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CCH® Tagetik Whitepaper

# The absolute necessity of aligning operations and finance for CFOs

*Building effective pathways between operations and finance via xP&A can prevent your business from pulling in different directions, keep you on top of ESG and other commitments, and deliver long-term resilience*

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# Executive summary

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A great divide between cross-functional datasets has historically left finance at odds with operational departments. Supply chain planners would construct supply plans only to be told to go back to the drawing board by financial gatekeepers. Marketing would find the perfect candidate to lead demand generation, only to lose them to budgeting constraints. A viral TikTok would skyrocket demand of a particular product, while new production plans lagged far behind inventory levels.

During our present moment, costs of business are skyrocketing, global supply chains face frequent disruption, interest rates are sky high, and analysts project slowed business growth. Operational and financial alignment has never been more important. Nor has there ever been a time when alignment — and agreement — would come in handier.

Getting finance and operations on the same page is inevitably the process of build the plan, get denied, build the plan again, get denied, ad infinitum. What if there was a way to *start* on the same page? Better yet, what if there was a way to *stay* on the same page?

Of course, such a path exists: Extended Planning and Analysis (xP&A) technology presents organisations with this opportunity. xP&A is defined by Gartner as *“a planning approach that takes the best financial planning and analysis (FP&A) capabilities – like continuous planning, forecasting, advanced analytics, and performance monitoring – and extends them across the enterprise.”*

In addition to a host of benefits, like a centralised system of data, process automation, its use of predictive tech, and collaborative workflows, the real power of xP&A is to align organisational decision-making between finance and operations.

This whitepaper will take a closer look at:

- How an xP&A approach creates that all-important holistic view of the business
- The difference a holistic view of the business makes to decision-makers on the ground
- The benefits xP&A offers to businesses and how it helps them overcome modern-day obstacles.



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# Introduction

Ask several executives within a business to tell you where resources should be best allocated, and you are likely to get several different answers. Likewise, when the next major challenge or opportunity arrives, you can expect a range of opinions on how best to respond.

All of this is normal and healthy. Individual stakeholders will each have their own subject matter expertise, perspectives, and opinions. But if they are all represented at the table, this makes for better quality decision-making.

There can, however, be a downside to multiple perspectives, especially if those responsible for department-specific planning are relying solely on their own data and planning methods. Their operational decisions may make perfect sense from a departmental point of view, but fail to account for consequences in other areas. This narrowness of perspective applies to the finance function, too. There is a danger of finance imposing targets or allocating resources to business units without any real analysis of the operational impact of such allocations on those units and the knock-on effects elsewhere.

By creating clear information pathways between operations and finance, xP&A can help you address this problem. Let's explore how.



## **Before and after:** What difference does xP&A technology make?

To illustrate the difference xP&A can make to planning outcomes, here's an opportunity scenario encountered by a wealth management firm. In this hypothetical scenario, the UK government has just introduced new time-limited rules designed to facilitate easier overseas investment in UK companies. This raises the possibility of launching several new types of fund products. However, the temporary nature of the rule change means there is a very small window to take advantage of it.

This opportunity is on the radar of several departments within the business: principally, product development, client services, backroom operations, as well as the firm's corporate finance team.

## Before xP&A technology

Under the traditional approach to planning, these departments approach this opportunity in the context of their department-specific planning processes, based on their own data.

**The product development team** has produced a plan which draws largely on data commissioned internally from the legal and risk management offices, as well as external auditors' data. This team is 'all in' on the option of launching several new products.

**Client services** is closely aligned with the sales team through a CRM system, and these two functions have put forward a joint plan for roll-out. So far as certain other operational departments are concerned, the situation is less clear.

**IT** will need to adapt certain existing platforms to accommodate the new products. However, this will mean either diverting resources from existing projects or recruiting new specialist employees. It is a similar story for product management and investment operations.

So, where does this leave the finance team and those stakeholders with the final say on the decision?

**Finance** has been able to incorporate data from sales and product development into a projection which suggests a prima facie strong case in favour of the product launch.

However, several other backroom operations run very opaque planning processes. Meaningful data from these processes is near impossible to incorporate into FP&A analysis. The opportunity seems too good to miss, but in reality, **stakeholders** know they are going in blind, without a comprehensive assessment of what the tradeoffs might be for other business activities.





## After xP&A technology

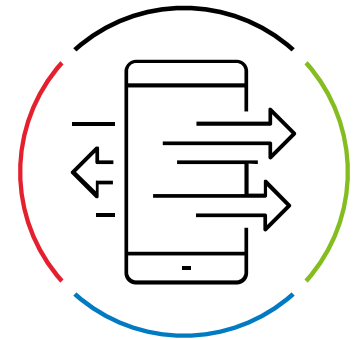
A solution such as CCH Tagetik provides for all planning activities on a single platform and holds the data for those processes on the platform itself. On the ground, this means that planners continue to bring their unique perspectives to the table, but they are no longer blinkered by department-specific data sets. This is illustrated if we take the same example of a wealth management firm's potential new product range, but in the context of xP&A.

Previously, the **product development department's** feasibility plan drew largely on legal and risk data. Now, planners within that department can instantly drill directly into IT, product management and a host of other categories of operational data. The concept of 'feasibility' is widened considerably, which means certain categories of products can be ruled out at an early stage.

Next, there needs to be more granular consideration of the products left on the table. Especially when it is supported by powerful predictive analytics capabilities, xP&A actively promotes a collaborative approach to this. **All participants** can see for themselves how different subcategories of the product require different levels of operational support.

**All planners** can experiment with the drivers collaboratively, alter specifications in a sandbox, instantly gauge the likely tradeoffs in other parts of the business, and, where necessary, identify the best options for reallocating resources. Everyone has access to the same data for this, with no business blindspots.

Final decision-makers can thereby be presented with a range of options, along with a much clearer depiction of the organisation-wide outcomes of each one.



# Lessons learned: Three ways xP&A platforms help companies overcome today's business challenges



Our example gives you a vision of xP&A's potential: a collaborative, shared approach to planning that considers the big picture.

It's no wonder that 78% of leaders say they urgently need to extend planning capabilities across their organisations.

Now what we've laid out what a pre- and post- xP&A process looks like in practice, let's turn our attention to the three current challenges that xP&A technology helps businesses solve.

## Challenge 1: Time and transparency during sudden disruption

When grappling with traditional planning architectures, doing nothing can sometimes appear to be the safest option. Without knowing if we are triggering some unforeseen consequence elsewhere in the business, it may seem better to wait until an operational manager finally produces the information you have been promised, or until the markets have settled down.

However, the hypothetical example detailed above was framed deliberately as a time-limited one for a reason: **there will be situations when decision-makers do not have the luxury of being able to wait.** The experience of recent years and months may indicate that those situations are becoming a lot more common.

What does it take for companies to improve their response time? Three elements that happen to be present in best-in-class xP&A technology:

1. A single platform for planning
2. All data in the same place
3. Advanced analytical capabilities.

The combination of these elements put decision-makers in a position to respond in a timely manner to previously unpredicted events, analyse outcomes and take action. In other words, they can act quickly and with confidence: the hallmarks of organisational agility.

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This is especially true for events-based processes, like supply chain planning. Supply chain disruption has always been an issue, but a degree of relative certainty once seemed moderately attainable. No longer. Since the pandemic, even the best laid plans have failed. Whether it's inflation, a sudden swing in demand, a lost or delayed shipment, a supply shortage or an emergency, xP&A has the power to unite departments and their data so that the full operational and financial impact of a given scenario can be explored and a consensus-driven plan B can be orchestrated much more quickly.



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## Challenge 2: Organisational brittleness resulting from shallow insights or one-dimensional data

Alongside the non-linear nature of business challenges, another concept that has gained traction over recent years is the concept of organisational 'brittleness'. This is the idea of illusory strength, where operating models or structures appear solid right up to the moment they fail.

The absence of pathways between operational departments, and between finance and operations in the round, can increase the chances of this brittleness occurring. For instance, a divisional sales team's performance may appear strong when based exclusively on its own data, internal KPIs, and reference points. However, this may disguise problems below the surface, such as over-reliance on too few customers, or on a supply chain partner which happens to be under threat of failure.

xP&A can place planners in a much stronger position to actively check for and address those fault lines. For instance, with established pathways between operations and finance, you can see that a supply chain partner is defaulting on SLAs in one area of the business, which might not bode well for other areas where that partner is used. This can give you insight into where and how to shore up the business. This type of proactive approach is extremely valuable for both mitigating operational risk, as well as for building organisational resilience.



## Challenge 3: Accurate, meaningful, finance-forward ESG disclosures

An estimated 88% of publicly-traded companies and almost a fifth of smaller businesses are already using ESG frameworks to measure and report on organisational performance. In most cases (for the time being, at least), companies who adopt ESG metrics do so not out of any absolute legal obligation, but because it is what customers, investors, and other key stakeholders demand from them.

From a reputational point of view, perhaps the only thing worse than ignoring ESG is going about it in a haphazard or superficial way.

For example, a company publishes its targets for waste reduction, but is unable to produce any concrete evidence on how this will impact operational plans. Or it claims to have reduced fossil fuel usage by 50%, but has failed to account for usage under the control of a supply chain partner (principally, because it does not have visibility on this information).

The xP&A approach to planning can and should go hand-in-hand with a successful ESG initiative. It becomes possible to link strategic aims directly to operational plans, enabling organisations to demonstrate not just what they want to achieve, but precisely how they are going to achieve it.

CCH Tagetik is hardwired to enable organisations' journey to compliance in this area. Available through the platform, CCH Tagetik ESG & Sustainability Performance Management provides the means to meet your evolving reporting requirements with ease. Centralising financial, operational and ESG data, the solution enables you to create the disclosures you need with confidence, analyse your performance and play out ESG scenarios to test their real-world impacts.





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# Conclusion

## Greater insight starts with xP&A

What if supplier price inflation peaks at 15%? What if borrowing costs were to be hiked by a further percentage point? What if we were to become carbon neutral by 2028, not 2030?

With information pathways in place across all areas of your business and with powerful predictive analytics capabilities at your fingertips, it is possible to build multiple versions of plans and forecasts quickly and accurately assess their likely impact across the entire business.

A solution such as CCH Tagetik does not seek to diminish the importance of planning perspectives from individual departments. In fact, far from it. The solution actively addresses the need for collaboration, but depicts the outcomes of plans – whether they were generated in finance or elsewhere – with more clarity than ever.

# Align finance and operational departments with CCH Tagetik Extended Planning

All business plans, one platform: imagine running your multinational enterprise on a single version of the truth. Now you can.

CCH Tagetik Extended Planning breaks down barriers between finance and operations by providing a comprehensive solution for strategic, financial, sales, supply chain, and operational planning.

## How does it work?

CCH Tagetik Extended Planning centralises all financial and operational information in one cross-functional planning platform that's powered by dynamic data, real-time automation, and AI-based predictions.

## The result?

- C-level executives can define strategic initiatives that drive profitable growth
- Business managers can develop cross-functional plans that support strategy and financial goals
- Finance can see the impact of operational plans on performance, yesterday, today, and in the future
- And when circumstances change, advanced AI enables all business functions to instantly pivot — together.

## Here are all the operational planning functions CCH Tagetik Extended Planning facilitates:



Demand Planning



Production and Capacity Planning



S&OP Planning



Predictive Planning



ESG Planning



Production Planning



Integrated Business Planning



HR & Workforce Planning



Supply Planning



Capital Expenses Planning



Inventory Planning

[Explore CCH Tagetik Extended Planning →](#)