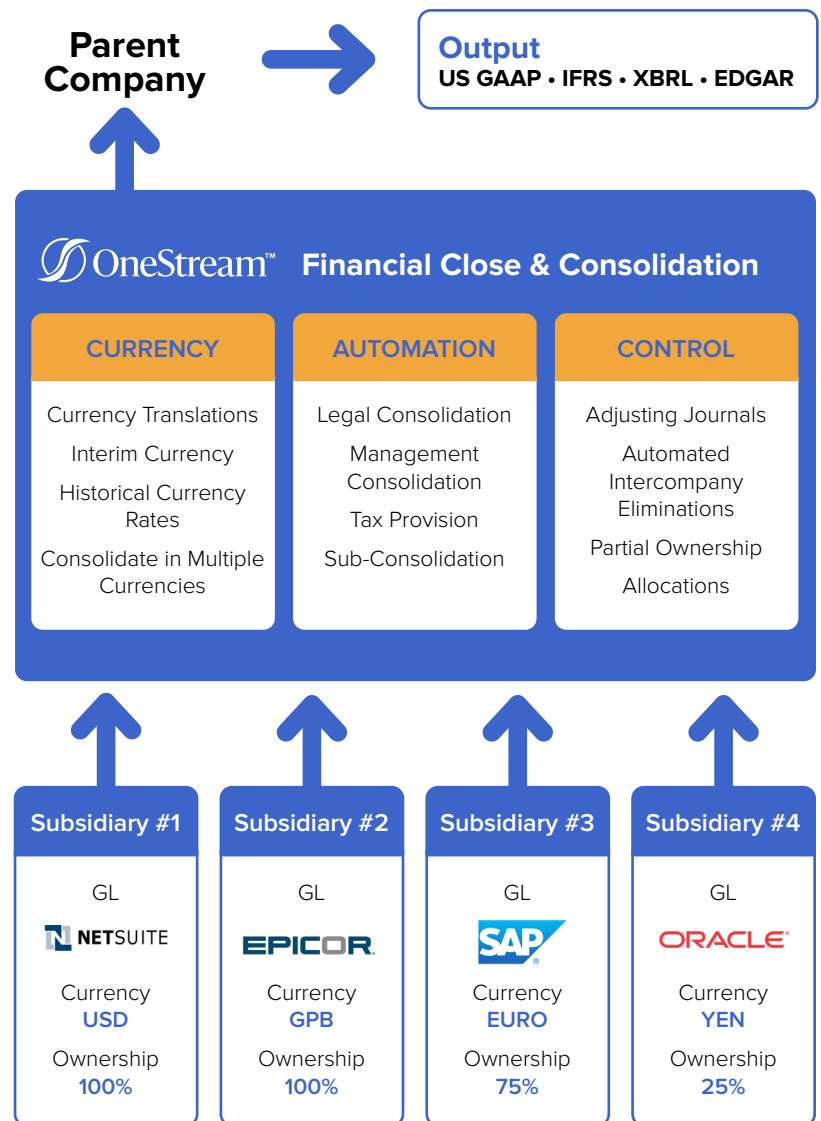


Figure 3: The Complexities of Financial Close and Consolidation



However, using spreadsheets or fragmented software products for data collection, consolidation, reporting, account reconciliations, tax provisioning and other key parts of the financial close increases complexity and slows down the process.

To avoid those issues, leading Finance organizations are instead adopting unified software solutions that address the broader set of financial close, consolidation and reporting processes in a single application. The unified software approach allows the Office of Finance to streamline the close and deliver timely and accurate financial results that allow Finance teams to **lead at speed**.

### Planning, Budgeting and Forecasting

This process helps establish goals, objectives and resource allocations for the enterprise. Accordingly, conquering the process is critical to ensuring a strong partnership and alignment between Finance and Operations regarding plans for hiring, for making capital investments and for meeting revenue, expense and profit objectives.

The process is about more than just creating an annual budget or annual operating plan (AOP), though. To be effective, the process must align strategic planning with financial and operational planning and granular business drivers. Moreover, in today's volatile and often disruptive economic environment, leveraging agile planning techniques — such as driver-based rolling

forecasts on a quarterly, monthly or more frequent basis — is quickly becoming the norm.

As with the financial close and consolidation process, the processes involved in planning, budgeting and forecasting can be straightforward in a small business. But in a mid-sized to larger enterprise with multiple divisions, locations and operations around the globe, the process can become daunting. It's not uncommon for the annual budgeting process in a large enterprise to consume 3–5 months of the year when setting targets, collecting budget submissions from managers, consolidating and reviewing the results, and then iterating the process until alignment is achieved and the final budget is approved.

Most annual budgets, however, are obsolete shortly after they're created. Thus, most organizations have implemented some form of a rolling forecast (see figure 4) to revisit and update budget assumptions on a quarterly, monthly or more frequent basis depending on the nature of the business.

Some forecasting processes extend to the end of the current fiscal year, for example 3 months of actuals and 9 months of forecast. But a true rolling forecast extends for 4 quarters or more, beyond the end of the fiscal year. This approach helps organizations see further into the future and, in many cases, has reduced reliance on the annual budget or even completely eliminated it.

Original 12 Periods (e.g., months) Forecast												Rolling Forecast Maintains 12 Periods		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	2	3	4	5	6	7	8	9	10	11	12			
	1	2	3	4	5	6	7	8	9	10	11	12		
		1	2	3	4	5	6	7	8	9	10	11	12	
			1	2	3	4	5	6	7	8	9	10	11	12

Figure 4: The Rolling Forecast

Comparatively, using spreadsheets and email to support the budgeting process in a small enterprise can be viable. But in a larger enterprise with hundreds or thousands of departments, cost centers and managers participating in the process, the spreadsheet approach becomes unwieldy. Leading organizations have thus adopted purpose-built planning, budgeting and forecasting applications designed to manage the complexity of these processes. These applications include built-in workflow, process management, data entry forms and spreading functions. Some software vendors also offer specialized applications for specific tasks, such as headcount, capital, project and sales planning.

There's one caveat here, though. The use of fragmented software products for strategic, financial and operational planning still often introduce complexity due to the need to move and reconcile data between applications. This fragmented approach also creates the need to maintain and upgrade multiple software

products. Leading organizations are instead adopting unified platforms that support and align planning processes across the enterprise (see figure 5).

Also known as “unified business planning” solutions, these platforms streamline and simplify the planning process, reduce complexity and increase agility — empowering CFOs and Finance teams to **lead at speed**.

### Performance Reporting

As previously noted, once both the financial close and consolidation and the planning, budgeting and forecasting processes are streamlined and well-executed, the next logical step is layering in performance reporting for executives and managers across the enterprise. Performance reporting is about delivering periodic (typically month- or quarter-end) financial and operating results to the executive team, board of directors and managers across the enterprise. These results help support stakeholders' decision-making. Performance



Figure 5: Unified Business Planning



## Performance Reporting Ultimately Comes in Many Forms, Depending on Stakeholder Needs

- ✓ Graphical dashboards and scorecards for executives and senior management (see figure 6)
- ✓ Standard financial statements, board books and presentations for board members
- ✓ Product line or divisional P&Ls for line-of-business management
- ✓ Profitability analysis by product, customer or channel for product managers, customer service and channel managers
- ✓ Ad-hoc analysis and scenario modeling capabilities for Finance and Operations analysts

reporting ultimately comes in many forms, depending on the needs of the stakeholders (see chart above).

The key to performance reporting is the ability to compare actual results to the original budget, latest forecast or prior periods in order to spot key trends and understand how actual financial and operating results are performing against expectations. Material positive or negative variances in actual results must then be analyzed. In doing that analysis, Finance teams can better understand the underlying issues so that corrective recommendations or decisions can be made to steer the results in the right direction.

This type of analysis can be difficult when the actuals, budgets and forecasts are sitting in multiple spreadsheets or different software applications and must be joined and normalized before a comparison is even possible. Combining data like this adds extra time and effort to the process and often yields substandard results if the comparisons cannot be supported at the right level of detail. An analysis is much easier to perform when the actuals, plans, budgets and forecasts are all available in the same system, creating the ability to drill down into the underlying details in real-time to answer questions and quickly take action — in order to **lead at speed**.

### Financial Signaling

This process takes performance reporting to the next level. The monthly and quarterly financial and operating results are essential for stakeholders and can support strategic decision making. But in many cases, those reporting frequencies are insufficient. Given the speed and volatility of today's economic and business environment, waiting until month- or quarter-



Figure 6: Graphical, Interactive Dashboard

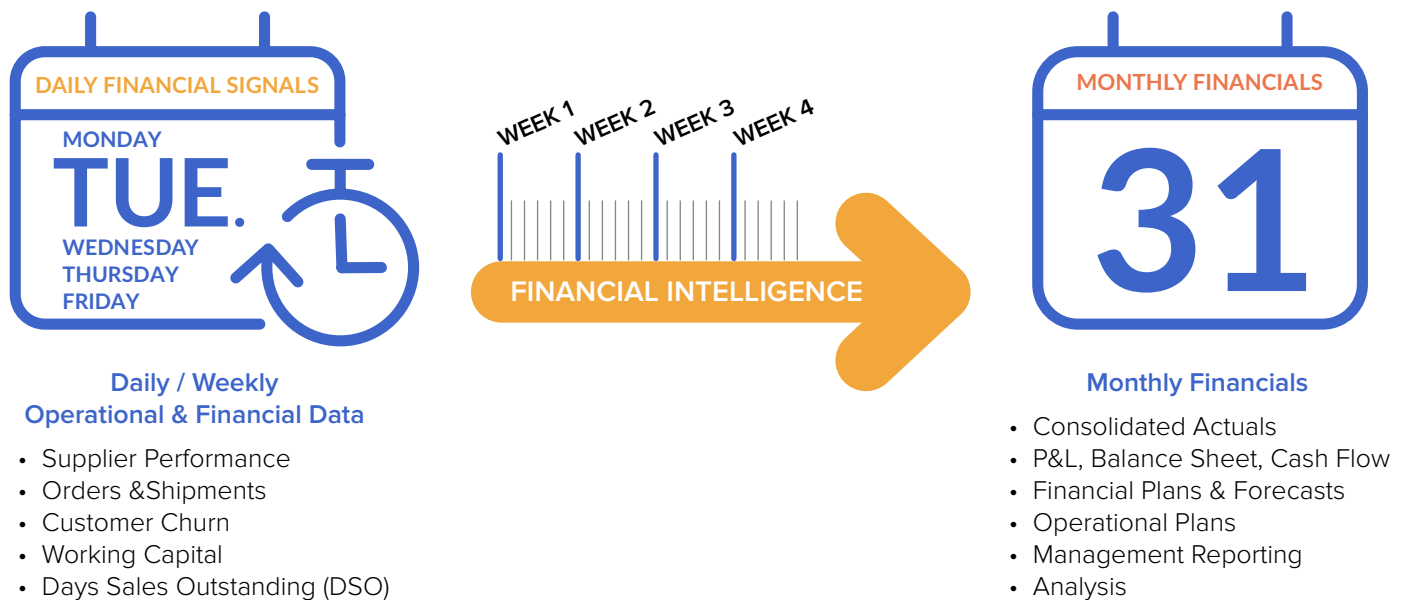


Figure 7: Financial Signaling in Action

end to analyze results and act remains highly insufficient in many industries. Examples of industries that require more frequent reporting to support agile decision-making include retail, consumer product goods, healthcare, communications, transportation, energy, consulting services and others.

Decision-makers in these fast-moving industries need more frequent insight into financial and operating metrics — such as on a weekly or sometimes daily basis — to support more agile decision-making that can impact the outcomes at month- or quarter-end. Unfortunately, the panacea of the “virtual close” or the “continuous close” where the books are closed every day and consolidated financial results can be instantly shared with stakeholders is just not feasible. And it’s especially infeasible when the transactional data is sitting in multiple GL/ERP, CRM, HCM and other systems.

At the same time, “leading at speed” and making mid-stream decisions about the business doesn’t always require fully consolidated financial results, either. Rather, managers must also have insights into the key metrics and drivers of the business — “signals” that can highlight critical opportunities or risks that require action. Examples that offer such signals include

data on the sales pipeline, customer orders or shipments, customer renewals, supplier deliveries, working capital and key metrics such as days sales outstanding (DSO). With weekly or daily insights into the trends and signals inherent in these data points, managers can immediately take action to proactively impact the period-end results.

How do we get there? Effectively performing financial signaling (see figure 7) requires three key abilities:

- 1 Integrating large volumes of transactional data from a variety of sources
- 2 Aligning that data with book of record financial data and the dimensional structures understood by business users
- 3 Making the data available for analysis by executives, line-of-business managers and analysts through interactive dashboards and other data visualization and analysis tools

Only when Finance teams master those abilities can they **lead at speed**.

# Leading at Speed with OneStream

Beyond conquering basic processes, leading at speed requires Finance teams to adopt more advanced techniques, such as financial signaling. The complexity of such processes requires having the right software solution in place, not multiple software products that require data movement and reconciliation. Instead, Finance teams need a unified platform that can support multiple Finance processes and align actuals, budgets, plans, forecasts, tax and other data in a single place.

OneStream Software provides a market-leading **Intelligent Finance Platform**, built to

conquer that complexity, allowing Finance to lead at speed and facilitate confident decision-making. 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. With OneStream, Finance teams can **empower the enterprises** with financial and operational insights that support faster and more informed decision-making — all in a platform designed to **continually evolve and scale** with the organization (see figure 8).

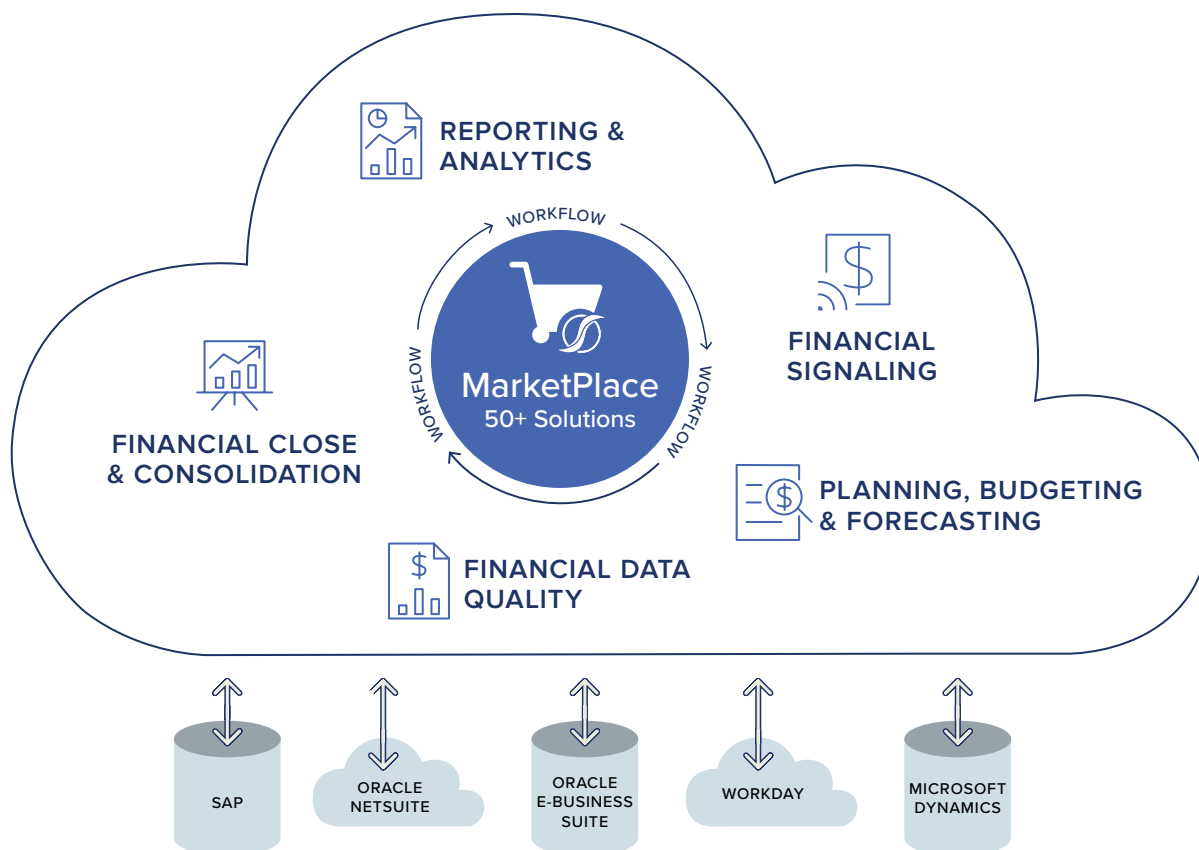


Figure 8: OneStream's Intelligent Finance Platform

**Unleashing the power of Finance** is more easily accomplished with a truly unified software platform. OneStream's unified, Intelligent Finance Platform replaces multiple legacy systems, spreadsheets or cloud-based point solutions and simplifies the organization's IT landscape for administrators and users. This approach reduces the time, effort and costs of maintaining multiple legacy applications while reducing manual data movements and accelerating planning, reporting and analytics. Eliminating manual work and accelerating these processes allows Finance teams to shift their time and attention from administration to performing value-added analysis and decision support — unleashing the power of Finance.

**Empowering the enterprise** with financial and operational insights requires fast and accurate delivery of information. OneStream integrates financial and operational data from multiple sources and streamlines the financial close, consolidation, planning and reporting for multiple stakeholders. As a result, OneStream

helps Finance teams deliver timelier and more accurate results to decision-makers. These results include monthly and quarterly financial reporting, as well as detailed management reporting as needed on a monthly, weekly or daily basis to support right-time decision-making.

**The only way to continually evolve and scale** the organization is with a platform designed to easily expand and support new business requirements. The OneStream MarketPlace,<sup>™</sup> with over 50 solutions, allows Finance teams to extend their investments in the OneStream platform and accelerate the delivery of new solutions and business insights. Our “apps store” approach enables customers to configure the platform to address their specific needs and quickly deploy new solutions at a lower cost compared to the alternatives. This approach helps organizations “future-proof” their investments in supporting future growth and new requirements without adding new software and the complexity that comes with it.

# Leading at Speed in Action

OneStream Software has worked with over 650 organizations across the globe, and across industries, to help them conquer the complexities of the financial close, consolidation,

reporting, planning, forecasting and analytics. As a result, their Finance teams have been empowered to lead at speed and support for more effective decision-making.

## Value Organizations Have Achieved with OneStream



Reduced the time, effort and total cost of ownership (TCO) of CPM applications by simplifying your IT footprint and moving to the cloud.



Finance enabled more timely and informed decisions by empowering executives and managers with faster and more accurate information.



Increased finance team productivity and focus more time on value-added tasks by automating routine tasks and processes and reducing the time spent on system administration.



Increased business agility – enabling managers across the enterprise to leverage new opportunities and reduce risks.



Increased revenue, reduced costs and optimized overall business performance.

# Conclusion

The organizational growth and market volatility we're seeing in the 2020s is forcing Finance leaders to navigate an increasing amount of external and internal complexity. In order to "lead at speed," Finance executives and teams must master the basic Finance processes, then layer on more advanced capabilities that can drive strategic advantage. This layering includes streamlining and simplifying book of record financial reporting, implementing agile planning and forecasting, supporting strategic decision-making across the enterprise through period-end performance reporting, and then mastering the art of financial signaling.

While there's no specific road map to transform Finance, the framework presented in this white paper will help Finance leaders map out the steps needed to conquer the complexities of their own processes and identify areas for improvement to transform Finance within their own organizations. Organizations that have successfully accomplished these steps have simplified their IT landscapes and reduced TCO for Finance applications, increased Finance team productivity, shifted more time to partnering with line of business leaders and increased their business agility. **Now that's leading at speed!**

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