Dispelling the Myths About CPM Software Implementations

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Myths and misinformation about corporate performance management (CPM) systems and their use in finance departments abound. Many revolve around these tools' complexity, making it hard for a CFO to see their value at the end of the implementation road. The myths, however, are easily debunked. We address five of them below.

Myth 1: Implementing CPM Will Take Too Much Time to Realize Value

To expedite a CPM project (faster, less effort, minimal cost), CFOs should:

- Employ a "configuration" versus "customization" based solution design approach.
- Scope the project from a minimal viable product (MVP) perspective so that the organization can begin realizing the solution's value more quickly.
- After MVP deployment, approach the project from a phase-based implementation perspective, layering in additional functionality.
- Design for financial consolidation and planning/forecasting during a "common design phase" upfront, but deploy each in a prioritized fashion.
- Have the source-to-target mappings complete before engaging professional services. (Likewise with other required mappings: organization/entity, product, channel, etc.)
- Remember, CPM software is a purpose-built platform to support financial consolidation, budgeting/forecasting, and the reporting required to support these processes. So resist the temptation to turn the CPM system into an all-encompassing platform for every reporting need.

Myth 2: CPM Focuses on Financial Data, Not Operational Data

There is a grain of truth to this statement; however, it vastly understates the importance of operational data.

- There are going to be data/reporting needs that are better supported by alternative platforms to CPM. That said, the supplemental operational data that support the financials and is leveraged as part of a driver-based planning/forecasting approach should be brought into the CPM solution.
- Even more so than CFOs at large, multi-billion-dollar organizations, CFOs at midsize and private equity-backed companies need to be just as fluent in the operational metrics as they are in the financial ones.
- The required ability to model multiple financial scenarios (best, worst, expected cases) can only happen when operational metrics are introduced and correlated with the financial lines they drive.

- By layering operational metrics side-by-side with the financials, finance is informed and empowered to have meaningful dialogue with various functional departments.

Myth 3: “We Don’t Need a CPM System Since We Are Migrating to a Single ERP”

- Consolidating multiple general ledgers into a single enterprise resource planning (ERP) system is time-consuming, expensive, operationally disruptive, and produces numerous change management challenges and risks.
- Private equity-backed CFOs in particular often inherit a complex architecture of financial systems. Untangling these systems, and the processes they support, to migrate into a single ERP can be impractical, at best, and counter to value creation, at worst.
- CPM solutions allow business unit autonomy (multiple G/L environments) while simultaneously empowering finance with the necessary controls to standardize the close/consolidation process, planning/forecasting, and financial reporting.

Myth 4: The Integration of Acquisitions Will Be a Challenge

While they can support some rudimentary functions, G/Ls often fall short in support of the following:

- The financial close/consolidation process (intercompany eliminations, account reconciliations, transaction matching, task management).
- The planning/forecasting process (driver-based planning, scenario modeling, rolling forecasts).
- Reporting needs (dashboarding, ad-hoc, drill-down and drill-through, analysis)
- Additionally, although spreadsheets offer more flexibility than a G/L in support of the functions listed above, they cannot inherently enforce standards and controls. Moreover, multi-spreadsheet workbook logic can be challenging to construct, deconstruct, and append/modify when a business need, like an acquisition, necessitates it.
- Acquisitive companies aggressively scaling and integrating new add-ons as part of their value-creation strategy benefit significantly from the deployment of CPM solutions.

Myth 5: CPM Solutions Require Significant Technical Support

Modern CPMs are cloud-based solutions and, therefore, less unwieldy than those of previous generations.

- Their technical infrastructure is maintained by the software vendor as part of the software-as-a-service model.
- CPM solution administration is, therefore, best supported by resources in finance and accounting that have good business familiarity and light technology skills.
- Steady-state support generally involves a part-time role. However, it can increase to full-time during close cycles and budgeting and forecasting processes.
- IT should get involved when new data sources need to be integrated (for example, when

trial balance data needs to be sourced from a new G/L as part of an acquisition).
- Outsourcing options exist whereby third-party firms will administer the CPM solution in a managed-services capacity.

The ROI of CPM

There are costs associated with deploying CPM solutions. First, there is the software subscription. Given the cloud-based nature of the modern CPM system, however, the SaaS model has meaningfully driven down the costs (and burdens) of implementation. Second, there is the software configuration. Companies can configure internally or leverage outside expertise. There will be support configuration and labor costs (although less so with an experienced partner). Then, of course, there are the costs of system support (the administrative resources to maintain the system).

CFOs must understand the benefits of CPM to quickly recoup the investment and lead to value creation in both hard and soft dollars. Among the former, the technology drives down costs by allowing business-unit comparisons to identify and leverage best practices. But there is a soft dollar return that CFOs should not overlook. CPM technologies enable CFOs to realign their finance department work to higher value-add functions (decrease in data collection, reconciliation, and consolidation; increase in business analyses and support). And, the insights realized as a result of a CPM system investment help finance chiefs make more informed business decisions and more easily course-correct when circumstances change.