



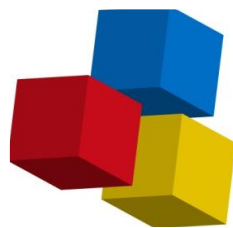
10 Day

The Ten Day Plan

By Dean Sorensen

Integrating Strategy With Finance and
Operations To Achieve Superior Strategy
Execution and Organization Performance

*The weakest links in any strategy
are often the Management Processes
used to define and to execute them*



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The Ten Day Plan

The Idea In Brief

One of the most important “leading indicators” of Finance effectiveness and organization performance is planning and budgeting cycle time. Why? Because the capabilities leading to shorter processes and more accurate cash flow forecasts, are the same ones that enable organizations to achieve aspirations of being more flexible, responsive, innovative, cost effective and customer-focused. What constitutes a short process? Ten to twenty days – a new benchmark that will redefine leading practices and what is meant by the term “Finance Transformation”.

The Idea in Practice

Achieving this cycle time objective calls for a continuous and dynamic management process (MP) that fully integrates strategic, financial, sales and operational plans, budgets and forecasts, into a “Single Plan of Record” – one that exposes planning risks, which are the unrealistic assumptions that link these often disconnected plans. Integrated Business Planning (IBP) applications (also referred to as predictive analytics) have evolved from their Supply Chain planning roots to make such processes a reality. The following steps will help organizations to capitalize on IBP and address MP capability gaps:

- Recognize how IBP redefines leading MP practices & full integration
- Evaluate MPs using maturity models that reflect these practices
- Link MP gaps to recognized business issues & strategic objectives
- Identify the value opportunities presented by these practices
- Develop an MP vision & plan that will realize this value



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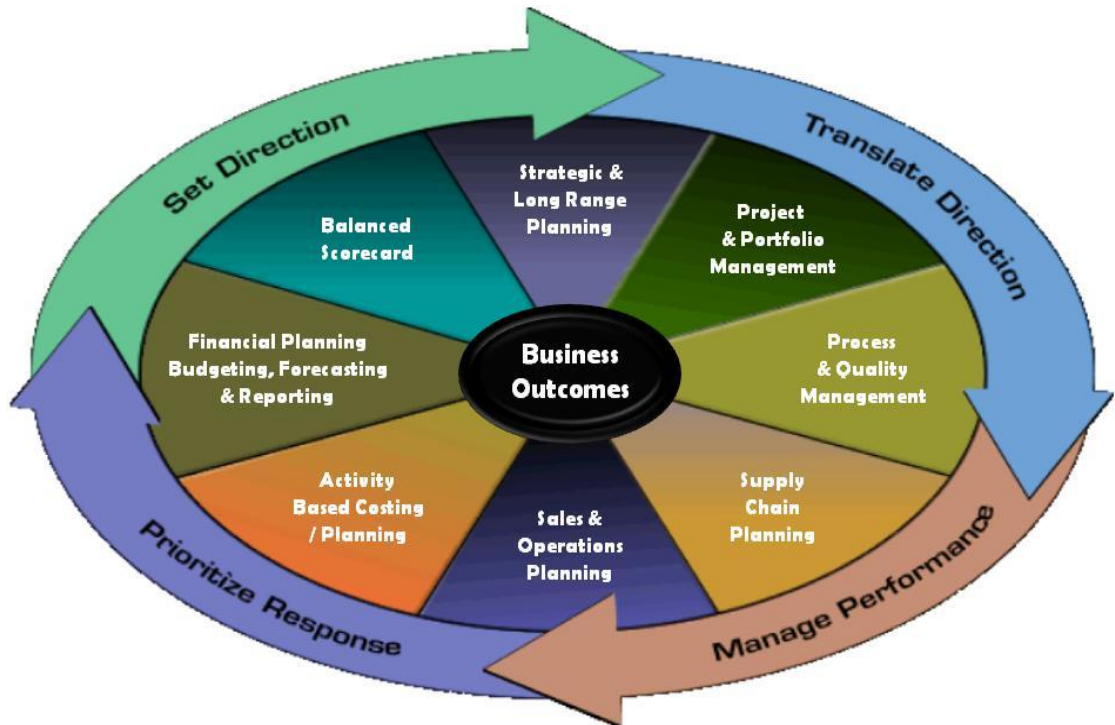
By setting aggressive targets for planning and budgeting cycle time reduction, executives can promote process design decisions that can dramatically improve organization performance

Are your planning and budgeting processes too long? This question is being asked with greater frequency by forward thinking CFOs. Why? Because they view shorter processes as an important barometer of Finance effectiveness as a strategic business partner. They understand that cycle time reduction is a key indicator of an organization's most important source of competitive advantage - its ability to adapt to change. They also understand that shorter processes require greater cross-functional coordination - an essential capability for superior strategy execution and organization performance.


Many have already taken the first step to address this cycle time issue, having implemented Enterprise Performance Management (EPM) software to improve the efficiency and accuracy of financial planning, forecasting, budgeting, reporting, consolidation and measurement. Others have gone further, having implemented capabilities such as activity-based costing, balanced scorecard, strategy, IT and product portfolio management, as well as process management approaches, such as six sigma. Collectively, these capabilities comprise an organization's management processes.

Insight: The Nature Of Management Processes

Management Processes (MPs) are the means by which organizations define, adapt, deploy, resource and execute strategy. They are comprised of a number of component processes and tools (such as those illustrated below) that collectively play a central role in optimizing organization performance and shareholder value.



The term "Management Process" is not a universally defined and acknowledged one, like budgeting, reporting and performance measurement. Consequently, organizations often approach MP improvement initiatives as individual projects, and not as a part of an integrated and overarching program. As a result, key MP capability gaps remain and value is not always fully realized. Planning risk is a term that is used in this document to collectively describe these gaps. Later in this document, evidence of the gaps is also provided from a research study that was conducted by the author of this document.



Despite such capabilities, organizations still struggle to achieve cycle times that are less than 60 days. Especially larger ones, where end to end planning processes can take 3 to 6 months. They often “hit a wall” - one where further cycle time reductions and improvements to profit and cash flow forecast accuracy, can’t be squeezed out of traditional MPs.

What’s the problem? As organizations grow larger and more complex, it becomes increasingly difficult to establish targets and allocate resources, while balancing conflicting objectives and competing priorities across multiple functions and business units. The evidence: the “tradeoffs” that dominate today’s strategic agendas, and which organizations often struggle to simultaneously achieve, examples of which are shown below.

Reduce costs and maintain competitive cost structures



While delivering superior service that meets customer expectations

Attract and retain loyal customers



While maintaining profitable product and customer portfolios

Increase top line growth from new products & services




While increasing or maintaining the bottom line

Increase productivity within Business Units and Functions



While optimizing performance of the organization as a whole

As a result, what is being experienced is that greater strategic focus, better budgets and more information do not necessarily translate into dramatic improvements in planning cycle time, strategy execution and organization performance. In other words, traditional MPs don’t always fully support aspirations of being more flexible, responsive, innovative, cost effective and customer-focused.



Breaking through the planning cycle time barrier, while simultaneously achieving desired business objectives, requires a more integrated management process (IMP). Why? Because integration creates one capability traditional MP applications can't deliver individually - the ability to manage planning risk. And it is this capability that provides the foundation for a continuous process that can be executed monthly in 10 to 20 days, and which is central to transforming the finance function, as well as the organization as a whole.

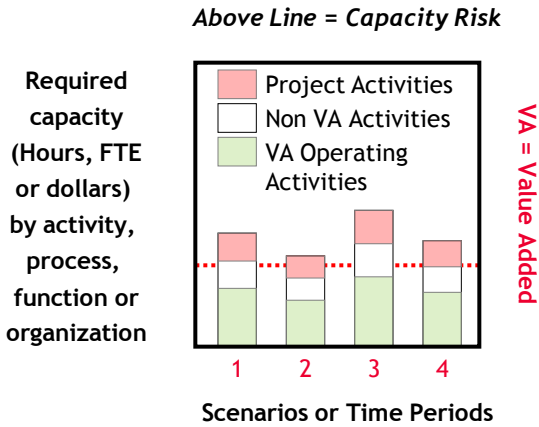
Complex organizations often lack formal and effective risk management capabilities for ensuring that plans are both executable and optimized

Planning Risks are unrealistic assumptions that link strategic, financial, sales and operational plans. Why is measuring these risks important? Because one thing is certain about any plan. It's wrong! Once developed, new conditions arise that violate the assumptions upon which it is based. What governs the ability to achieve the objectives that underlie it, is how quickly organizations can identify and react to changes in these assumptions. They must be able to quickly answer a number of fundamental questions, examples of which are provided below and illustrated in Exhibit 1.

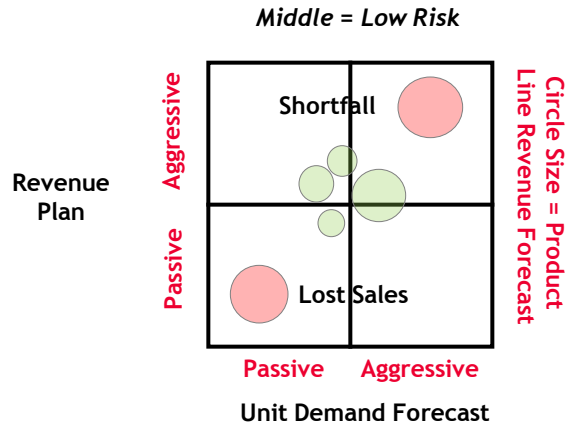
1. Capacity Risk - Do we have sufficient resources to meet our objectives, given our revenue and Key Performance Indicator (KPI) targets, as well as the projects that have been funded? What non-value added activities (that may require investments to eliminate) contribute to potential capacity shortfalls?
2. Revenue Risk - How realistic are the volume, product mix and pricing assumptions in our revenue plan? How could potential revenue shortfalls and uplifts affect capacity risk and our ability to achieve our financial plan?
3. Budget / KPI Risk - Are KPI targets realistic, given budgetary constraints? Are conflicting cost, service and quality targets appropriately balanced? How realistic are the productivity and activity mix assumptions, on which the targets for these "tradeoffs" are based?

Exhibit 1: Planning Risks

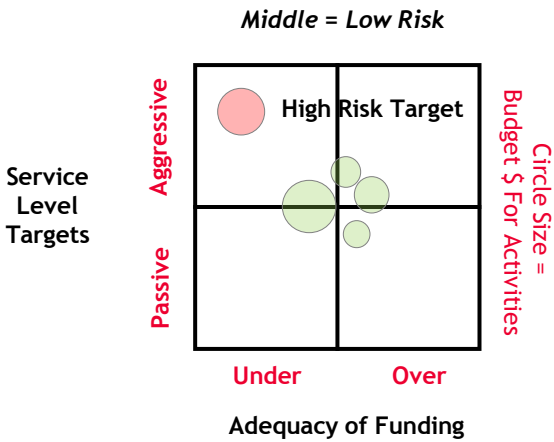
2.1 - Capacity Risk



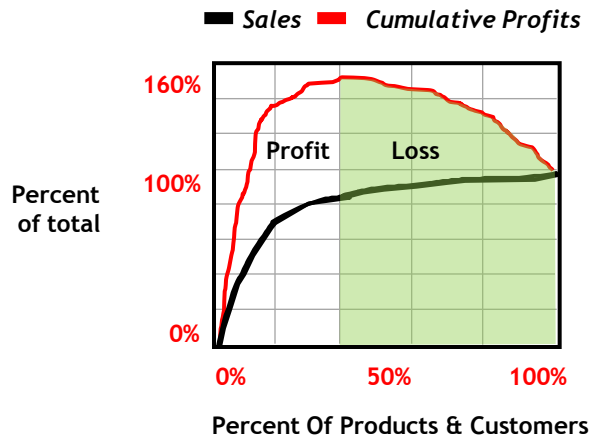
2.2 - Revenue Risk



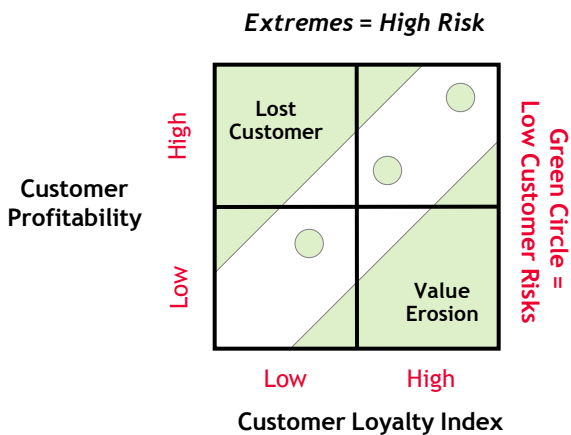
2.3 - Budget / KPI Risk



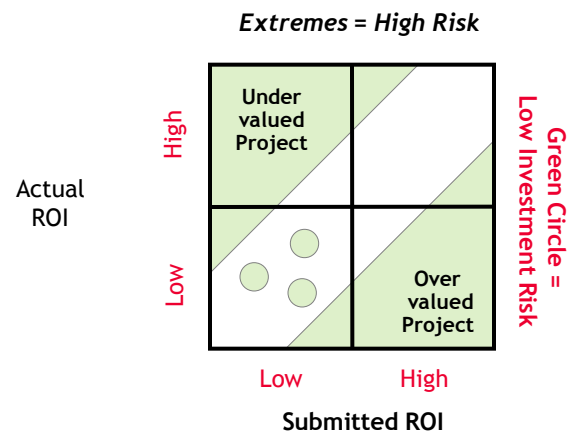
2.4 - Performance Optimization Risk




2.5 - Customer Portfolio Risk



2.6 - Investment Optimization Risk



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4. Performance Optimization Risk - Are revenue targets increasing both the top and bottom lines? Are KPI targets optimizing overall process / organization performance, rather than that of individual functions?
 5. Customer Portfolio Optimization Risk - To what extent are revenue streams at risk because our products, services and value proposition are not meeting customer needs and expectations? How will existing and potential projects affect this risk, and thereby create / preserve value?
 6. Portfolio Optimization Risk - Are project / investment portfolios optimizing return on investment for the organization as a whole? How should projects be sequenced to optimize (risk adjusted discount) value? To what extent is the ROI of one project influenced by others?

Tradeoffs between customer service and costs affect virtually every aspect of organization performance, yet most companies don't explicitly manage them

Organizations often have difficulty answering these questions on a timely basis. In many cases, the data simply isn't available. In others, it's just spread across multiple systems. This fragmentation issue can lead to inconsistent data that sends conflicting and confusing messages to employees. Especially when it isn't easily reconciled to actual and budgeted financial data that dominate how organizations are managed.

What typically results is that significant time is spent analyzing data, reconciling budgets to strategic and operational plans, validating assumptions and prioritizing potential projects / investments. Moreover, the process often goes through multiple iterations that prolong it even more. Further complicating this situation is the fact that budgeting is often highly political, as functions fight for resources to achieve their own objectives.

The net impact of these capability gaps are slow planning processes that delay decisions. The implication: missed opportunities to increase revenue, reduce or avoid costs, and reallocate resources to more value added activities. While finance is directly affected by these gaps, so too are other functions, such as Information Technology and Supply Chain, as illustrated on the following page.

Insight: The IT and Supply Chain Connection

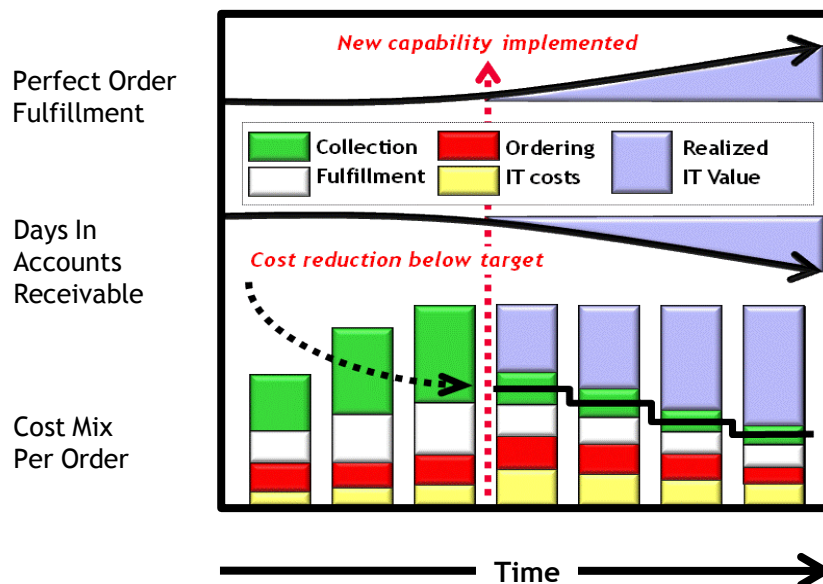
Information Technology (IT) and Supply Chain (SC) are examples of functions where an inability to manage planning risks is felt the most. In fact, many of the challenges they face are symptomatic of deeper MP issues and capability gaps that affect virtually every aspect of organization performance.


One of the classic challenges faced by IT is defending budgets. The underlying issue: an inability to manage user expectations about service levels, given spending constraints. Other issues closely related to this capability gap include measuring, managing and forecasting the value of IT investments, prioritizing IT projects and aligning them with business strategy.

SC functions require insight into how costs and service levels behave, given different volume, mix and productivity assumptions, The challenge they face is that they often lack such forward visibility, especially across global organizations. As a result, the ability to respond to market uncertainty, in a way that optimizes global performance, is undermined.

Provided in the graph below is an illustration of the type of forward looking information that these functions require. What it shows is how IT investments reduce SC costs and improve service levels of an order fulfillment process. The MP capabilities required to produce this graph, are the same ones that provide the means to address the IT and SC challenges noted above

The key take away from the above is that, in complex organizations, IT, SC and finance require an IMP to provide forward looking and cross functional insights to address the challenges they face.





Large and complex organizations often lack the planning risk capabilities shown in exhibit 1. The evidence of these gaps is provided in exhibit 2, which summarizes the results of a research study. What the study shows is that such organizations often lack “formal capabilities” for developing executable, optimized and aligned plans.

Planning and budgeting cycle time, as well as cash flow forecast accuracy, are two of the most important leading indicators of finance effectiveness and organization performance

Integrated Business Planning (IBP) is an emerging category of planning software that is central to measuring planning risk and operationalizing the “10 Day Planning Process”. Some classify IBP as “Predictive Analytics”. IBP employs sophisticated business models that provide the means to define and manage the complex relationships between strategic, operational and financial data and plans. These models have four characteristics that separate IBP from traditional EPM and operational planning applications:

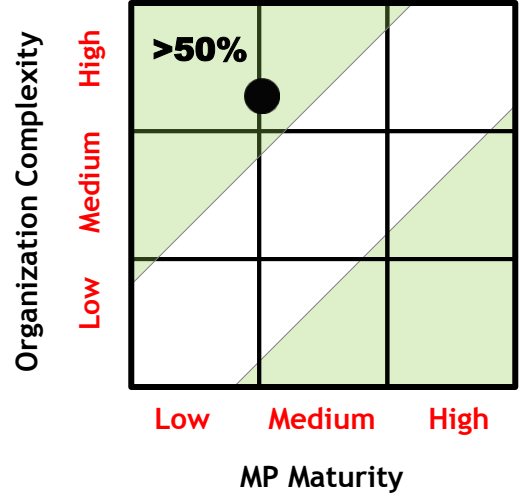
- **Outcome-based:** IBP models translate revenue and key performance indicator targets into financial and operational resources required to achieve them, across the entire value chain.
- **Flow Simulation:** IBP models examine the timing of resource requirements and their impact on income statements, cash flows and balance sheets across functions, business units and legal entities.
- **Time Phased:** Cost, productivity, service level, demand volume and mix assumptions can be varied by time period.
- **Distributed Ownership:** IBP enables simple role-based modeling, maintenance and outputs in terms that are relevant to them.

These capabilities result in a “Single Plan Of Record” that can be viewed from different perspectives and units of measure. In addition to shorter planning cycles, what results are highly accurate profit and cash flow forecasts. Such results are achieved through fast and precise communication because people are “speaking the same language”. They can identify, evaluate and resolve issues, develop plans and manage performance in terms that are meaningful and relevant to them, while sharing information in financial terms with others.

Exhibit 2: Evidence Of Management Process (MP) Capability Gaps

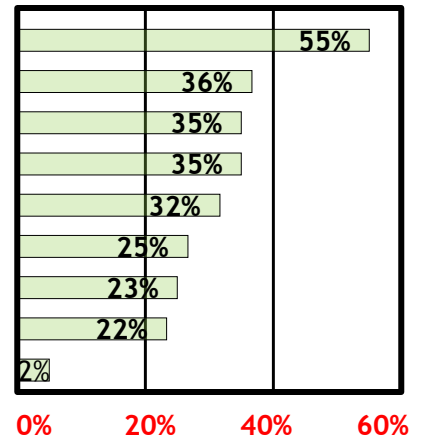
Overall Findings: Complex Organizations Have Key Capability Gaps

Research shows that more than 50% of large and complex companies have significant MP capability gaps. The top left corner of the graph represents capability gaps where MP maturity is low, given organization complexity. The dot represents the average. The graphs below provide insight into how these capability gaps affect the ability of organizations to effectively address both MP and business issues. Note that the maturity model used to conduct the research is shown in Appendix A.

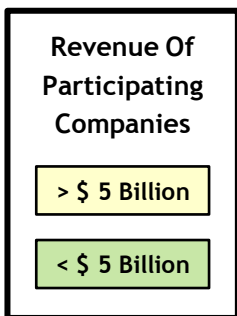


MP Issues Most Affected By Greater MP Maturity

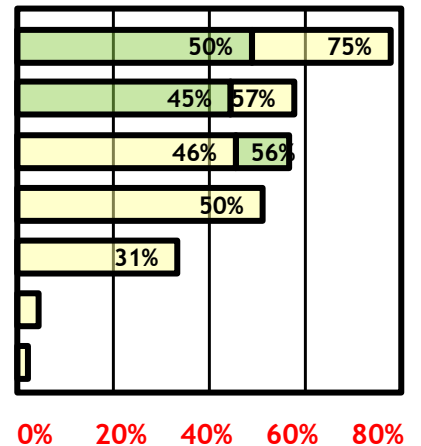
- Improving accuracy of profit & cash flow forecasts
- Reducing planning and budgeting cycle time
- Linking financial & operational plans / forecasts
- Tying budgets to KPI targets
- Greater forward visibility into the impact of market conditions
- Aligning financial and operational information
- Greater collaboration among functions & Business units
- Ability to quickly determine the components of budget variances
- None of these or other




Business Objectives Most Affected By Greater MP Maturity



- Greater Flexibility & Agility
- Greater Customer Focus
- Drive Operational Excellence
- More Consistent Strategy Execution
- Promote a Business Owner Mentality
- None of These
- Other



Source: Research study entitled, EPM in Complex Organizations, March 2009, by Dean Sorensen, CFO research services and SAP.




This “single plan of record” provides the means to address widely acknowledged weakness in traditional MPs, by enabling organizations to make a number of key process changes:

- **Transparency** - The ability to measure risks / tradeoffs in a manner similar to that illustrated in Exhibits 2.1 to 2.3, reveals disconnects between financial and operational data. The result: a single version of the truth that provides the basis for decision-making.
- **Value Focus** - When relative financial targets (eg. cost / outcome) are combined with non-financial measures to express tradeoffs, it provides the means to focus people on creating value, both in the short and long term - especially when they are rewarded for maintaining balance between them.
- **Cross Functional Coordination** - Resources are allocated to optimize high-level process targets rather than those of individual functions. Armed with insights, such as those illustrated in Exhibit 2.4, executives can see how targets impact the entire organization. Therefore, process management becomes the driving force behind enterprise planning.
- **Operational Reality** - Planned sales and Key Performance Indicator (KPI) targets are translated into specific volumes of work, based on explicit assumptions about product / service mixes and productivity levels for specific activities. When combined with project plans, total resource requirements can be compared to available capacity to ensure that plans reflect operational realities.

Reducing costs, while simultaneously delivering exceptional service and value, is one of the key management challenges facing organizations

- **Strategic Linkage** - Budgets, Balanced Scorecard targets and project portfolios are explicitly linked - at all times. The idea: as service and quality targets rise, so too do planned unit output costs, and therefore operating and / or capital budgets. Likewise, as modifications are made to project priorities and timing, planned cash flows, operating budgets and associated KPI targets also change. In other words, it links inputs and outputs.

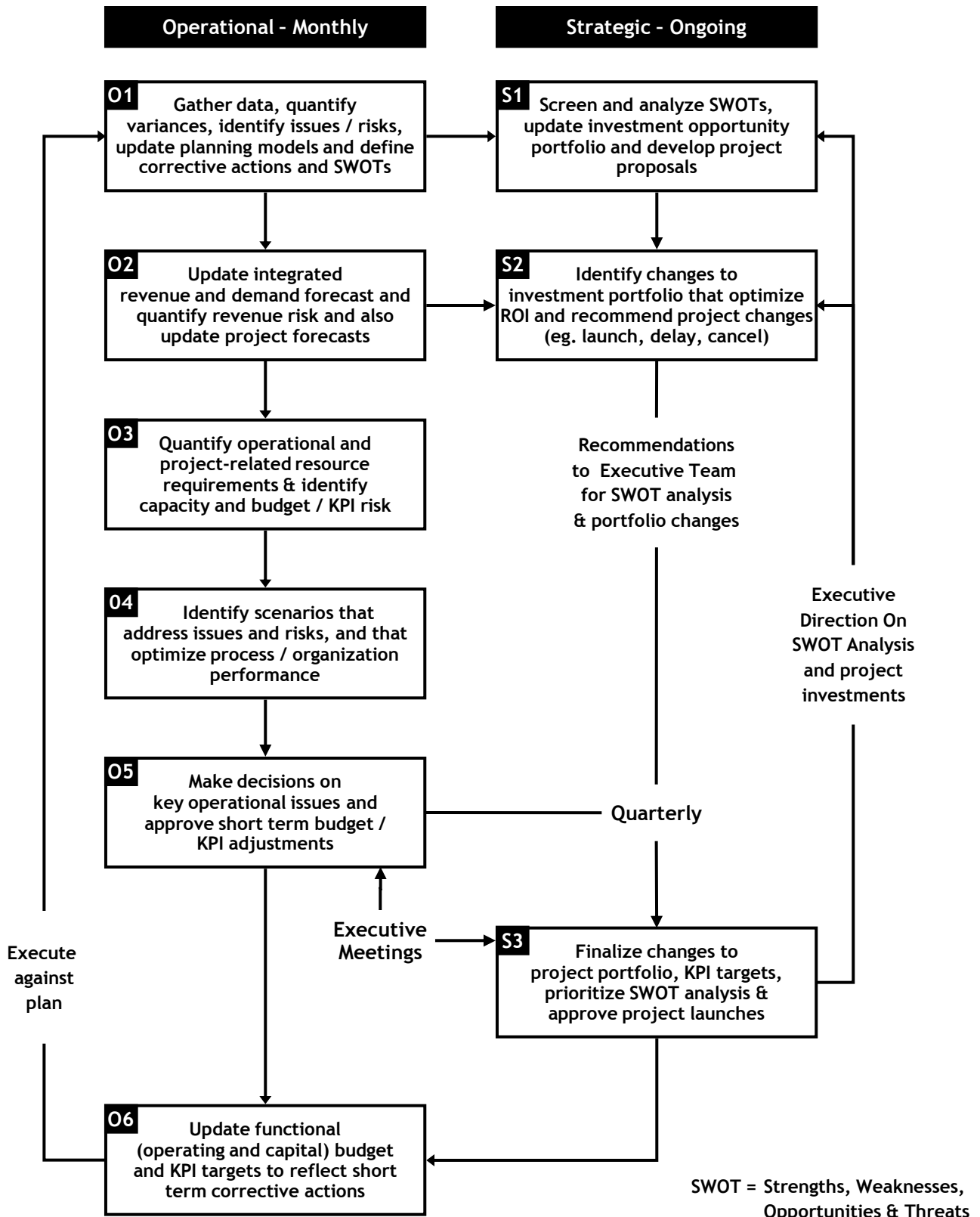
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- Objective ROI - Capital and project planning is often plagued by subjective and inflated ROI estimates. By using model-based tools, organizations can quickly determine the real value of projects and optimize ROI by selecting the right ones, identifying overlaps and the best implementation sequence. Moreover, this process can be extended across business units and legal entities to optimize returns globally.
 - Forward Visibility - One of the single greatest benefits of an IMP is lies in superior forward visibility into the potential impact of changing market conditions. Organizations can quickly assess scenarios that examine the impact of changes to key internal and external variables. By comparing differences between optimistic and pessimistic scenarios, market risks can be quantified and contingency plans developed.


The process that incorporates these changes is illustrated in Exhibit 3. It fundamentally transforms traditional planning and budgeting processes because it enables rapid planning cycles that can be coordinated across functions and business units. New events can be quickly assessed and then translated into updated targets that reflect corrective actions. This alternative to the annual budget process answers the question being asked of and by EPM pundits, “What lies beyond budgeting and the balanced scorecard”?

The “alignment paradox” organizations face is that the strategies they pursue are often in direct conflict with management processes they employ

Similar transformations extend to strategic planning. It becomes a more continuous process that is focused on business issues. As a result, it is more consistent with how executives actually make strategic decisions - unconstrained by organization structures and annual planning time frames. Moreover, investment priorities can be quickly updated and resources redeployed based on new information about forecasted project costs, benefits, cash flow, risks and SWOTs (i.e. strengths, weaknesses, opportunities, and threats). The result: a more robust and holistic process that enables organizations to more effectively react to, and manage the introduction of, change.

Exhibit 3: Continuous Monthly Management Process





The underlying management approaches that enable an IMP are not new. In fact, leading organizations have used them for years. Especially in the manufacturing sector, where such organizations use Sales & Operations Planning (S&OP) - a process that enables them to more effectively adapt to changes / variations in the volume and mix of product demand.


Mature S&OP users are recognizing two things. First, that S&OP should be extended to other functions to manage the entire customer experience - not just the delivery of goods. Second, there is a need for greater strategic and financial integration between S&OP and other planning and measurement processes, to facilitate executive decision-making. And it is this broader approach to S&OP that provides the blueprint for the IMP shown in Exhibit 3.

Forward thinking CFOs recognize that such an IMP is relevant to all organizations - not just manufacturers. They understand that the same logic that extends S&OP to other functions within manufacturers, makes it equally applicable to other industries, such as banking, insurance, healthcare and government. And they also understand that the opportunity is significant.

The value of effective S&OP processes has been well documented over the past two decades. Depending on the research source, organizations have seen increases in customer service, productivity and gross margins of up to 25%, 20% and 4% respectively. At the same time, they've seen reductions in purchase costs, inventories and lost sales of up to 13%, 30% and 37% respectively.

Traditional management processes don't always fully support aspirations of being more flexible, responsive, innovative, cost effective and customer-focused.

For many, the opportunity is even greater. Experience shows that organizations often realize only a fraction of the potential value from strategic initiatives such as Total Quality Management, Six Sigma, Shared Services, Activity-Based Costing, Strategic Sourcing, Supply Chain Management, Customer Relationship Management and ERP Systems.




What's common to each is that the underlying value propositions are based upon improving business processes to produce more cost effective outcomes that internal and external customers value. The problem is that organizations don't manage and govern this way. Rewards and decision rights typically follow functionally based planning, budgeting and reporting processes. The result: these process-based approaches don't realize their full potential. This is the "alignment paradox" facing today's organizations and the key challenge facing CFOs that seek to transform Finance into more effective business partners.

Information Technology and Supply Chain functions, like the organizations they serve, often lack the ability to effectively manage customer expectations.

An IMP represents a significant step-change in a CFO's ability to address this challenge. Why? Because the process changes it supports provide the means to change the fabric of organizations, enabling them to:

- Establish "effective accountability" for delivering outcomes that affect multiple functions, as illustrated by the order fulfillment example on page 8. After all, people can't be held accountable for things that aren't planned, measured and rewarded. And if no one is accountable for these outcomes and risks, they really aren't being managed. In this context, key governance / alignment gaps can be addressed.
- Become more "customer-focused", by managing expectations between internal customers and suppliers. After all, how can you focus on customers without being able to manage their expectations about service levels and quality, given what they are willing to pay? And how can you manage external customer expectations when you can't do so internally? In this context, an IMP provides the means to institutionalize this aspiration, as well as business process-based thinking advocated by TQM and Six Sigma, into mainstream management processes.

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- Encourage more of a “Business Owner Mentality”. Outcomes provide the basis to effectively empower employees by essentially giving them a business to run. A planning process structured around managing risks reduces the stress of unrealistic targets. This provides the means to enrich their work lives, making it easier to attract and retain quality people. The result: loyal employees who feel ownership of the targets for which they are accountable.
 - Promote more “market-like actions” that enable strategy, project / investment portfolios and cost structures to naturally adapt, respond and self-correct to meet evolving customer needs and changing market conditions. In other words, it improves organization agility, while driving fundamental cost reduction.

The one thing that is certain about any plan is that it’s wrong. What governs the ability to achieve the objectives that underlie it, is how quickly organizations can adapt to change.

For smaller organizations, informal processes often interject to address alignment issues. But as the size and complexity of organizations increase, these informal processes reach a point where they are no longer effective. Therefore, the question CFOs need to address is this: To what extent, and at what point, should these processes be formalized into an IMP? Answering this is crucial to cycle time reduction and Finance Transformation. The steps for doing so are illustrated in Exhibit 4, in terms of an MP strategy.

An MP strategy enables organizations to determine the best way to establish an IMP and thereby achieve the aforementioned benefits and value.

Exhibit 4: Management Process Strategy

Step	Purpose	Key Outputs
1. Define The Current State	<ul style="list-style-type: none"> Develop common agreement about MP capability gaps and how they are contributing to business issues 	<ul style="list-style-type: none"> Gap analysis using maturity model Linkage between gaps & business issues Measurement assessment Agreement about IMP priority
2. Define The Future State	<ul style="list-style-type: none"> Define how MPs will be used in the organization and the changes that it will introduce 	<ul style="list-style-type: none"> Management process vision & scorecard Policy & behavior changes that enable vision Business process / measurement framework High level management process Finance function vision
3. Develop a Technology Blueprint	<ul style="list-style-type: none"> Develop a high level design of the technical solution 	<ul style="list-style-type: none"> High level MP requirements Technology approach Key criteria for evaluating applications
4. Develop a Proof of Concept	<ul style="list-style-type: none"> Show that the envisioned process & enabling technology will work 	<ul style="list-style-type: none"> Working process Agreement about IMP benefits
5. Identify The Value	<ul style="list-style-type: none"> Quantify the value of improved MP capabilities and develop improvement targets 	<ul style="list-style-type: none"> IMP value proposition & targets Defined productivity improvements Detailed activity analysis (optional)
6. Define The Change	<ul style="list-style-type: none"> Identify potential obstacles & define activities to bring about defined changes 	<ul style="list-style-type: none"> Defined behavior changes Potential governance changes Identified barriers / unwritten rules Defined change levers (eg. reward & recognition, human performance process) Defined change activities (eg. coaching education, communication).
7. Develop The Plan	<ul style="list-style-type: none"> Develop an integrated project & change management plan that achieves the defined vision and value opportunities . 	<ul style="list-style-type: none"> Defined project approach & phases Identified pilot site Project plan developed Established teams & charters



Apart from addressing important strategic issues, an MP strategy provides a number of pragmatic benefits:

- It can shorten IMP implementation time.
- IMP benefits and value can be achieved faster.
- It minimizes EPM and software performance issues.
- It can lead to different and less costly software decisions.
- It results in greater user acceptance and stakeholder support.

These benefits are achieved by avoiding issues caused by incremental MP development approaches - ones where organizations react to issues as they arise and implement MP capabilities in isolation of others. Such incremental approaches often lead to many of the challenges shown in Exhibit 5.

Unfortunately, traditional EPM applications are at the heart of these challenges because they do not fully support the leading practices that comprise more mature planning and performance management processes for large and complex organizations. This doesn't mean that EPM applications are not required. What it does mean is that IBP applications are required to augment and enhance EPM application capabilities.

Traditional EPM and BI applications don't fully support the leading practices that comprise more mature management processes of large and complex organizations

The existence of these challenges means that organizations aren't always realizing the full value of their EPM investment. They often share experiences, similar to the ones described below:

- While EPM systems improve statutory reporting, they don't always fully support strategic analysis required for reorganizations and cross border product and customer management.

Exhibit 5: Key Challenges Associated With Management Process Components

1. Business Intelligence (BI)

- Information structures slow to respond to key changes, such as reorganizations & acquisitions
- Trending analysis becomes highly complex when many of these changes occur
- Managing (eg. customers and vendors) across legal entities is not always easily supported
- Data that is fragmented across multiple systems & data warehouses is not easily combined
- Reconciling different business rules & calculations used across the organization becomes difficult
- Reconciling multiple hierarchy and structural definitions across the organization becomes difficult

2. Balanced Scorecard (BSC)

- Isolating overly aggressive targets that don't reflect operational reality or aren't well funded
- Maintaining integration between budgets and targets in rapidly changing conditions
- Modifying business priorities in rapidly changing conditions
- Maintaining outcome-based KPI targets (eg. cost per output) as conditions change
- Linking KPI targets to specific customer experiences the organization seeks to create
- Establishing effective accountability for outcomes affecting multiple functions and business units

3. Activity-Based Costing (ABC)

- Preventing cross functional performance issues in periods of rapid change
- Integrating ABC insights into budgeting, target setting and measurement processes
- Establishing a single view of product and customer profitability across business units
- Establishing effective ownership of business process performance and the underlying data
- Multiple process models (eg. SOX, Six Sigma) creates confusion & undermines governance

4. Project and Portfolio Management (PPM)


- Identifying and quantifying potential operational capacity issues that affect project execution
- Quickly quantifying the value of projects - before launch, during execution and after completion
- Quantifying the value of customer portfolio risk reduction on project value
- Incorporating risks in project NPV when organizations are not equipped to absorb change

5. Driver-Based Budgeting (DBB)

- Planning models are out of date because they aren't maintained by operations
- Planning models can't always identify operational capacity issues
- Capacity planning doesn't incorporate projects and new products

6. Sales & Operations Planning (S&OP)

- Difficulty reconciling different views of demand (eg. bill & ship to, produce & ship from)
- Difficulty managing average selling price in complex pricing structures
- Resource constraints caused by non-supply chain operational activities aren't always visible
- Resource constraints caused by project-related activities aren't always visible

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- While Balanced Scorecards create greater strategic focus, they don't always lead to the kind of cross functional coordination required to improve strategy execution.
 - While activity based costing provides insight into potential one-time cost reduction / profitability improvement opportunities, it doesn't prevent the "siloes thinking" that cause cost and profitability issues. Without fully integrating it into planning, budgeting and measurement processes, ABC can be relegated to operational tool rather than one of strategic importance.
 - While portfolio management streamlines project selection, the process remains painfully slow. Moreover, insight is not immediately available to identify when strategically significant projects aren't delivering the expected value.
 - While S&OP processes increase sales and inventory turnover, significant opportunities remain unrealized because it focuses primarily on manufacturing. Activities comprising customer experiences that underlie strategy are typically excluded from the process. As a result, executive decision-making needs aren't fully supported.

As organizations become larger and more complex, they typically reach a point where these issues must be addressed. The question that typically arises is, "What's next"? For those that have reached this point, an MP strategy provides the means to answer it.

“Organizations need more discipline to do management process reengineering than operational process reengineering”
James Champy, Reengineering Management - The Mandate For New Leadership



The connection between these MP challenges, strategy execution and organization performance is not always immediately obvious. As a result, MP initiatives often take a back seat to ones viewed as having a higher priority. When, in fact, they should be at, or near the top of, the priority list.

The goal is to help people understand that the competitive advantages they seek, and have not fully achieved, are based on superior management processes. Not the individual tools that comprise them.

Ultimately the benefits and value of an IMP arise from coordinating and focusing an organization's collective experience on broader issues and objectives, rather than those of individual functions or business units. In so doing, IMP equips CFOs with the tools they need to transform the finance function into more effective business partners - ones that can help organizations overcome "functional silos" and thereby address the alignment paradox that many face.

To effectively address this alignment paradox, CFOs need to understand how the right technologies provide practical options that aren't always immediately obvious. Moreover, they need to appreciate the disruptive nature of these technologies in how organizations plan and manage their business. The first step that they can take is to set stretch targets for planning and budgeting cycle time reduction. This will prompt the "out of the box" thinking required to fully achieve the benefits of an IMP.

Sir John Bond, former chairman of HSBC Holdings, said, "There are few original strategies. There's only execution". Superior execution calls for more integrated and dynamic management processes, the measure of which is planning and budgeting cycle time. By establishing IMPs that provide the means to manage planning risk, CFOs can play a central role in helping organizations realize their aspirations of becoming more flexible, responsive, innovative, cost effective and customer-focused.

Appendix A: Management Process Maturity Model

The following is a summary of the Maturity Model developed from the research described in this publication. The Maturity Model represents management processes that can be made operational using IBP and other currently available technology. This research showed that in today's market:

- Traditional EPM applications typically support somewhere between a Level 2 and Level 3.
- Sales and operations planning applications support Level 3 in large and complex organizations.
- Integrated Business Planning applications play a central role in achieving Levels 4 and 5.

There are two things that are unique about this maturity model. First, full integration is explicitly defined at Level 4. Second, each Level of maturity represents increasingly sophisticated driver-based planning model capabilities.

Level 1: Annual bottom up budgeting process typically based on prior year. Little or no linkage to operational plans and business strategy. The process is typically supported by spreadsheets.
Basic

Level 2: Accuracy and timeliness are improved through EPM automation. Simple driver-based models improve the accuracy of budgeted line items, such as payroll and benefit expenses. A process is established that reconciles budgets to operational plans and strategy.
Controlled

Level 3: Limited use of more sophisticated driver-based (outcome-based) models to integrate financial & operational planning in parts of the organization. For example, in manufacturing, sales & operations planning applications replace EPM as the plan of record for revenue & cost of sales.
Extended

Level 4: Business process and outcome-based driver models are extended enterprise wide to translate business objectives into both financial and operational plans. This enables a single matrixed process for planning, budgeting and forecasting sales, operations, finance, projects and business processes. For manufacturers, this also means that sales and operations planning is also fully integrated into this process. Top down and bottom up reconciliation process is supported by an ability to forecast planning risk. In other words, organizations can produce graphs, similar to the ones shown in exhibit 1, on demand.
Integrated

Level 5: Planning, budgeting and forecasting evolve into one continuous, monthly process. Annual budgeting is abandoned. Front line managers are accountable for maintaining their portions of the models underlying cash flow forecasts, as well as all organization plans, thereby increasing accuracy of profit and cash flow forecasts. Organizations shift to process-based governance, enabling resources to be easily reallocated between functions, business units and legal entities. Beyond budgeting principles are fully deployed.
Dynamic



About The Author

Dean Sorensen is the Director of Strategic Services at QueBIT Consulting. He provides services that help senior executives to establish management processes that enable functions, business units and legal entities to more effectively work together to drive consistent strategy execution and profitable growth. These services also enable CFOs to address cross functional issues that are becoming increasingly important to them, including profitability and performance improvement, cost and working capital reduction, improving profitability and cash flow forecast accuracy, ERP and shared service optimization, as well as more effective governance and control.

Mr. Sorensen has a blend of strategic, financial, operational and change management experience that makes him uniquely qualified to help CFOs address these issues. He has over 20 years of management consulting experience that includes strategic planning, supply chain management, process reengineering, change management and management systems, the latter including planning and budgeting, balanced scorecard, activity-based costing, strategy, cost, knowledge and portfolio management.

Prior to joining QueBIT , Mr. Sorensen worked with KPMG, Accenture, and AT Kearney. He holds a Bachelor of Business Administration from York University in Toronto, is a Chartered Accountant in Canada and is also certified in Production & Inventory Management (CPIM) by APICS. He can be reached directly at 425-260-6817, or by way of email at dsorensen@quebit.com.



About QueBIT Consulting

QueBIT is a consultancy that helps organizations establish more effective management processes and finance functions. What sets it apart from others is the ability to leverage Enterprise Performance Management, Sales and Operations Planning, Business Intelligence, as well as other technologies, to establish more dynamic and integrated management processes that drive dramatic improvements to planning cycle time and organization performance. The result: organizations that achieve their aspirations of being more flexible, responsive, innovative, cost effective and customer-focused. For additional information about us, please visit our web site at www.quebit.com.