

Beyond the Walls of Finance

The Next-Generation Performance
Management Framework for the Enterprise



High performance. Delivered.

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1. The Changing Environment

Enterprise Performance Management (EPM) in a Volatile and Uncertain World

Since the financial crisis of 2008—and the global downturn that followed it—companies have operated in an environment of extraordinary risk, uncertainty and volatility. There is an increasing awareness of the possibility of what Nassim Nicholas Taleb has called “Black Swans”—low-probability, high-impact events ranging from natural catastrophes to market bubble bursts with the potential to fundamentally change not just individual businesses, but entire industries. At the same time, we are observing how longer-term trends—including regional economic upheavals, the rise of new economies, and changing global trade patterns—continue to disrupt business activity.

Regulatory pressures also add to volatility and uncertainty, as authorities have developed complex and far-reaching proposals designed to increase transparency, reduce risk and strengthen the capital structures of financial institutions and other firms affected by the crisis.

Nearly 94 percent of respondents to Accenture's 2014 High Performance Finance Study cited permanent volatility due to globalization, business uncertainty and pricing pressures as having an impact on their finance function's performance¹. Similarly, our own discussions with clients indicate the top issues facing finance include global economic conditions along with regulatory, legal and tax uncertainty.

Since they have the primary responsibility for driving planning and performance management, finance organizations are caught in the middle of this rapid upheaval, but many are still using structures, processes and tools designed for less volatile, more predictable conditions. There is doubt, for example, as to the value of long-term plans or budgets predicated on a stable view of the future extrapolated from the recent past. In Accenture's recent CFO survey, 80 percent of respondents pointed

to economic uncertainty as the main contributor to the lack of visibility and predictability of company performance².

In performance management, the traditional reporting cycle of weeks or even months is rapidly becoming obsolete. The definition of “key information” is also evolving towards being more externally oriented, forward-looking and analytical.

Are finance organizations up to these challenges, especially considering that, in light of continuing budget constraints, they are asked to do more with less? To succeed, they need to bring both organizational scalability and flexibility to bear quickly and efficiently on a wide range of new issues.

Globalization Becomes a Reality for a Broader Range of Enterprises

Globalization is at the forefront of long-term trends, changing the way business is conducted. Economic growth rates vary from country to country, along with consumer preferences, competitive landscapes, currencies, cultures, business practices, regulatory and tax regimes and the relative maturity of infrastructures.

As supply chains have become more global and interconnected, the impact of faraway events can become more direct and immediate. The 2011 Japanese earthquake and tsunami, for example, caused significant disruption across the globe in numerous industries sourcing products from Japan.

As is the case with volatility, globalization places new burdens on finance organizations. In global operations, finance is charged with adjusting enterprise performance management strategies and capabilities to help ensure resource allocation to the “right” business investments in diverse business portfolios. In our view, to effectively evaluate the performance of the allocated resources, finance also needs metrics, processes and tools that help recognize and reflect the differences between markets.

Stakeholder Expectations Increase

The pressures of volatility and uncertainty in the global environment are strong, and, in addition to these pressures, organizations also face calls from investors, boards and senior management to deliver profitable growth on a sustained basis. This means developing performance management capabilities that identify and evaluate new sources of future growth with as much stability and predictability of results as possible.

Not surprisingly, in the most recent Accenture High Performance Finance Study, nearly half (48 percent) of finance executives cited management of more complex stakeholder needs as a major challenge, a 9 point increase since 2011³.

Doing More with Less

Stakeholder expectations, along with increased volatility and globalization, have led more companies to make large investments in EPM capabilities. According to Accenture's High Performance Finance Study, these investments have created additional value over the last few years. However, there is still a gap between the importance of EPM capabilities such as contributing to the strategic direction of the enterprise and driving positive enterprise-wide change and the level of satisfaction with their performance⁴.

Failure to generate desired returns on EPM investments manifests itself in a variety of ways. Some companies find performance management processes for various functions such as finance, sales and operational planning are disconnected, hampering the role of finance in building value. Manual time-consuming processes, poor quality and availability of management information, long planning cycles, and excessive iterations are among other frequently named challenges.

To further complicate matters, in many companies there is an incomplete understanding as to why EPM investments have not led to desired improvements. In our experience, multiple factors have contributed to this phenomenon.

As EPM software and tools—some with the potential to improve performance—have proliferated, the task of evaluating, selecting and implementing such solutions can be overwhelming. For instance, finance organizations have had to adapt at high speed to a broad range of digital technologies such as cloud computing, social media, and mobility to name a few. With the new technologies come a vast increase in data and the challenge of managing, organizing and making sense of it. To successfully manage their enterprise performance, companies are seeking to distill these “oceans” of data down to the essential facts for decision making.

We have observed that another common root cause of less than desired improvements in EPM capabilities is under-investment in talent. While companies may have invested heavily in process and technology enhancements, they have spent much less on building the skills required for an effective finance workforce. This means the outcomes of EPM processes are of limited use even though the efficiency has been improved. Does it matter, for example, that budgeting takes three months instead of five when the process itself fails to add value or skills issues become a barrier? Although 96 percent of respondents in our High Performance Finance Study rated finance workforce effectiveness as “important” or “very important” to the finance organization’s overall performance, only 83 percent were satisfied with their workforce effectiveness—one of the largest capability gaps evident in the survey⁵. In our work with clients, we have also seen that a lack of a value-oriented culture throughout the enterprise can be an important challenge hindering effective enterprise performance management.

Finally, as cost pressures on back office functions such as finance continue, developing and sustaining effective EPM capabilities within these financial constraints is becoming increasingly more challenging. For example, average finance costs as a percentage of revenue have declined over the last few decades, from almost 2.5 percent in 1988 to less than 1 percent by 2008⁶, and we believe these costs have remained under 1 percent since.

In fact, there are indications some companies may have taken this cost-cutting too far. Accenture’s research suggests organizations reporting the smallest finance budget also reported having less-sophisticated finance capabilities, with a particular impact on EPM capabilities such as target setting, strategic planning, and creating useful insights for the business and finance workforce management⁷.

2. Building the Next-Generation EPM Framework

The combination of volatility, globalization and stakeholder expectations have created a case for the next-generation of more advanced EPM capabilities. To develop and maintain these needed capabilities, we believe finance organizations should address three key questions:

1. What is required to successfully plan and manage enterprise performance in conditions of volatility, globalization and expanding stakeholder expectations?
2. What is the roadmap that will help transform the current EPM capabilities into next-generation Enterprise Performance Management with pace and certainty?
3. How can organizations accelerate the journey toward next-generation EPM capabilities?

Developing these capabilities requires the creation of an effective and sustainable operating model that would serve as the foundation for the enterprise as it builds next-generation EPM capabilities. To achieve this, Accenture has developed a holistic framework that helps integrate the key components of the next-generation EPM operating model.

As seen in Figure 1 below, the framework encompasses three critical elements:

1. Financial Performance Analytics
2. Integrated Enterprise Performance Management Process
3. High-Performance Catalysts

These three elements can be executed internally, outsourced or delivered through Centers of Excellence—forming the Sourcing Alternatives component of the EPM framework.

In addition to the three critical elements, building such a framework calls for a sharp focus on value creation, including enterprise-wide understanding of both key drivers of business value creation and strategies and tactics to effectively manage them to maximize Total Return to Shareholders (TRS). A sharp focus implies concentration only on those drivers that are material and volatile, while abandoning the accounting mindset of perfect accuracy.

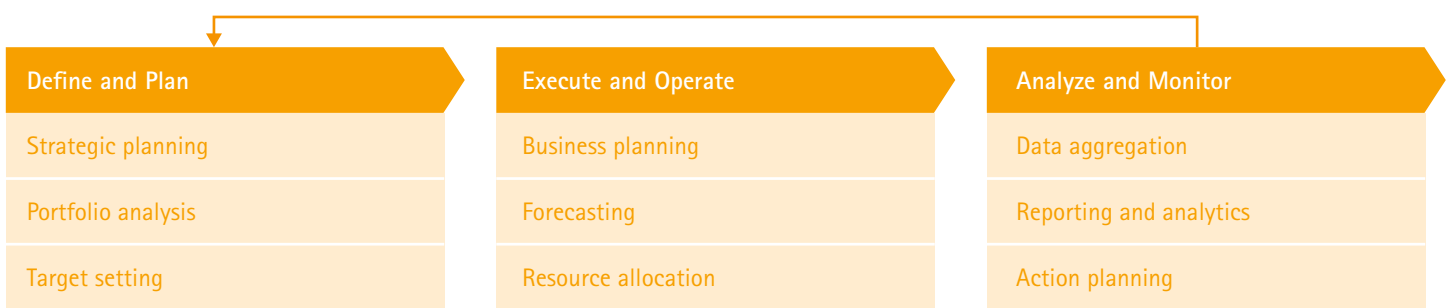
Another essential principle is the addition of an external perspective to the existing internal perspective that dominates the EPM function at many companies. This external perspective should reflect expectations from internal and external stakeholders—including investors, the board of directors, senior management and customers—and incorporate external data, such as competitive benchmarking and market trends.

Figure 1. Accenture Enterprise Performance Management Framework

Financial Performance Analytics



Integrated Enterprise Performance Management Process



High-Performance Catalysts



Sourcing Alternatives

It also implies more effective communication with external audiences, for example, in situations where we want to clearly distinguish between poor performance and strategic trade-offs, or balancing short-term profitability and long-term value creation.

The next-generation EPM operating model should also have a broad enterprise focus rather than concentrating strictly upon finance. This entails implementing integrated end-to-end processes and strongly emphasizing the role of finance as a collaborative, value-added partner to each business unit and the enterprise as a whole.

The combination of value creation mindset, external perspective and enterprise-wide focus forms the foundation of the next-generation EPM operating model—the glue that holds analytics, processes, high-performance catalysts and sourcing alternatives together.

Financial Performance Analytics

Having the right insights immediately at hand is becoming increasingly critical for leaders and managers seeking success in driving business growth, navigating risk and optimizing value creation in complex and uncertain environments. Finance

organizations that strive to support these needs are embracing financial performance analytics—the use of data, structured analysis and systematic reasoning to make decisions that drive performance—as a pivotal capability powering EPM processes such as target setting, forecasting and action planning. (See Figure 2.)

Active users of analytics see data as an increasingly valuable source of new ideas and opportunities for the business. The ability to anticipate and react quickly to changes in the market can yield rewards in terms of new business, higher customer satisfaction and overall competitive advantage. Analytics supports business decision making by identifying and evaluating opportunities and calibrating the level of uncertainty in value measurements. Reflecting the growing importance of analytics, an article in the *Harvard Business Review*⁸ called data scientist “the sexiest job of the 21st century.”

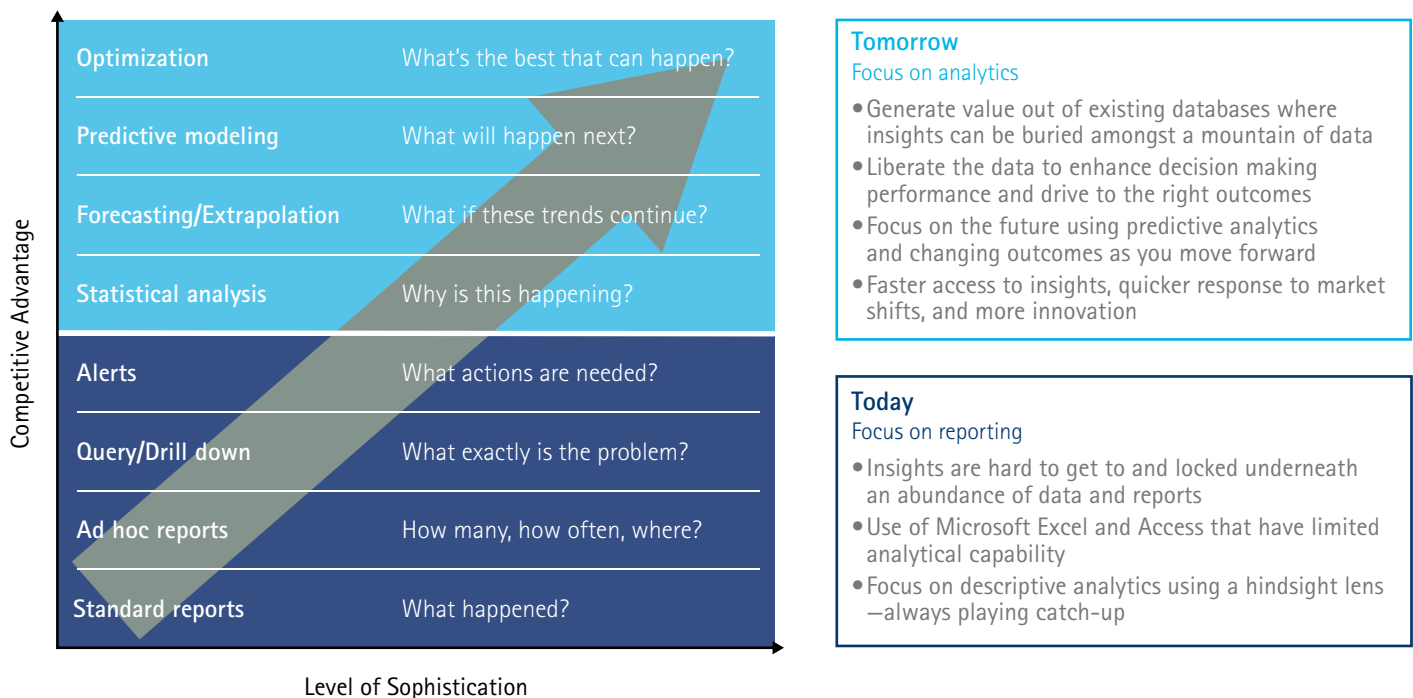
As strategic partner to the business, finance is responsible for providing meaningful insights and transparency into multiple dimensions of information in an integrated way as the basis for informed decision making. While traditionally the focus of the CFO organization has been on reactive analysis of historical data presented in the

format of static reports (what happened?), the modern finance function works to understand why this is happening, what actions are needed and what will happen next. Financial performance analytics should be used progressively more to support forward-looking activities, such as economic modeling, forecasting and performance simulations to create meaningful insights as a basis for future-oriented decision making.

At a leading global beverage company, for example, the finance chief has helped sustain an aggressive expansion into emerging markets and significant annual sales growth, despite the financial crisis. Now, working hand in hand with the chief marketing officer and the chief information officer, the company’s CFO is overseeing the implementation of an analytics-based initiative designed to improve planning processes. By leveraging advanced, online analytical tools to simplify and streamline its approach, the company aims both to increase market share and improve its margins⁹.

Figure 2. Moving up the Analytics Curve¹⁰

Analytics Maturity



Source: Competing on Analytics: The New Science of Winning (Davenport/Harris)

There are a number of challenges for companies to establish an effective financial performance analytics capability.

Our work in the performance management space indicates most organizations measure too many things that do not matter and fail to put sufficient focus on those that do. They establish a large set of metrics, but often lack an understanding of the underlying key drivers of their business. Accenture studies show that only 20 percent of organizations¹¹ claiming to have a good performance management capability have established a proven causal link between what they measure and the outcomes they seek to drive.

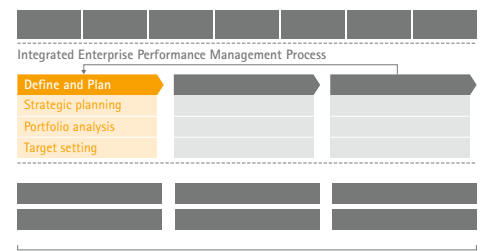
Changing operating models make it even more difficult to capture insights into key performance items. For example, with multiple players integrated into an online platform, even defining and capturing an item such as "sales" is not as easy as it used to be. For the CFO organization, this means defining and measuring what matters in driving value and growth is central, especially when "what matters" is changing constantly.

In our view, to help establish an effective financial performance analytics capability, the most important step for organizations in general and finance in particular is to identify and get leadership and management aligned on the required insight areas which matter most to driving profitable growth. This can be done with the help of the integrated EPM process.

Integrated EPM Process

The EPM core capabilities represent the building blocks to enable analytical insights required to manage enterprise performance. (See visual below.) Integration of the "Define and Plan," "Execute and Operate" and "Analyze and Monitor" capabilities, grounded in a value-creation mindset, external perspective and enterprise-wide focus help ensure a seamless performance management cycle across the enterprise.

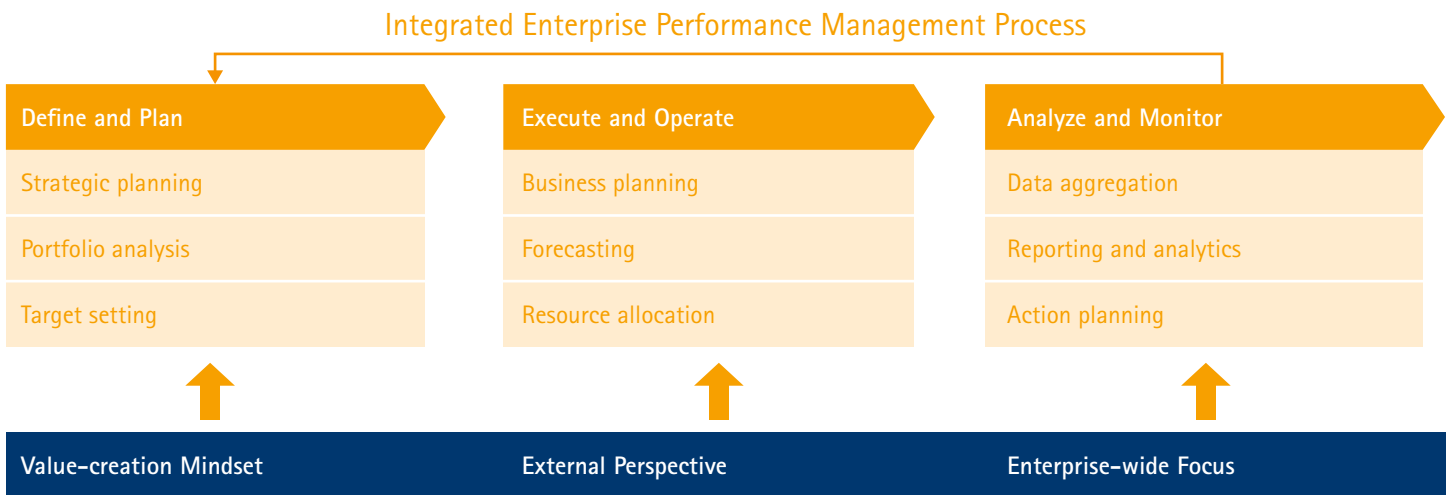
Define and Plan Capabilities



Strategic Planning

The first element in Define and Plan is strategic planning. This is the development of a multi-year plan—usually three to five years—to establish the organization's strategic positioning and long-term goals for creating more value than its competitors. Strategic planning is typically performed annually.

Many organizations fall short in their ability to clearly articulate their strategic goals. Another common pitfall in strategic planning is a poor understanding of the key drivers of business value, especially external drivers. This leads to internally focused strategic objectives that reflect neither the realities of the external market, nor the expectations of stakeholders.



Source: Accenture, October 2014.

Properly designed and executed strategic planning should help achieve an enterprise-wide understanding of the key drivers of current and future value. It should also facilitate setting objectives that reflect both external market expectations and management's ambitions for growth and profitability. And, since these objectives cannot be obtained without a concerted effort, planning should involve an enterprise-wide communication of strategies, goals and expectations to achieve strategic alignment throughout the organization.

Portfolio Analysis

The second element in Define and Plan is portfolio analysis. This entails a thorough examination of the components of the company's business portfolio, with the goal of identifying and sizing investment opportunities that would optimize overall portfolio value (with a balance of short- and long-term opportunities).

Portfolio analysis at many companies tends to be performed infrequently—if it is performed at all—and is often characterized by a "one size fits all" approach in which target

performance levels for diverse portfolio segments are set without reference to the capabilities and investments needed to gain the desired returns.

A better approach might be a structured, formal portfolio analysis performed on a recurring basis which takes into account both growth and profitability. In this approach, value drivers are identified for each portfolio segment with associated key performance indicators (KPIs) to move the segments in the desired direction. When KPIs show a gap in the segment performance, a clear view of the business capabilities required to bridge the gap should be developed and sized from the investment perspective.

Target Setting

The third element of Define and Plan is target setting. Translation of the corporate strategic plan and objectives into quantifiable targets for each business unit is essential for achieving overall objectives. Targets are typically set annually for each upcoming year. At many companies, there is a weak or unclear linkage between strategic

planning and annual performance targets. The enterprise may lack focus and looks instead at a large number of KPIs with varying degrees of controllability and materiality. Targets may often be negotiated based on the personal interests of budget owners, setting the stage for sub-optimal enterprise performance. They may be set in absolute, static terms or in relation to past performance—poor benchmarks in conditions of permanent volatility. Research shows that, when setting targets, more than 80 percent of companies set them in relation to their own historical performance¹².

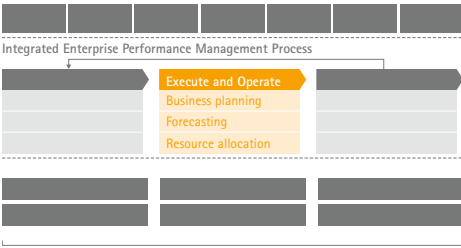
We suggest to companies that target setting is best accomplished when individual targets are set for three to five critical KPIs that have a direct impact on value creation and are closely aligned with strategy and portfolio analysis. When possible, targets should be established in relation to external benchmarks, such as a percentage of growth above market levels. As seen in Figure 3, targets should also be cascaded to all organizational levels with accountability for achieving them, thus helping enable strategic alignment throughout the enterprise.

Figure 3. Cascading Targets



Source: Accenture, October 2014.

Execute and Operate Capabilities



Business Planning

The first element in the Execute and Operate process is business planning. This involves the development of key strategic initiatives by business units to demonstrate how to execute strategies and reach targets, including identifying gaps needing closure. This stage of planning should form the foundation for operating and capital resource allocation plans.

Frequently, companies fail to align business plans to overall corporate strategy or tend to ignore intangible assets such as employee engagement and brand value in the planning process. In more extreme cases, business planning is significantly underplayed, with progression from targets directly to financial budgets. Such practices are likely to diminish the value of the planning process and the role of finance as a valued business partner.

Some companies are working on resolving this issue. For example, at Diageo, the world's largest spirits and wine company, many of the key investments are made to support the brand portfolio and intangible assets. All these investments, regardless of whether they are capital or operating expense in nature, go through the same rigorous investment evaluation process. This includes projections of cash flows, economic profit and risk-adjusted returns. Planning for investments into intangibles is integrated with evaluation of investments into traditional tangible assets. Application of cash flow and economic profit techniques demonstrates a solid understanding of value driven by intangibles¹³.

Business unit objectives should be closely linked to corporate strategy and targets, and planned investments should be balanced between tangible and intangible assets. The enterprise should also achieve agreement on all key initiatives at the business unit level before resource allocation plans are prepared, to ensure resource allocation supports achievement of the business plans.

Forecasting

The second element of Execute and Operate is forecasting. This encompasses the prediction of the expected performance of the organization over a predetermined time horizon and is performed periodically to reflect changes in the internal and external environment.

Many organizations undertake forecasting without a clear purpose in mind and fail to differentiate it from target setting and resource allocation. They focus on backward-looking gaps between forecasts and actual performance, depriving themselves of the much-needed lead time to readjust to changes in the business environment. In a process that is driven and executed by finance, we often see forecasting generating a level of detail similar to that found in actual results.

Accenture believes forecasting should represent a realistic prediction of future performance—one that is honest, well-grounded, and independent from target setting. Processes should focus on volatile and material areas, as well as anticipated gaps to targets. Identification of potential gaps between forecasts and targets should promptly trigger corrective actions to close them.

Companies should consider developing forecasts using input from front-line managers most familiar with business insight, and should use a rolling time horizon rather than being constrained by the artificial fiscal year boundaries.

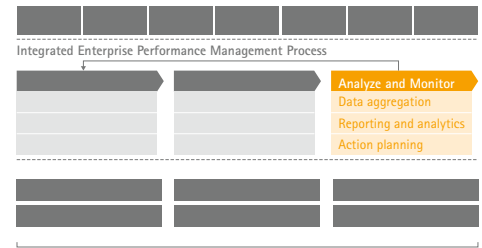
Resource Allocation

The third element of Execute and Operate is resource allocation—the creation of bottom up plans explaining how to allocate financial and non-financial resources within each business unit in order to reach short- and long-term targets. This process typically covers the upcoming fiscal year time horizon.

One of the issues Accenture frequently observes when working with clients is the development of resource allocation plans that are forced to match targets, without concerted enterprise effort to close identified gaps via specific initiatives. Resource allocation plans prepared in this manner are likely to be disconnected from operational reality and bogged down in accounting details. In addition, resource allocation often is a static, once-a-year process, which can hinder a company's ability to respond quickly to changes in the business environment.

To add value to the enterprise, finalized targets and business plans should be used as a basis to develop resource allocation plans, maximizing the use of key value drivers to link strategic initiatives to operational and process efficiencies. Effort should be focused on the most volatile and material drivers, while resources should be dynamically reallocated throughout the year as needed based on the latest view of the future reflected in forecasts.

Analyze and Monitor Capabilities



Data Aggregation

Data aggregation, the first element in Analyze and Monitor—involves the gathering and presentation of data in a report-based summary to support business objectives. A major challenge for companies addressing their Analyze and Monitor capabilities is building consistency in data structures and centralizing data quality management. Local performance responsibilities mean that business units and functions may develop their own master data, reporting and analytics capabilities. When they do so, there is a risk they may move away from focusing on information that is linked to measuring overall enterprise strategy execution, which ultimately may lead to decisions that do not support optimum resource allocation. Additionally, when data and reporting structures are not consistent throughout the organization, opportunities or potential problems can be overlooked.

Our experience indicates investments in master data, reporting and analytics capabilities—when made autonomously at the business unit or function level—often fail to achieve maximum return. In fact, data and reports from individual entities may require significant reconciliation and rework before consolidation, and the quality and accuracy of the data may be called into question.

Investments therefore need to promote an environment in which individuals involved in the setup and maintenance of master data elements are educated in the need for

increased consistency in data structures and eventually in improved quality management and stronger governance. Furthermore, in the quest to create more data-driven insights, investments should take a more cross-functional view. More consistent and broad-based data can ultimately be used to generate insights focused on internal measures and/or combined with third-party information (e. g. macro-economic forecasts), which can multiply the value of information exponentially.

Reporting and Analytics

The second element of Analyze and Monitor—reporting and analytics—involves the collection and organization of information as well as the presentation of the insights (the analysis) drawn from that information. Key information may be made available in reports and dashboards, but regular performance review routines may not be established.

When meetings to review information do take place, the agendas do not always follow a structured approach leading to a decision. The key documentation to support decision making may not be available before the meeting, or may be too lengthy and/or detailed to be of real value. As a result, meeting time is too often spent on discussions of essentially meaningless details, while decisions required for actions may not be made.

The focus should instead be on performance reviews which determine specific actions to close gaps between forecasts and committed targets. The reviews should then articulate how strategies are executed. In addition, there is a need for more detailed performance reporting across all levels to monitor trends within the business and to determine the root causes of actual performance deviations. The health of the business should be tracked at all levels, with a focus on trend analysis of actual performance.

Action Planning

The final element of Analyze and Monitor is action planning—the process of identifying specific activities intended to close the gaps between forecasts and targets.

The action plan includes recommendations for reducing the gap to target, with the expected outcomes from decided upon actions added to the forecast for the remaining months of the year and beyond fiscal year-end. The action planning cadence should be flexible, allowing for updates on an as-needed basis as new information becomes available.

In a traditional management report, as seen in Figure 4, line items are structured from an accounting view (P&L) offering a detailed breakdown.

Figure 5 shows an alternative management report with the same data but with a different focus. A constructive management conversation would center on the insight behind the travel spend changes.

Figure 4. Example of a Traditional Management Report

The typical information discussed in management meetings often leads companies to focus on the wrong elements

Department "ABC" Sales – Second Quarterly Review			
Travel spending	Actual	Budget	Variance
Airfare	12,725	9,225	(3,500)
Hotel	4,000	3,250	(750)
Ground transportation	1,500	1,250	(250)
Lodging	2,150	2,000	(150)
Meals	300	400	100
Per diem	300	300	0
Other	275	275	0
Total travel	21,250	16,700	(4,550)

Source: Accenture, October 2014.

Can we determine whether this number indicates "Good" or "Bad" performance?

Figure 5. Example of an Alternative Management Report

Using the same data, better insights can be captured and a slightly different focus achieved

Department "ABC" Sales – Second Quarterly Review				
Travel spending	Actual Q2	Q1	Q4	Q3
New business	9,500	6,000	8,000	8,500
Selling to existing customers	7,000	5,000	7,000	7,000
Education and training	650	600	600	1,000
Total "Good" travel	17,150	11,600	15,600	16,500
Mitigating service issues	3,500	7,500	4,500	3,500
Administrative	600	900	300	400
Total "Bad" travel	4,100	8,400	4,800	3,900
Total travel	21,250	20,000	20,400	20,400

New orders	290,000	240,000	235,000	228,000
Average travel spend per order	0.07	0.08	0.09	0.09
Share of "Good" travel spend	81%	58%	76%	81%

Source: Accenture, October 2014.

Shifting focus from budget variance to business events helps management quickly identify the root causes of issues and take corrective action.

Achieving Agility in Enterprise Performance Management

In an environment characterized by uncertainty, volatility and risk, EPM must embody both strength and agility. As described in the Accenture publication "Managing the Unthinkable: Scenario-Based Enterprise Performance Management (EPM)," the ability to identify risks and opportunities rapidly, conduct insightful analysis and support business managers in making fast, confident decisions is critical to success¹⁴.

To achieve EPM agility, companies should consider moving to an approach we call Scenario-Based Enterprise Performance Management—where scenarios are incorporated into processes for managing the business on an ongoing basis. Scenario-Based EPM spans across all the individual EPM processes, providing the foundation for risk mitigation, integration of early warning measures into performance management and, perhaps most valuable of all, for managing the unexpected nature of day-to-day business (Figure 6).

The following outlines steps organizations should consider to integrate scenario capabilities into their EPM processes:

1. Identify the key factors that can materially impact the organization and will help define plausible scenarios. For example, consumer products companies may look at GDP growth and consumer spending, airlines—at oil prices, global manufacturing companies—at exchange rates and freight costs, and financial services companies—at consumer credit quality and interest rates.

2. Define relevant scenarios (typically two to three) that describe alternative future operating environments. For example, what if oil prices average \$75 a barrel, \$110 a barrel or \$140 a barrel?
3. Agree on a baseline scenario that will be used to define strategy, set targets and develop operational plans and budgets.
4. Develop strategic plans, targets, action plans and resource allocation plans using the baseline scenario.
5. Develop alternative views of targets and plans, focusing on the major impacts and changes under each scenario. For example:
 - i. What will be the impact on sales, margins and earnings?
 - ii. How should investments/projects be reprioritized?
 - iii. In what way will product mix, pricing and promotional spend be adjusted?

Scenario-Based EPM creates an additional incentive to replace traditional absolute targets with targets set in relation to relevant external benchmarks. For example, a company may be targeting to exceed industry growth by three percent. As the expected rate of industry growth would change depending on a scenario, so would the targets.

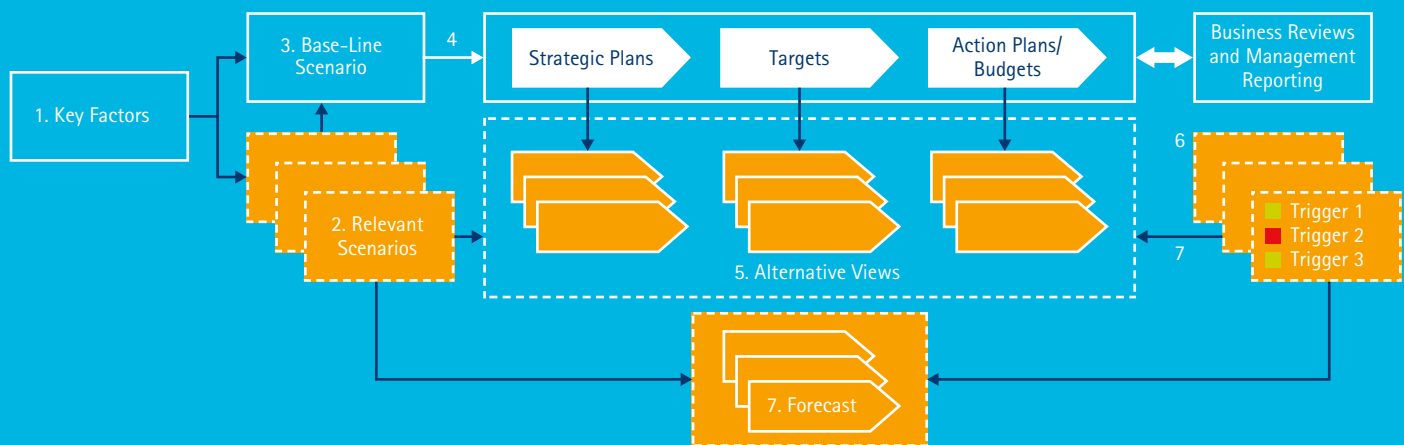
Action planning is another crucial element in moving to Scenario-Based EPM. Once the baseline plans are complete, each organization then identifies corrective

actions to close gaps to reach targets (if any) for each scenario. For example, a retailer may adjust its merchandise assortments and promotional spending if the economy tips into recession.

The level of detail for resource allocation plans should not be too granular. In conditions of high volatility and uncertainty, the more detailed the plan, the more likely it is to be wrong. Effort should go into developing different plausible views of the future rather than more detail.

6. Identify relevant triggers and corresponding tolerance ranges for each scenario that should be monitored on an ongoing basis in order to provide an advance warning of material changes in the operating environment. While 78 percent of companies using scenario planning claim they monitor leading indicators for key factors affecting their business, less than two-thirds of those companies have established tolerance thresholds for these indicators and connected them to scenarios in order to detect when an alternative scenario has become effective¹⁵.
7. Whenever established triggers/tolerances are exceeded—meaning a new scenario becomes effective—adjust tactics using the previously developed corrective actions to close gaps to targets and generate a new forecast reflecting the changes in both the scenario and tactics. One of the exemplars of this capability is the global shipping company UPS that used scenario planning to understand the

Figure 6. Scenario-Based EPM: A 7-Step Approach



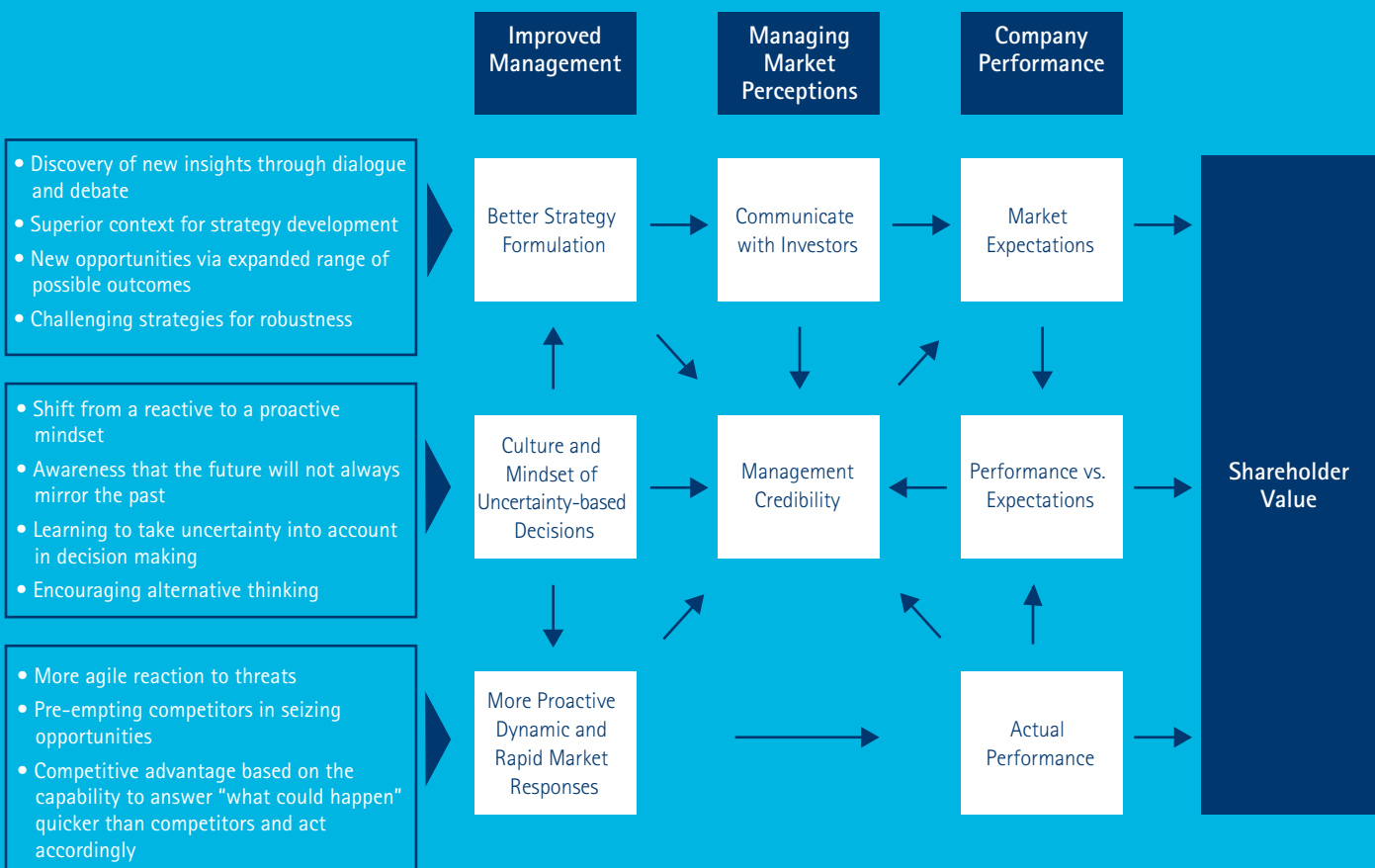
impact of an avian flu outbreak. A team of 20 employees explored scenarios that might unfold and how they would affect UPS and the general population. As a result of this initiative, UPS developed an in-depth contingency plan that could help respond to a severe pandemic¹⁶.

Before embarking on the journey to Scenario-Based EPM, companies need to ensure their current EPM processes are nimble and built around key drivers of business value incorporated into driver-based models and exception-based reporting. Focusing on the most volatile and material aspects of the business is also essential. Without these elements in place, Scenario-Based EPM can become an academically interesting exercise requiring significant effort, but bringing limited practical benefits.

As seen in Figure 7 below, when Scenario-Based EPM is properly conceived and implemented, benefits can include better formulation of plans and forecasts by helping companies look at a wider range of possible outcomes and identify new opportunities as well as risks. Companies can also gain the ability to generate more proactive, confident and faster market responses. Accenture research suggests companies that outperform their competitors on a consistent basis take a more dynamic view that incorporates foresight and flexibility into planning. These skills help successful companies pre-empt the competition and seize opportunities that might otherwise have remained unexplored¹⁷.

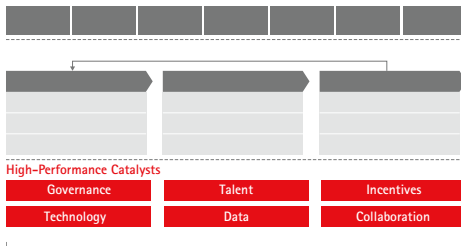
Finally, Scenario-Based EPM can support effective communication with investors, boards of directors, regulators and other stakeholders, thereby helping achieve higher management credibility and faster and more consistent growth of their business value.

Figure 7. Benefits of Scenario-Based EPM



Source: Managing the Unthinkable: Scenario-Based Enterprise Performance Management (EPM), Accenture, April 2012

High-Performance Catalysts



Catalysts represent the driving force that enables core EPM processes. They allow for seamless integration and execution of performance management agendas across the organization. Companies aspiring to evolve towards next-generation EPM capabilities should consider the following catalysts:

1. Governance



As global organizations' needs for greater flexibility and effectiveness increase, we see the use of a strong EPM governance model as a key unifying factor. Companies often struggle to set up such a model which would help ensure performance activities and measures are aligned with strategic business objectives and plans, and that decision makers work together towards achieving those goals. The move to new operating models (Centers of Excellence) and digitalization further add to the importance of a solid governance structure.

Accenture's client work indicates that one of the most important governance elements is the establishment of an effective EPM governance body ultimately responsible for the performance of the company. One attribute of an effective EPM governance body is a shared vision of the enterprise's performance objectives and strategies. The body members should also understand clearly their role in and responsibility for a successful execution of the strategies, feel accountability, and take actions for the primary metrics and decisions to execute the enterprise vision.

Other important elements of an effective EPM governance structure include the use of a consistent governance process for managing performance throughout the organization and a regular EPM governance meeting cadence for performance reviews and discussions on decisions and actions. Organizations may want to consider the use of a clearly structured agenda and the use of comprehensive information around driver-based performance

measures as the basis for value-oriented decision making. We believe this can help create a more effective governance body.

A pivotal characteristic of effective EPM governance is maintaining proactive communications among the governance body members as well as with the business stakeholders and decision makers (such as business units and regional operations). The latest technology-enabled real-time performance reporting also helps address a need for more interactive communication and collaboration. This, in addition to having a clear ethos can help strengthen governance efforts.

In our view, effective governance bodies share a strong passion for value-oriented performance culture, supported by driver-based metrics. This can create an environment where body members take the opportunities available to them to execute the company's strategy and help drive performance.

Last, but not least, the EPM governance body's performance should be measured on the basis of metrics that are balanced across financial and operational outcomes.

2. Talent



Talent refers to the skills and competency of employees, as well as processes, structures and systems aimed at developing and maintaining a superior talent pool in the organization. The right talent in the right roles performing in the right ways helps bring the business strategy to life, while shortages of skilled talent—not uncommon in some markets today—can inhibit growth and success of the organization. In Accenture's High Performance Finance Study, 74 percent of finance executive respondents claimed that talent issues, including those pertaining to the skills of the finance workforce were impacting their organization¹⁸.

As the role of finance changes under the pressures of volatility, globalization and increasing stakeholder expectations, there is a premium placed on directing people away from low-value-added activities toward enterprise-wide collaboration with decision makers on analysis, discussion of options and evaluation of decisions. To act as a true partner with the business, finance should be able to provide better quality information at higher speed while maintaining its traditional control functions.

To enable the evolution of finance talent, an effective human capital strategy comprised of talent management, organization, culture and leadership must be in place as seen in Figure 8¹⁹.

Figure 8. Key Elements of Talent Management



Source: High Performance Finance – The Critical Role of the Finance Workforce, Accenture, July 2013

Talent Management

Companies need to be able to identify, attract, develop and retain employees, and to leverage their skills, knowledge and experience to attain organizational goals. Talent management identifies the gaps between the available and needed skills, along with options to close the gaps.

Recruiting of skilled professionals is a conventional talent management approach that close to 60 percent of CFOs find challenging²⁰. Upgrading skills is another key aspect of talent management. CFOs recently surveyed for an Accenture/Oracle report said communications and similar "soft" skills were the top area in which finance functions needed to step up, as they become more focused on partnering²¹. Similarly, companies need finance professionals who are commercially minded and have strong leadership capabilities—areas most finance professionals are not trained in.

Recent innovation can help resolve the talent challenge by sharing and/or borrowing talent in creative ways. New approaches include "talent in the cloud" or web-based offerings providing access to flexible, skilled and cost-effective individuals who can work on a transactional basis. Another important innovation is the use of human capital analytics to draw upon multiple sources of information related to an individual employee's potential, such as performance reviews, competency assessments, personality profiles, and educational background. The data is analyzed to identify high performers and customized strategies for their retention.

Organizational Structure

The right organizational structure can help integrate finance with the broader enterprise and make the organization more agile. No one model fits all companies, but the three models most commonly used for finance in general and financial performance & analysis (FP&A) functions in particular are the decentralized, centralized and hybrid models.

1. In the decentralized model, business units retain a majority of FP&A functions and value is driven by innovation and autonomy.
2. In the centralized model, a Center of Excellence (CoE) houses all FP&A functions. Value is driven by standardization and the ability to scale to meet demand across business units.
3. In the hybrid model, the business units retain those FP&A functions that are specific to them, while the CoE owns the overall FP&A process and is responsible for decision making related to FP&A activities. Value is driven by an optimum combination of localization and standardization.

We believe the key to success is to select a structure based on each organization's unique combination of business growth, operational complexity and market maturity. For example, if the company's services are currently expanding within its market or if it operates within a growing, less mature market, it would lean toward a decentralized model. Conversely, an operationally complex company in a mature market would be a candidate for centralization.

Regardless of the model selected, there must be a sufficient number of people in finance assigned to direct business support. For example, a global healthcare company has more than 1,000 finance people around the world reporting to the finance organization, but assigned to different business units or functions. This approach enables finance

to support the business while also giving finance professionals the chance to develop their skills and expertise along a well-defined career path²⁶.

Culture

A company's culture is defined by the set of philosophies, values and norms that shape employees' behaviors. A value-centered culture helps drive performance excellence by shaping employee attitudes. And though important gains have been made in this area since our 2011 survey, 15 percent of finance executives participating in the Accenture 2014 High Performance Finance Study reported the lack of a value-oriented culture throughout their enterprise as one of their greatest challenges²².

There are a number of techniques that are effective in creating a value-centered culture, including:

1. Conveying the message. To partner effectively with the business, finance must speak "their" language and be able to translate financial concepts into business vernacular.
2. Communicating a clear ethos. Leadership can use a variety of methods to create a shared view about the way things should get done within the organization. These include formal statements of philosophy, principles and values, but also stories and anecdotes about exemplary behavior.
3. Explaining the importance of value. Walmart helps foster what it calls "ingrained motivation" by helping employees focus on the key goal of saving money for customers. In a meeting room at the company's headquarters, an electronic board tracks the amount of money (now billions of dollars) the company has saved consumers during its more than 50 years of existence²³.
4. Empowering managers to execute. Managers who are asked to commit to targets should feel they have sufficient control over the forces that influence their ability to achieve the targets. For example, by using a procedure for requesting investment funds that includes a calculation of how the investment decision will affect the company's overall financial performance, the manager can make decisions within the context of what is right for the enterprise as a whole.

Leadership

Strong leadership helps ensure values, norms and policies support the company's goals. Accenture's experience and research on the

topic indicates between 15 and 30 percent of an organization's business performance is determined by the quality of its leadership²⁴.

Leadership development has become both more complex and more urgent in recent years, in light of the challenging economic environment and the new nature of global business. Companies with strong value-centered cultures typically have leaders on the "front lines" with their employees. At Southwest Airlines, for example, managers often work side-by-side with employees to get a firsthand look at what they need to do their jobs better. Southwest also allocates more time and budget to executive travel and communications than do other similar organizations²⁵.

3. Incentives



A properly aligned and structured incentive program can be extremely important in tying rewards for what an employee does—and how he or she behaves—to both intermediate and longer-term enterprise results. It is our view poorly designed incentives can lead to unrealized performance management objectives, maximizing short-term performance at the expense of sustainable growth, and the failure to adopt a value-added culture. This could also create a situation where the organization may also find it difficult to attract and retain top talent.

Overcoming these issues may require rebalancing of short- and longer-term incentives. Microsoft, for example, changed how it compensated its professionals (including those in finance) because the company's existing compensation was not in line with the technology industry. The company shifted some long-term incentive compensation to base pay and dedicated a larger portion of discretionary compensation to rewarding superior performance²⁷.

Optimization of incentives might also involve a shift from tying performance to absolute targets, to a more balanced approach accounting for performance relative to a credible benchmark such as overall market or a defined set of peer companies. This can reduce opportunities for "gaming the system" by setting targets too low, but can also benefit employees in tough market conditions by rewarding performance that is superior relative to industry competitors.

4. Technology



Technology is a particularly important catalyst within the EPM framework. For years, CFOs have complained about legacy systems that are poorly integrated, expensive to maintain, do not enable user-friendly on demand access to high quality data and lack in analytical capabilities. To address these and other issues thereby enabling improvements in both efficiency and effectiveness of EPM, companies are increasingly turning to digital technologies such as cloud, mobility and social.

The value potential of these emerging technologies is powerful. They can help finance drive more agile and fact-based decision making, as well as support globalization by deploying a technology architecture designed to meet the diverse needs of each market.

Cloud

Cloud computing, with its flexible deployment models, can help address business problems that might otherwise be insoluble. It helps companies circumvent the barriers posed by large technology investments and the high risk of adoption failure. For example, cloud-based technology allowed a medical devices company to rapidly deploy a new, robust planning platform, customizing it as needed to suit the requirements of individual plants and reducing the risk of poor user adoption.

Cloud has the potential to improve the accuracy of planning and forecasting data. According to Peter Simon, a technical specialist in the research and development department of the Chartered Institute of Management Accountants (CIMA), the cloud will help better use information captured by other parts of the business—and even externally generated data—in planning and forecasting, dramatically improving the guidance finance can offer to the rest of the business²⁸.

Cloud-based systems can also serve as the foundation for the innovative use of mobile, big data and social media technologies. While finance previously generated hard-copy reports that offered no opportunity for interactivity or dynamic distribution, the same reports can now be distributed online and accessed remotely.

The benefits and promise of cloud technology are becoming well-recognized. Nearly a quarter of recently surveyed executives claim to have already adopted a cloud-based system for core financials somewhere in their organization, while 45 percent said they are developing a roadmap for doing so²⁹.

Mobility

Mobility provides a new strategic opportunity to streamline information flow across the enterprise. We believe mobile capabilities can help increase the efficiency of business processes, improve decision making, and deliver and collect accurate information at speeds approximating real time. Through mobile, companies can do a better job of monitoring and managing their own performance³⁰. For example, tablets will be extensively used as collection and distribution points for mobile reports, and will serve as portals for rapid decision making. Smart phones and other mobile devices will allow for easy access to real-time performance metrics and ongoing monitoring of triggers and alerts that affect key decisions, while mobile applications will promote more efficient and effective analysis for decision making. This will give executives access to timelier, more accurate information, allowing them to lead the market rather than merely react to changes in the business environment.

Social

Of the three best known digital technologies (mobility, social and cloud), social is the least advanced in the business context at this stage. Many companies have established a multi-channel presence or even are active in social media. It is still often unclear, however, how to use all the data generated by social media—in combination with existing datasets and analytical tools—to enhance competitiveness and drive business value. CFOs are well-positioned to help bridge this gap, because they understand much better than most other C-level executives the complete value driver tree of their businesses. For example, finance can help a retail business use social data to learn more about their customers, follow trends and predict demand for new products. This can help set the right order and inventory levels and guide pricing strategies.

Other examples of potential insights from social include:

- Forward-looking analytics leading to improved market segmentation;
- “Crowd-sourcing” ideas and innovation from employees and external stakeholders;

- Knowledge management and dissemination of best practices; and
- Enhanced communication and collaboration with suppliers and employees.

5. Data



Providing data and transforming it into valuable insights for decision making has always been one of the key roles of the finance function in general and of EPM in particular. While reliability, relevance, timeliness and insight continue to be the core characteristics of good data, the sheer volume and variety of data companies now deal with have increased dramatically, and delivery timelines expected by stakeholders have been compressed. It is getting more and more difficult to derive relevant, reliable insight from the tremendous amounts of available data and deliver it to stakeholders in a timely manner.

Internal customers still see significant room for improvement in the performance of the finance function as it pertains to data. According to a survey sponsored by Accenture and Oracle, 43 percent of companies still provide data that is a month old or older. Only 30 percent of finance respondents in the survey rated the finance function's ability to analyze data to uncover trends and forecast future performance as excellent³¹.

A number of best practices have been established in recent years to close this gap. Finance and IT now work together to develop “one source of the truth” for information supporting EPM activities. Reporting definitions, hierarchies (how data is aggregated and summarized), business rules and master data have also been subject to standardization efforts. There is greater use of data warehousing and/or data marts to support performance reporting.

One of the most promising areas of innovation is the use of big data—a set of relatively new capabilities that can help provide sought-after insights. Adapting big data is much easier for CFOs—who have long relied on numbers to set direction—and many CFOs have put this advantage to work in improving EPM. For example, advanced analytics can be used to help enhance customer and product profitability analysis and contribute to more effective root cause analysis of variances

to desired performance, which in turn can help organizations better determine where resources should be re-allocated.

Data visualization can help provide a more comprehensive view of the company's performance, helping spot trends that were previously difficult to detect. Visualization is also more intuitive for many non-finance stakeholders and can make it easier for finance to collaborate end-to-end throughout the enterprise. Insights derived from analytics, data visualization and other big data-related innovations can be used to identify opportunities to accelerate growth and establish more effective communications with investors.

In the auto insurance industry, firms like Progressive in the US, Tesco Bank in the UK, and Generali Group in Italy, are harnessing big data and analytics to lower the cost and liability associated with insuring potentially

risky drivers. Equipped with tracking devices, cars insured by these firms are now able to monitor driving behavior and generate premiums based on the results, allowing finance to directly shape new products and services and helping to push the evolution of the industry's core business model³².

Of course, the success or failure of big data initiatives depends heavily upon the quality and integrity of the data used. A sound data governance program—as illustrated in Figure 9 below—can help ensure data is correct, consistent, and sustainable. To be effective, any such program should cover the three key aspects of people, process and technology (Figure 9).

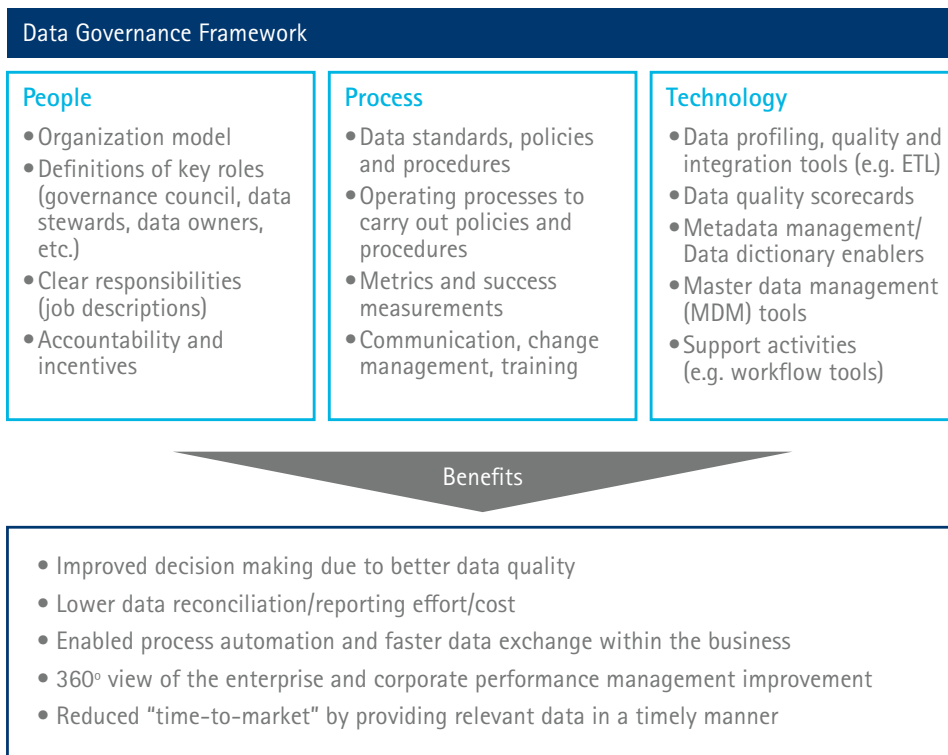
6. Collaboration



Collaboration supports the broader enterprise and finance in particular by strengthening communications and enabling knowledge-sharing inside and outside the organization. The number of relationships CFOs must manage grows exponentially as their sphere of influence expands. They communicate beyond the "walls" of finance and are now building stronger relationships with their counterparts in other functions. In our joint research with Oracle, for example, we found that 84 percent of CFOs surveyed are cooperating with the IT function to implement new technologies and enhance organizational agility³³. Externally, their network extends to investor relations, an ecosystem of customers and suppliers, and many more areas. CFOs can use collaboration capabilities to maximize the return on investment in these relationships.

Advances in social media also offer new collaboration channels for the CFO to identify talent, improve performance and solicit inputs from across the organization. Gamification, through application of gaming elements such as points and scoring, can be applied to create additional motivation in achieving performance management objectives. Crowd sourcing—a process that solicits inputs from large groups of individuals—can lead to insights about customers or suppliers which can then influence internal action planning and decisions. And blogs, wikis and social networks offer forums for knowledge sharing and strengthening relationships with external stakeholders—analysts, investors, customers and others.

Figure 9. Key Elements of Data Governance



Source: Accenture, October 2014

3. Developing the Transformation Roadmap

A company can start achieving benefits by implementing the analytics, EPM processes and high-performance catalysts described in the previous sections on the EPM framework. But to realize the full benefits of EPM, a cohesive roadmap is required explaining how to perform the transformation successfully. In most cases there is a need for a large scale transformation as significant changes that will not be limited to a single capability or process will be needed. In our view, in today's highly complex business environment, a company should not apply an accounting mindset in planning and running its business; the key, we believe, is to focus on what matters rather than trying to get the details 100 percent right. So instead of an accounting mindset, a company should consider a more value-based management mindset, applied across all enterprise processes.

Implementing value-based management with a focus on a few limited KPI level targets with strong rationales can help companies achieve better results, especially when addressing and closing gaps between forecasts and targets. Formal commitment to targets is also important to help ensure expectations on all sides are clear. Details on how to achieve targets do not need to be in place early in the fiscal year; managers can and should commit to targets without necessarily having a complete picture as to how these targets will be reached. In our client work, we have seen the use of this approach help shorten the overall planning process and allow for greater flexibility in managing activities during the course of the year.

Many companies jump into developing solutions without a clear case for change. Improving planning efficiency and shortening budget cycle time may seem like worthy goals, and it may sound impressive to say finance professionals will gain time for value-added activities. Before undertaking such transformative activities, however, companies need to understand what exactly those value-added activities will be. The ultimate goal should be to improve overall performance of the enterprise, not just the efficiency and/or effectiveness of the finance function. Enterprise performance management should be an enterprise-wide priority.

In our view, there are no shortcuts to EPM transformation. We encourage companies to seriously consider starting with a pre-study, or "diagnose and explore" phase. In this phase, the company can clarify its goals and objectives. For example, is the goal purely cost efficiency through an improved budgeting process? Or is there a need to implement more advanced, analytics-based EPM capabilities to meet the needs of the business units?

The results of the "diagnose and explore" will guide the design of the desired EPM capabilities. It is highly recommended to reach a common conceptual design (blueprint) incorporating input from all stakeholders involved before going into detailed design, solution development and deployment. Once the conceptual design is approved, a roadmap can be developed. As seen in Figure 10 below, the company's value path

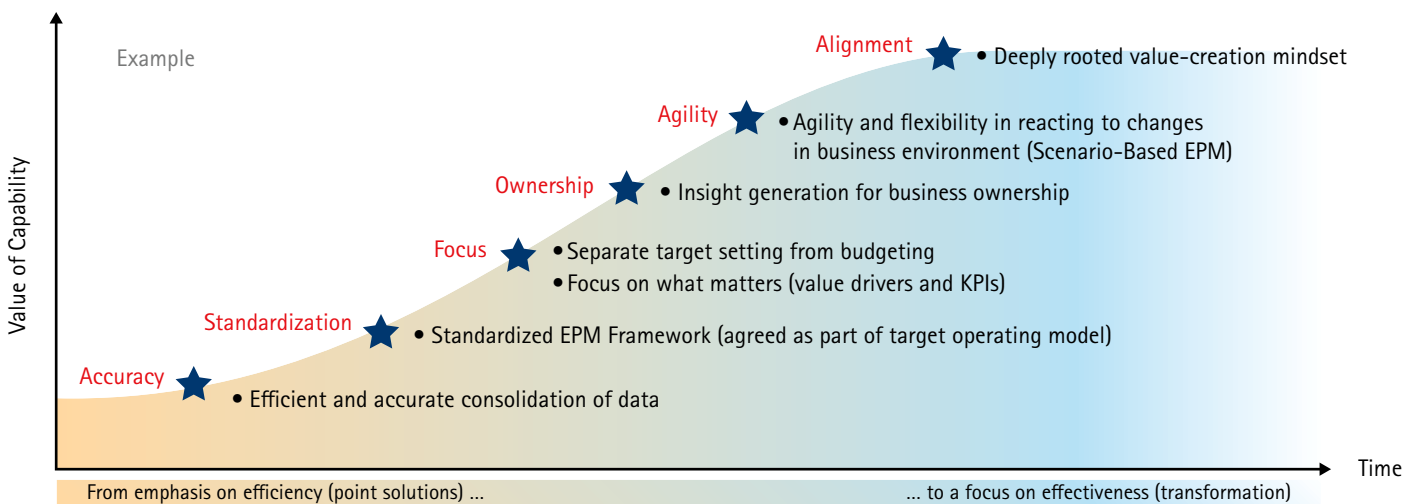
may start with targeted point solutions to improve specific high priority foundational capabilities, followed by a cohesive set of more transformational improvements.

Every organization will have different needs, but many transformation elements will be similar from company to company. For example, companies need accurate data and efficient processes powered by enabling technologies. Point solutions can yield improvements in these areas. However, to successfully tackle the increased volatility and complexity in the business environment, companies will likely also need to focus on effectiveness.

One critical effectiveness-oriented change is to separate target setting from budgeting and resource allocation. This means targets should incorporate external perspectives and then resources should be allocated to reach those targets. As a concept, this has been pursued by many companies for years, but appears to be hard to deploy.

Another needed change is the ability to revise plans on a rolling basis, where course corrections can be made as required if there are internal or external changes in the business environment. While there is broad agreement that a static plan prepared for a whole year becomes obsolete quickly, companies still struggle with implementing a more dynamic forecast-based resource re-allocation approach.

Figure 10. Illustrative Enterprise Performance Management Transformation—High-level Roadmap



Source: Accenture, October 2014.



4. Accelerating the Journey to Next-Generation EPM Capabilities

In light of increasing stakeholder expectations of reducing finance costs even further and doing more with less, developing and sustaining effective EPM capabilities is becoming more challenging. Companies therefore need to think about ways to increase EPM effectiveness and efficiency while simultaneously dealing with these cost pressures.

Service-Based EPM Operating Model

One way to optimize the effectiveness and efficiency of EPM is to organize it using a service-based operating model.

A service-based EPM operating model merges the traditional EPM operating model with principles from organizations using an integrated business services model. Key EPM activities that require intense and direct interaction with company leadership and operational management remain within the business (retained activities). Selected, usually transaction-based EPM activities, on the other hand can be decoupled from the overall EPM end-to-end processes, bundled together into new EPM service offerings and migrated to a centralized EPM services organization such as an EPM Center of Excellence.

The services performed by an EPM CoE should go beyond traditional shared services. They are broader in scope and usually delivered as end-to-end, repeatable, reliable, predictable, superior-quality services at a competitive cost.

The bundled EPM services can form a foundation of a more efficient EPM operating model. For instance, an EPM CoE can help reduce EPM overhead costs by leveraging labor arbitrage opportunities. Similarly, this approach can help companies develop simpler, less redundant, and more standardized processes, data structures, frameworks and assets, often enabled through innovative technologies and common platforms.

These EPM services can also add value by freeing up EPM professionals to focus time and energy on high-value work, such as actively supporting the execution of the business strategy. This can lead to increased recognition

of finance as a value-added business partner and higher satisfaction with the role EPM plays in helping create business value.

In terms of talent, a service-based EPM model allows companies to move from local EPM talent development approaches to a global talent management platform, where distinct talent profiles are developed within the retained activities as well as within the EPM CoEs. This, particularly for the CoE entity, is an excellent opportunity to address the requirement to do more with less and support a company's global growth agenda through flexible and scalable EPM capabilities.

Global sourcing approaches can create opportunities to deepen the pool of high-value EPM talent by setting up EPM CoEs with specific capability focus areas in different regions around the globe. For example: analytical capabilities can be sourced/serviced from a regional EPM CoE in India (the region is well known for talent with outstanding analytic skill profiles), while a regional EPM CoE for planning could be established in every region of the company's business. In this manner, service-based EPM operating models provide the ability and flexibility to promptly respond to evolving EPM needs with skilled resources, proven frameworks, assets, processes and data structures.

To facilitate the global sourcing approach, we have identified three alternative delivery options (and combinations of those three):

- **In-sourced EPM services:** Delivered by EPM CoEs which are run with the company's own staff. The capabilities, talent and skills are those of the company's employees. With its core of more focused skill profiles, this type of structure may create new career path opportunities, as well as opportunities for more focused training, recruiting and retention of key talent.
- **Outsourced EPM services:** Delivered by EPM CoEs which are run by outside organizations, providing specific capabilities, talents and skills to the company based on a contractual relationship. Business process outsourcing (BPO) would be a typical example of

outsourced EPM services. Outsourcing services can help companies access very specific skill sets without having to develop the talent in-house, while making the cost of those EPM services flexible.

- **Managed EPM services:** A hybrid alternative, delivered by external resources—not necessarily residing within the CoE—working closely as partners to the business and helping operate an EPM service from an end-to-end view. For example, external specialists might support the forecasting process on an ongoing basis.

Organizations across all industries and geographies are rethinking how to organize their EPM capabilities to become more efficient and cost-effective, while acting as a strategic partner to the business. The question is not so much whether they will organize EPM within a service-based model, but rather how soon they can start the transformation and how far they are prepared to take it.

Investing in EPM Capabilities

A company investing in EPM capabilities should be prepared to justify the investment by addressing enterprise-wide business challenges such as executing strategies for profitable growth or winning market share, rather than seeking only cost efficiency gains for the finance function. The value generated by early successes of EPM transformation—particularly strengthened capabilities for planning and managing the business—can pay for the next set of next-generation EPM capabilities.

Although there is tremendous potential inherent in the move to advanced EPM capabilities, there are many barriers to success. The EPM landscape is moving so quickly finance professionals have a hard time following and understanding the new capabilities. To get it right, CFOs should strive to find the best possible alternative for delivering EPM services to the rest of the organization. Ongoing operational support of basic activities such as management reporting and analysis from an external provider could enable improved cost efficiency and allow for greater emphasis on areas needing attention.

Preparing for Next-Generation Performance Management

The volatile, uncertain business environment, continued globalization and growing expectations from internal and external stakeholders all combine to place enormous pressures on the finance organization and the broader enterprise. Research and client experience indicate, however, that many companies are frustrated with lower than desired returns on their EPM-related efforts and investments in technology, people and process improvement initiatives. These companies need to resolve the three key questions posed at the beginning of this paper:

1. What is required to successfully plan and manage enterprise performance in conditions of volatility, globalization and expanding stakeholder expectations?
2. What is the roadmap that will help transform the current EPM capabilities into next-generation Enterprise Performance Management with pace and certainty?
3. How can organizations accelerate the journey toward next-generation EPM capabilities?

Accenture believes a new framework for next-generation EPM—reflecting leading practices and skillfully employing innovative technologies—can help companies optimize the return on their EPM investments. By providing better control over the value-added aspects of finance—including planning, analysis, and business decision support—this approach to EPM can help finance organizations meet demands for cost reduction, timely and accurate reporting, dynamic planning, effective stakeholder communications and driving profitable growth for the enterprise.

Strengthening Performance Management Capabilities: Orkla Confectionery & Snacks Sweden

Orkla Confectionery & Snacks Sweden is one of the country's leading makers of snacks and biscuits. The company wanted to strengthen its performance management capabilities in order to meet its future growth objectives, as well as to improve earnings efficiency and effectiveness. For example, its key performance indicators did not have clear and common definitions and were not clearly linked to the business' value drivers, strategic objectives and individual incentives. Furthermore, the approach to managing and communicating performance across the organization was inconsistent.

The client called on Accenture to help it put in place a business control function—underpinned by a robust EPM capability—that would help the organization improve its operational planning and execution.

Following the completion of the diagnosis and exploration phase, the Accenture team worked with the client to draw up a blueprint of a proposed EPM operating model. The model delivered on the overall objective of the project (strengthening the company's operational planning and execution) and established the functional role of the client's Business Control group as an effective business partner to the organization.

The solution helped Orkla Confectionery & Snacks Sweden fast-track the enhancement of its EPM capability. The company can now define more clearly the value drivers and KPIs that measure short- and long-term success and are aligned with the organization's strategy. Management scorecards, action plans and reports emphasize performance management commitment, tracking and

control. The solution also included a roadmap outlining activities needed to help build the company's desired EPM capabilities.

By rolling out an EPM blueprint and a cloud-based quick-win solution in just three months, the client can begin using its new EPM capabilities to plan its next financial year.

Through this project, Accenture has helped Orkla Confectionery & Snacks Sweden strengthen its strategic and operational planning and execution. This is expected to help the client reach its defined objectives for revenue growth, market share and value creation in the short to medium term.

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