DRIVE RESULTS AND NAVIGATE UNCERTAINTY:

BUILDING AN EFFECTIVE BUSINESS PLANNING & ANALYSIS FUNCTION

CFO DIVE

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Global economic uncertainty, inflation and supply chain disruptions are just some of the major headwinds that organizations are facing across many industries. The incredible events of the past few years have proved that making a business as agile as possible is key to success over time. While it's impossible to predict the future, CFOs can prepare their organizations to be agile, resilient and better prepared for the long term while meeting the near-term needs of their customers and prospects.

To do that, they'll need a fully integrated business planning and analysis (BP&A) function, which can be a competitive advantage to companies as they drive business results in this challenging environment. This advantage will be important as the role of CFOs continues to evolve beyond the traditional finance function into that of a strategic partner, with businesses looking to CFOs for guidance on a range of business issues.

"**There's only a finite amount of capital to spend or invest,** so it's the role of the CFO to listen to the various stakeholders and develop an objective view of possible scenarios to help leaders understand the trade-offs."

Tim Bulman
Managing Director, Protiviti

A best-in-class BP&A function integrates systems and processes across finance and operations, enabling more seamless cross-functional collaboration while providing relevant real-time data necessary to make informed decisions aligned with strategic goals. BP&A should be leveraging both internal and external data to better understand financial risks to inform longer-term forecasts and build more comprehensive scenario plans. This, in turn, can provide CFOs with the insights necessary to make data-driven strategic decisions in a rapidly evolving environment.

"CFOs today have an expanded role in which they're called on to look beyond finance and provide greater insights from a cross-functional perspective across the company," says Protiviti Managing Director Kerry Buchar. "They're driving collaboration across the company to get the data and analytics that they need to drive desired results."

CFOs who can fully integrate their BP&A functions increase their effectiveness and make their team even more valuable to the organization, allowing them to not only pilot the organization toward financial excellence, but also to build resilience and minimize risk. Such an evolution, however, requires time and planning to find and implement the solutions that best meet business needs both now and in the future. Considering the need for a BP&A function to drive agility and business partnership, there are three areas of immediate focus that CFOs should be considering as related to their BP&A teams: digital transformation, strategic cost optimization, and people and talent.

DIGITAL TRANSFORMATION AND ANALYTICS

The pandemic accelerated digital transformation across all industries and proved the organizational benefits of embracing technology and maintaining a culture of innovation. It is important to ensure that process changes within the BP&A function accompany enhancements in technology to be able to unlock greater organizational efficiencies, thereby allowing teams to shift focus to more strategic and value-add initiatives, rather than spending time manually updating spreadsheets.

Transitioning to a digital-first, data-driven organization can drive both long-term value creation and ongoing performance improvements. Leveraging technology and automation can enable the necessary advanced analytics to inform decision-making, however, this requires upfront critical consideration as to which technologies may be best positioned to help the organization achieve its intended goals. CFOs should also consider modernizing legacy applications to unlock new analytical insights that may facilitate data-driven decisions on everything from tactical decisions, such as pricing and new products, to more longer-term and strategic decisions, such as M&A.

The key to such insights is data, which is critical to any digital transformation effort. CFOs must ensure their systems are tapping into the right data from the right sources, both internal and external. This means connecting with managers in various departments to make sure their teams are following best practices to ensure their data is as accurate and as timely as possible.

"Key to a CFO's success is ensuring that not only are they getting **the right data** on a timely basis but also that it is **producing KPIs and analytics that allow them to pivot in the short term and monitor their progress against their strategic plans as well**."

Kerry Buchar

Managing Director, Protiviti

"The key thing that CFOs need to do now is to **stay ahead of the curve** and be able to **quickly identify the trends and assess where they're going**."

Tim Bulman

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Collecting and analyzing data (while properly managing and securing it) provides an opportunity to reassess and evaluate key business drivers and the related data requirements to identify risk and opportunities quickly. This emphasis on data can help CFOs more clearly evaluate impacts on business operations and identify and quantify risks as well as opportunities, transitioning to a proactive rather than reactive role.

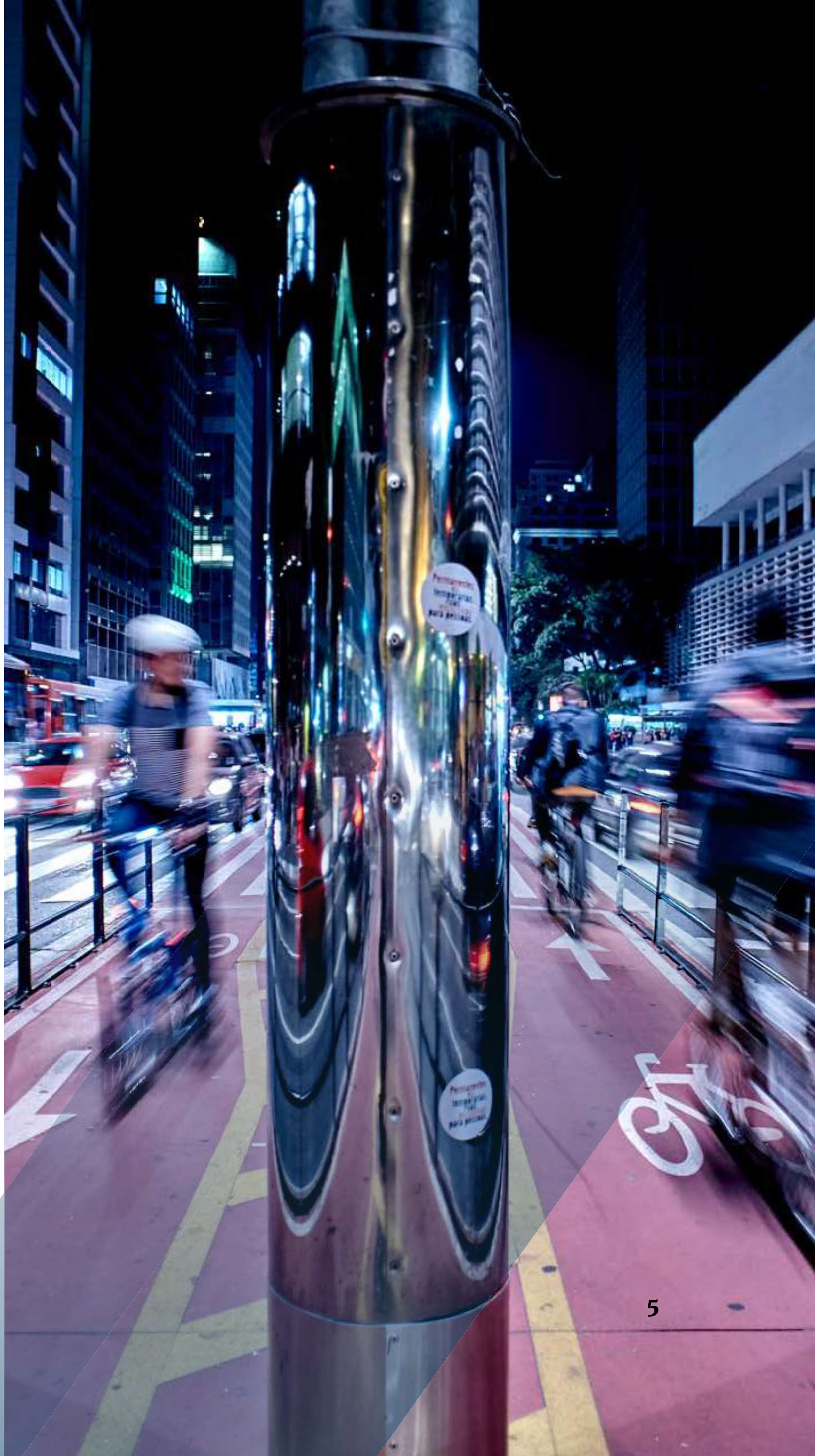
In a rapidly changing business environment, the ability of BP&A to develop scenario analyses makes a company better prepared when certain circumstances or criteria arise. Proactively evaluating the ROI of certain actions or initiatives under various scenarios allows for more strategic decision making, rather than reactive decisions. CFOs are better equipped to prioritize strategic investments and utilize analytics to gain cross-functional buy-in or to identify the potential risks of a proposed strategic investment.

"Digitization drives speed and increases the speed at which you can adapt to market conditions," Bulman says, "whether that's inflation, interest rates or a new market entrance. The key thing that CFOs need to do now is to stay ahead of the curve and be able to quickly identify the trends and assess where they're going."

STRATEGIC COST OPTIMIZATION

Strategic cost optimization is a business-focused, continuous discipline to manage spend and cost reduction while maximizing business value. However, defining and sustaining an operating model that balances process efficiency and quality and cost-effectiveness while continuing to deliver an exceptional customer experience is a challenge for most companies. The pace of change that organizations experience has put pressure on business leaders to constantly evaluate the effectiveness of their operating models and adjust so these dynamics do not impact their ability to achieve strategic goals.

Strategic cost optimization is the foundation for resiliency and sustainable growth, especially during times of uncertainty. During such times, especially in times of economic uncertainty, many companies may be quick to cut costs to achieve their overall budget. However, leveraging BP&A planning processes and deep financial analyses helps companies better optimize spend. This may result in upfront investments to drive longer-term cost efficiencies and competitive advantages.



For example, rather than implement a broad objective to reduce purchasing activity by 10%, a company might have a more valuable opportunity to optimize procurement costs by making changes to sourcing, planning or supplier negations that could yield similar savings without impeding the business areas that use those purchases to generate revenue.

"Finance leaders should underscore the need to analyze the downstream implications of cost reductions before making rapid decisions to cut spend during times of economic uncertainty. Forward-thinking leaders should review functional areas throughout their organizations to identify cost savings opportunities resulting from business process reengineering, automation and establishing target operating models to accommodate projected growth. In addition, margin improvements may be achieved through redesigning sourcing and procurement strategies, as well as initiating technology cost containment, including technology nationalization, modernization and portfolio management."

A best practice for finance teams is to develop a prioritization of cost-optimization initiatives leveraging zero-based budgeting and scenario planning. Zero-based budgeting provides CFOs with transparency of planned spend and investments to allow for evaluation of assumptions and alignment with overall business strategy and needs. Through this process, opportunities for cost reductions and spend optimization may be identified and analyzed. In collaboration with cross-functional teams, CFOs can develop a plan to execute and operationalize such opportunities based on various scenario or trigger points. Depending on the severity of the scenarios that materialize, the company can choose to implement all or some of the planned initiatives.

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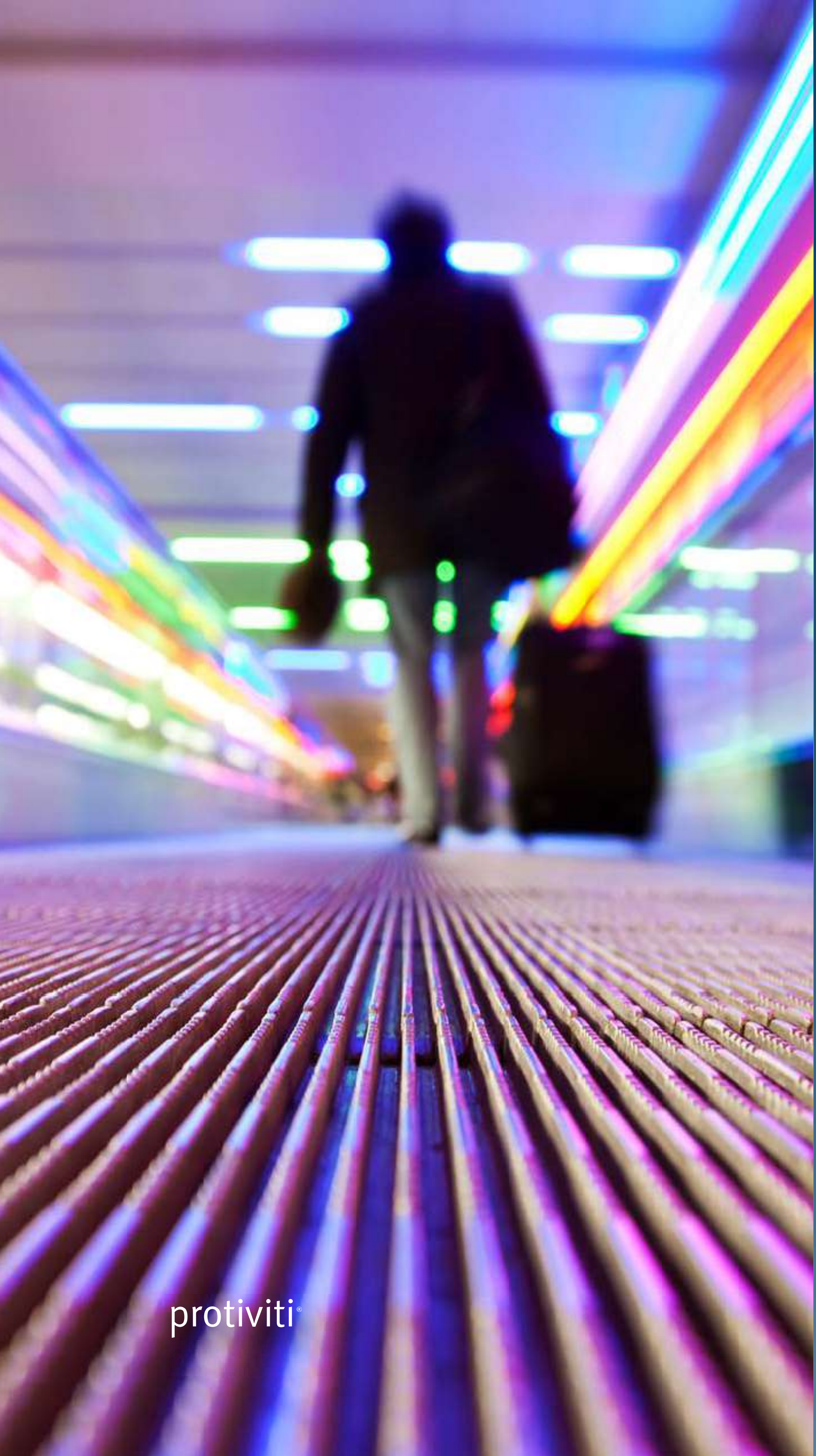

PEOPLE AND TALENT

Our data shows that the rising cost of wages and the ability to retain talent and recruit qualified candidates are among the top priorities for CFOs and finance leaders today. Such concerns are complicated right now, because despite the tight labor market there is also extreme uncertainty about the economy.

In such times, many companies implement hiring freezes, reductions in force, compensation adjustments, reassignments and other people-related changes. However, these changes require an understanding of the long-term talent shortage and the challenges of attracting and retaining workers with needed skills in today's market while also keeping diversity goals in mind.

Given that landscape, finance must work closely with HR to ensure that talent strategy and business strategy align and that the organization is using data-driven talent assessments and skills inventories to identify and eliminate gaps that impede the achievement of business objectives. Skills inventories can provide critical decision-making insights when the organization does need to make a reduction in force, while also ensuring that sufficient resources remain in place to pivot back to growth mode faster than the competition when the timing is right.

Another talent-related consideration for CFOs is the impact of automation, artificial intelligence and machine learning on the nature of work. Report creation will become faster and more reliable, but within the finance team there will likely be a shift in the most in-demand skills, from gathering and modeling data (which digital tools can now do) to analytical and storytelling capabilities. Communicating the results of an analysis in a clear and concise manner is just as important as the analysis itself.

"CFOs will need to consider upskilling or reskilling employees if they're planning to implement new technology," Vardaro Thomas says. "There needs to be a willingness to learn the new technologies, understand their capabilities and adjust current processes accordingly."

Finance teams, of course, also need the problem-solving skills and business acumen necessary to be a relevant partner to the business and to identify and escalate risks and opportunities. While [our data](#) shows that some organizations remain resistant to change, it's clear that those who can embrace and support necessary change will be able to lead their organizations most effectively in the future. CFOs have an integral role in setting the company tone and encouraging transformational change across the organization.

Successful business planning & analysis functions can help guide their organizations through times of uncertainty. Transforming your team into a true BP&A function is a journey that includes the finance, technology and cross-functional business partners. If your organization is ready for a BP&A transformation, we can help. Contact Protiviti to learn more about our BP&A solutions to enable your team to recognize its role as a strategic partner for business leaders throughout the organization.

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