CFO

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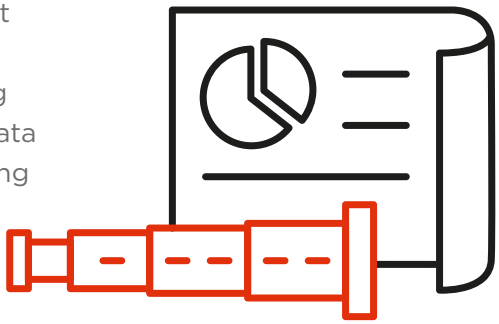
A CFO'S GUIDE TO SUPPLY CHAIN FINANCE TRANSFORMATION

How Driver-Based Planning Can Align Finance and Operations



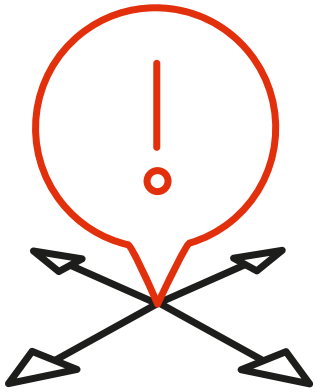
Traditional financial planning and analysis solutions often fail to support the needs of today's supply chain managers. That's because traditional solutions lack flexible and nimble processes that can adapt to changing production and logistics needs. Sales and operations planning needs data granularity and simulation capabilities, which structured finance planning approaches typically do not provide. Siloed processes and reliance on outdated spreadsheet applications add to the challenge of unifying planning and forecasting processes.

Driver-based planning links analytics data to financial planning and budgeting across the supply chain. Essentially it is financial planning explained through operational data and business drivers, such as key performance indicators (KPIs) or key business indicators (KBIs). A driver-based planning platform that provides business intelligence, planning, and simulation capabilities—and which works with both operational and financial data—can effectively link financial planning, budgeting, and forecasting processes across finance and operations.

With the right software platform, a CFO can transition to driver-based planning with the benefits of agile decision-making and cross-department access to modeling scenarios to assess the impact of various business outcomes on the bottom line.

This ebook addresses the following key points:

- Traditional financial planning and analysis lack the flexibility and timeliness needed by supply chain finance transformation.
- Driver-based planning links analytics data to financial planning and budgeting, with a focus on operational data and business drivers.
- CFOs can close the gap between operations and finance by adopting a driver-based planning platform.
- A driver-based planning solution can replace disparate planning and analysis systems, while enabling data integration in near real time and incorporating business intelligence and simulation capabilities.
- Driver-based planning sets up a control-tower type of view for finance and operations—a view of what is happening from the top to the ground.
- With driver-based planning, a company can model the financial ramifications of specific operational changes.
- Driver-based planning boosts cross-department collaboration, empowers supply chain managers, CFOs, and controllers and improves transparency and accountability for business decisions.



FINANCE-OPERATIONS DISCONNECT

As CFOs strive to streamline and modernize the finance processes for their companies' supply chains, they run into a common challenge: a disconnect between finance and operations. Supply chain data and the key performance indicators linked to that data should be an integral part of a company's planning and forecasting processes. But for many companies, progress toward integrated corporate planning and analysis has been blocked by an over-reliance on spreadsheet applications for finance functions and by rigid software that wasn't designed to extend beyond pure finance.

Increasingly, CFOs are finding that a traditional approach to budgeting and planning activities—finance controlling the process with limited interaction with or input from operations—is no longer effective. Communication can break down or be delayed between finance and operations, such as when verification of current values is required by the CFO, controller, supply chain managers, or department heads. Under the traditional approach, operational data isn't directly connected to budgeting and planning activities, so finance and operations can end up working from different sets of numbers.

Under a traditional approach, the budgeting and planning processes aren't agile enough to meet the evolving needs of a company. Supply chain managers need to continuously adjust to meet sourcing, production and logistics schedules, but they lack the tools they need to accurately measure and analyze the financial impact of their decisions in a timely manner. Simulating the impact of their potential decisions in advance is also difficult, especially in complex environments.

CLOSING THE GAP

CFOs who adopt a driver-based planning approach help their companies close the gap between finance and operations, increasing efficiency, effectiveness, and profitability. But many CFOs face challenges in trying to implement the comprehensive finance transformation that is desired, which often includes breaking down siloed processes and enacting a comprehensive communication strategy.

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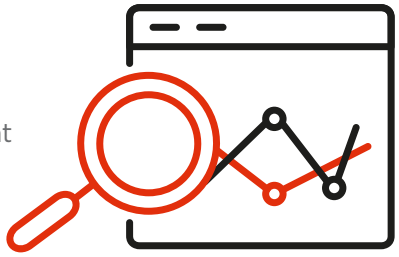

A comprehensive transformation also requires that a new software solution replaces disparate planning and analysis systems, methodologies, and models. The new software should provide a unified decision-making platform that delivers analysis, planning, and simulation processes in a single environment.

With driver-based planning, a CFO can revamp the company's budgeting and planning process. The company identifies the key business variables that drive its success, and then forecasts its direction based on those key variables and utilizes the results to develop long-term plans and budgets. The business drivers in a driver-based planning approach typically affect the bottom line, such as KPIs or KBIs. The CFO can best bridge the gap between the finance and operational teams by focusing on drivers that are tangible and controllable by management, especially at the beginning of a transformation.

Driver-based planning sets up a "control-tower" view for finance and operations, i.e., "a view of what is happening from the top to the ground," says Andrea Alfieri, head of marketing for BOARD International, provider of driver-based planning software. Instead of tracking what has happened in the past, finance and operational teams can base their decisions on driver-based planning models of future outcomes. "This changes their capability to see what is happening, and to manage the potential impact of an action across the supply chain," he adds.

A driver-based planning platform can empower supply chain managers, because they have direct access to the figures that show the economic impact of the decisions they are considering, Alfieri says. It also makes them more accountable, because the impact of their decisions is easy to see.

And with a single platform, instead of multiple point solutions or spreadsheet-based solutions, a bridge between finance and operations is created by the shared forecasts and models. "We regularly speak to large organizations who are looking to move to a more integrated approach," Alfieri says. "There is an increasing realization that point solutions are not a sustainable way to drive effective decisions."

A driver-based planning approach offers several advantages for the company. With driver-based planning and the software platform to support it, the company enjoys better insights and greater efficiencies. Driver-based planning fosters inclusiveness and cross-departmental collaboration. The company can model the bottom-line impact of even small changes or adjustments, which is critical to staying ahead of the competition. The software can provide simulation capabilities that give the CFO the ability to

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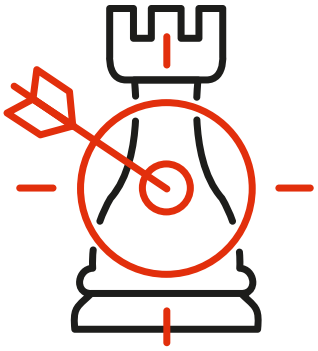
—Andrea Alfieri, head of marketing for BOARD International

evaluate the financial ramifications of specific operational changes, such as how work schedule changes would affect labor and utility costs.

In addition to the advantages of running what-if scenarios and calculations, driver-based planning software with a unified decision-making platform can also produce significant back-end efficiencies. For example, it can allow for automatic field populating in financial reporting, avoiding manual data entry. Another advantage is the ability to easily perform consolidations and produce fully formed plans, because finance and operations teams and their data are directly linked. Guesswork is eliminated, and decisions are based on hard operational data. Decision-making is agile and accurate.



EXAMPLE: COCA-COLA

One example of a company that recently adopted driver-based planning and forecasting is Coca-Cola European Partners, the world's largest independent Coca-Cola bottler with annual revenues of Đ11.1 billion. The bottler implemented driver-based planning for its manufacturing, warehousing, and cold-drinks operations and logistics. In addition to evolving to driver-based planning from a traditional finance approach, Coca-Cola European Partners adopted integrated corporate planning and analysis, moving away from Excel and Access-reliant approaches.

One of the key benefits of adopting a driver-based planning platform was the increased data transfer efficiency for the Coca-Cola bottler. Instead of the 24-hour cycle for data loading and transfers before implementing the driver-based solution, the bottler was enabled to make near-real-time data updates. The platform enables data standardization and centralization, working both on internal and external data, which ensures that data loading, analysis, planning, and reporting are consistent and based on the latest information.

Another key benefit of the driver-based platform was that it engaged all of the users who are involved in the planning cycle at the bottler, which helped boost organization-wide communication. Driver-based planning software with a unified decision-making platform helps to unify finance and operations. By replacing spreadsheets, disparate planning tools and multiple alternate methodologies, the platform creates greater synergies between finance and operations. A unified decision-making platform fosters a culture of collaboration. Finance is responsible for maintaining the driver-based planning software and enjoys the reporting and planning benefits, while operations leaders are encouraged to dig deep into the data for better decision-making, with the help of a simple and flexible user interface.

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CONCLUSION

Driver-based planning connects operations to finance, boosting accountability for supply chain managers. A driver-based planning platform can help a company collate data from several different sources into a single environment, producing a reliable single "truth" data set that both finance and operations can work off of. By setting up a control-tower view of the supply chain for finance and operations, driver-based planning helps to establish better insights and greater efficiencies for a company. Companies can model the financial ramifications of specific operational changes, based on key performance indicators, and understand why and how specific factors are influencing financial results. And a driver-based planning platform with the right data management capabilities allows the company to incorporate near-real-time changes in data to produce timely forecasts and keep pace with changes to the business.

ABOUT THE SPONSOR

BOARD is the #1 decision-making platform for organizations of any size. Founded in 1994, BOARD International has enabled more than 3000 companies worldwide to rapidly deploy Business Intelligence, Corporate Performance Management, and Predictive Analytics applications on a single unified and programming-free platform. The BOARD platform allows companies to achieve a single, accurate, and complete view of business information and full control of performance across the entire organization, from strategic formulation down to operational execution.