

EV LUTION 20

Navigating to the NEXT Normal

Virtual Conference Series July 7 – July 28, 2020

NAVIGATE YOUR BUSINESS TO ITS NEW NORMAL



TRIAGE

*STOP THE FREE FALL TO
STABILIZE YOUR BUSINESS
FOR THE SHORT TERM*

- Create models to get a clear financial picture
- Shore up cash by reviewing all expenditures, including staff
- Increase communication to maximize client retention
- Assess infrastructure to minimize risk

TIMING:
2-4 WEEKS

FORMATIVE ASSESSMENT

*CREATE ACTION PLANS
FOR VIABILITY BASED
ON LEARNINGS*

- Analyze products and services to attain best market potential
- Navigate regulations to determine best applications
- Communicate pivots to your stakeholders and gain alignment from your board
- Create or adjust delivery models

TIMING:
1 MONTH

TRANSITION

*IMPLEMENT YOUR PLANS AND
MEASURE RESULTS*

- Roll out new or reposition existing products and services and test pricing models
- Formalize human capital infrastructure and policies
- Reevaluate forecasts and models
- Ensure compliance with applicable regulations

TIMING:
1-2 MONTHS

OPTIMIZATION

*INVEST IN WHAT'S WORKING
AND DIVEST OF WHAT'S NOT*

- Measure business performance to ensure benchmarks are being met
- Invest in modernized technology to meet new customer expectations
- Secure funding for strategic investments
- Re-benchmark key cost centers

TIMING:
3 MONTHS

GROWTH

*ADAPT TO THE NEW NORMAL
AND OPERATE
AT A HIGH CAPACITY*

- Form task forces to look for new opportunities
- Add leadership to execute innovative initiatives
- Leverage the latest technology such as AI, bots and mobile platforms to increase business functionality
- Capitalize on expansion strategies and directives such as M&A, geographic growth and new product development

TIMING:
3-6 MONTHS

Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption

Live Webinar | Monday, July 20, 2:00 PM PST





Amy Morgan

Director, Armanino Advisory LLC

Amy holds an MBA in Finance, Accounting and Strategy which she uses to lead projects from pre-sales through implementation through support in Armanino's technology solutions. Her Fortune 100 FP&A experience coupled with 15 years of implementing and training make her one of the foremost experts in Financial Planning.



John Kogan

Director, Armanino Advisory LLC

John leads the Finance Performance Improvement practice, where he helps clients with strategic finance outsourcing, executive search & finance technology solutions. As a many-time CFO and CEO he is passionate about helping CFOs become strategic leaders and make the finance organization a genuine weapon for their organizations.



Agenda

Financial Planning & Analysis (FP&A) Overview

Identify the **People**

Outline the **Process**

Determine the **Technology**

Q&A



Why FP&A

Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption



- Understand (and learn from) the past
 - Reporting
 - Analysis
- Know the future
 - Forecasting is kind of magical
- Why do any of this?
- ***To make better decisions***
- This should be one of your highest ROI investments



- Infrastructure ≠ Technology only
- Infrastructure: *the basic organizational structures needed for the operation of an enterprise*
- People, Process and Technology need to move in lockstep
 - Or, more likely, in a bit of a zig zag
- Technology may = Excel
- Technology is an enabler, it doesn't run the show



People

Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption



- Curiosity
- Analytical skill
- Two-way communication
- A nose for customer service
- And all that stuff to the right → → → → →
- This person is custom made for navigating growth and disruption



- Are you clear on the mission?
- Build a plan. Get agreement.
- Align talent with their clients
- Let them run
 - Encourage new ideas
 - Clear, straight (and dotted) lines of communication
 - Enable with process and technology
- Communicate frequently with the team and their clients



- Stability and Scalability comes from great people, learning and delivering
- Innovation comes from supported risk taking
- Don't get comfortable - Force rotations
- Build flexible 'capability'
- The biggest single issue I see is leaders being complacent with their staff



- Ever heard this one: “I hire qualified people; they don’t need training.”
- Do you hire for existing knowledge or the ability to learn?
- Never stop training
 - Remember external training
 - Set hard goals for learning
- Always set minimum learning goals and make the time available

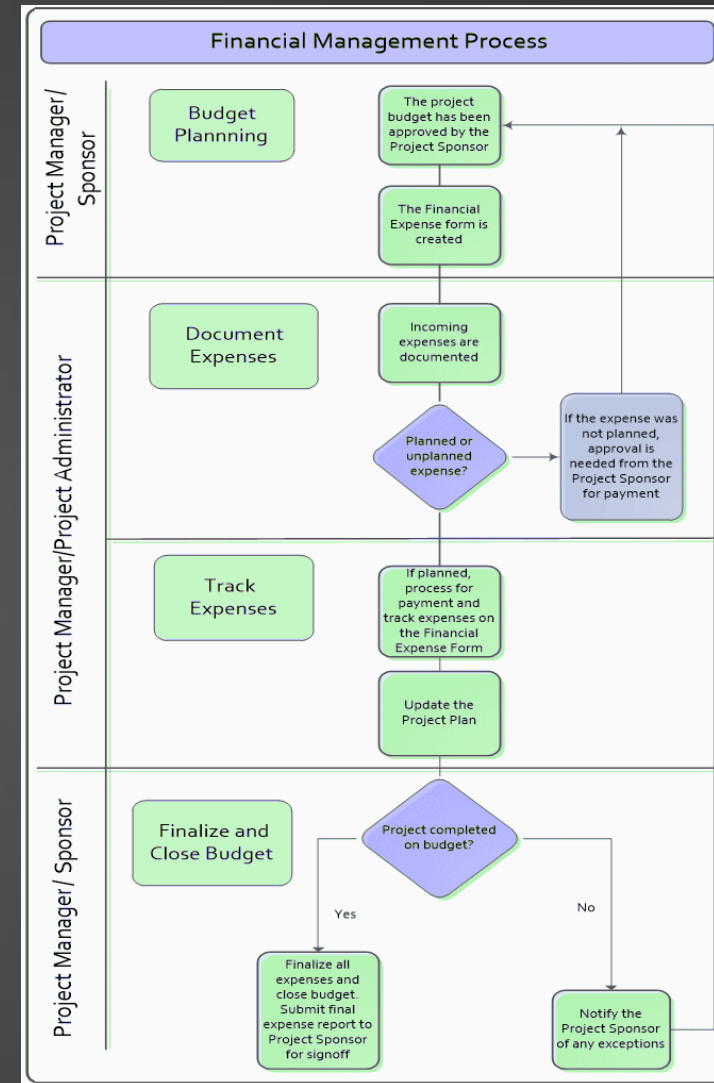


Process

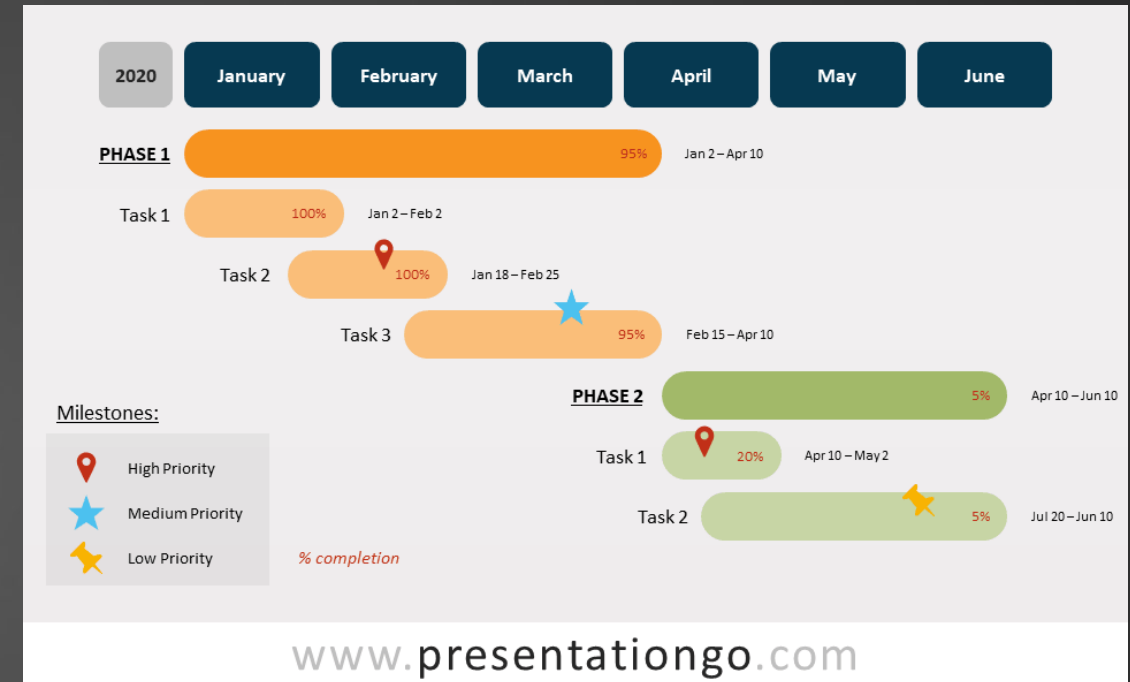
Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption



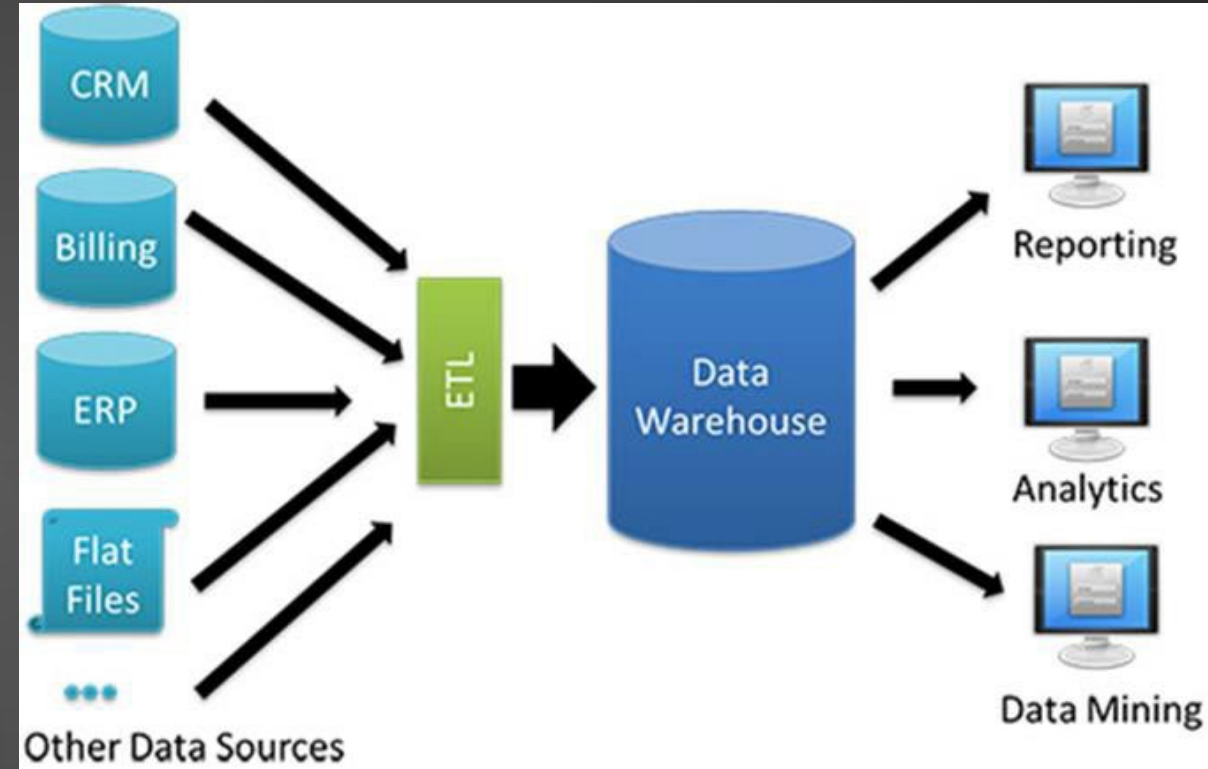
- The biggest single problem I see is organizations sticking with process that doesn't work well
- They lack either the knowledge or the desire to change
- Successful companies eat their young
 - Google, Apple, Amazon
- FP&A must do the same



- Find your needs, your desired outcomes
- Do a gap analysis – then prioritize for ROI and speed
- Build a plan of attack
- Put together tiger teams with the right skills mix
- Each project revolves around narrow deliverables and fixed dates with highly visible reporting



- Data collection
 - Sources – financial *and* non-financial
 - Automation
 - Accessibility
- Involve all product and functional groups
- Design data and data collection for analysis
 - Architect in collectability
 - Hooking in afterwards is slow, costly, and frequently just not done.
- Why are you doing this?



- Reporting
 - KPIs
 - Delivery methods
 - Frequency
 - Push, pull, or both
- Focus on reporting that makes a difference
 - What if you stopped sending out reports?
- Why are you doing this?



- Forecasting
 - Who is involved?
 - Top down or bottom up?
 - Centralized or decentralized?
 - What is the process beyond the technology?
 - How many iterations?
 - When is it done
 - How do you make it muscle memory?
By doing it frequently
- Why are you doing this?



- Analysis
 - How often
 - Who chooses
 - How long does it take?
 - Can you break it down?
 - Who learns? Do you spread new knowledge?
- Why are you doing this?

Income Statement	Year 5
Revenue	14,953,224
Total Revenue	14,953,224
Cost of Revenue, Total	8,368,961
Gross Profit	6,584,263
Selling/General/Administrative Expenses, Total	1,849,000
Research & Development	964,842
Depreciation/Amortization	310,357
Unusual Expenses (Income)	163,800
Other Operating Expenses, Total	0
Operating Income	3,296,264
Interest Expense	100
Income Before Tax	3,296,164
Income Tax - Total	809,366
Income After Tax	2,486,798
Total Extraordinary Items	0
Net Income	2,486,798

Vertical Analysis	Year 5
Gross Profit Ratio	44.0%
Operating Profit Ratio	22.0%
Net Profit Ratio	16.6%
Tax Ratio	24.6%
Interest Coverage Ratio	32,962.6



A Solid Start - Excel

Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption



- It's both. But if it works well, who cares?
- Incredibly powerful and flexible
- Perfect tool for ad hoc analysis
- You already have it and it's (virtually) free
- It typically falls short on scalability and controls
- Don't fear it, but always be looking for better

The screenshot shows an Excel spreadsheet with a PivotTable summarizing salary data by Department and Position. The PivotTable Field List task pane is open on the right, showing the available fields and their current placement in the report.

Department	Position	Games	Teaching Aids	Toys	Grand Total
Accounting	Accountant	\$63,078	\$83,742	\$57,641	\$204,461
	Accounting Assist.	\$55,196	\$27,598	\$51,463	\$134,247
	Group Admin. Assist.	\$28,044	\$29,045	\$28,044	\$85,133
Accounting Total		\$146,318	\$140,385	\$137,137	\$423,840
Admin.	Admin. Assist.	\$90,915	\$110,259	\$77,748	\$278,922
	Office Manager	\$65,822			\$65,822
	Unit Mgr.	\$79,061	\$72,820	\$116,511	\$268,392
Admin. Total		\$235,798	\$183,078	\$194,260	\$613,136
Art	Design Assist.	\$29,239	\$29,239	\$25,176	\$71,656
	Design Specialist	\$35,785	\$75,034	\$58,873	\$169,692
Art Total		\$65,025	\$98,273	\$84,049	\$241,347
Engineering	Admin. Assist.	\$25,147	\$29,983	\$29,983	\$85,112
	Engineering Mgr.	\$62,590	\$79,280	\$70,935	\$212,805
	Group Admin. Assist.	\$23,036	\$23,036	\$33,051	\$79,123



Technology Beyond Excel

Why Building an FP&A Infrastructure is Critical for Growth and Navigating Disruption



- More
 - Budgeters
 - KPIs
 - Complexity
 - Frequent Forecasting
 - Analysis
 - What-if Scenarios
- Excel Files Breaking
- Many Versions of the Truth



- One Version of the Truth
 - Fast, Validated Actuals
 - Single Version of a Scenario/Forecast
 - All Using Latest Formulas
- Decentralization
 - Instant Distribution & Consolidation
 - Self-Serve Variance Research
 - Budget Owner Collaboration
- Controls
 - Single Version of the Truth
 - Versions
 - Broken Formulas
 - Variance Reports
 - Managing What-if Scenarios



- Users
 - Administrators
 - Contributors
- Readiness
 - Understand Desired State
 - Bandwidth
 - Executive Support
- Product Selection
 - Gartner
 - Demos
 - Trusted Partner
- Integrations



- Join us for More Sessions in the Transition Stage
- July 16th – 22nd
- Live and On-Demand
- To learn more and register go to armaninollp.com or Reach out at experts@armanino.com



Contact Us – experts@armanino.com

Thank you!

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