

# Building a Finance Center of Excellence

*Sharing knowledge and best practices in financial  
performance management*



## Overview

As organizations seek the best ways to respond to a volatile marketplace that can change course on a dime, the functions that were once relegated to finance organizations, such as enterprise planning, budgeting, forecasting and analysis, have, out of necessity, spread to other parts of business, such as business units and departments. This is because financial performance management—led by Finance—has become increasingly strategic in organizations, regardless of their size or market sector.

While initial deployments of performance management solutions might have once been focused on Finance, the current trend is to deploy them more broadly. Performance management is now rapidly migrating from finance to executives and everyday business users, who are taking on more and more responsibility for financials, analytics, planning and budgeting, risk analytics, profitability analysis and reporting on these processes. Additionally, many companies that have successfully implemented financial performance management (FPM) solutions, such as a planning solution or a set of financial controls, now want to integrate these with other FPM software and technology for a more complete solution.

To maximize the value gained from putting financial analytics in the hands of this new, wider audience with a common planning platform or from further integrating their FPM solutions, finance departments are challenged to manage and support these new tools and capabilities for numerous divisions, regions and functions and make sure that they work together. Processes that may have been in place to manage spreadsheet sharing and review, and other manual processes are no longer sufficient. Developing an enterprise-wide initiative with standard technologies and processes that enable the extension of current implementations is critical. And a Finance Center of Excellence (FCOE) can provide the reusable knowledge, disciplines and best practices to make these financial performance management initiatives possible.

This paper will help you understand the value of an FCOE and show you how one might work in your organization.

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*“Both empirical and anecdotal evidence indicates that economies and industries have become structurally more risky and volatile, translating into higher levels of business risk for individual companies”*

— The Hackett Group, September 2010

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## The changing FPM landscape and a growing need for Finance Centers of Excellence

To understand why an FCOE makes sense for companies with a full-function FPM solution in place, or for any company looking to add to the FPM solution they have, it's important to look at how the financial performance management landscape is changing. In the past, FPM was the purview of the CFO and finance organization—with very little executive or organizational involvement. Finance gathered up as many spreadsheets as possible and accessed static, historical data and created enterprise plans, budgets and forecasts—sometimes collaboratively with business. They typically looked at actuals and decided on a percentage increase for earnings, revenue and products, or a percentage decrease for expenses. This has never been the ideal way to go about FPM.

We learned from the *IBM 2010 Global CFO Study* that expense reduction was not at the top of most CFOs' agendas. Instead, CFOs ranked "providing inputs into enterprise strategy" as their most important priority.<sup>1</sup>

CFOs indicated that their role as strategic advisors is broader and more important than ever. More than 70 percent play a critical role in enterprise risk mitigation, business model innovation and selection of the key metrics linking performance to strategy execution. The pressure to help the business make all manner of decisions better, faster and with more certainty is intense.

As we have learned in the last few years, the global economy is unpredictable, prone to substantial and sudden highs and lows. To keep a competitive edge, companies must be prepared to make decisions in compressed time frames compared to the last half of the 20th century, responding quickly to changing business and marketplace demands.

As a result, a comprehensive FPM initiative—one that assures that a company’s success will not be a flash in the pan, but long-term—can now connect operations and finance for continuous enterprise planning.

### **What is an FCOE and what does it do?**

As organizations realize that FPM is more than a tool, they have begun investing resources to help manage performance more effectively and gain competitive advantage. To approach FPM as a strategic asset, many organizations are combining IT staff and FPM users into coordinated teams. These emerging organizational structures bring together people—with interrelated disciplines, domains of knowledge, and experience—with well defined processes, standards and technology. The goal is to achieve greater business efficiency on a foundation of trusted information, and deliver more effective decision-making across the enterprise.

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*“A center of excellence is a group of people who collaborate to promote best practices in a specific focus area and drive successful business outcomes.”*

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These teams form the foundation of an FCOE because, to paraphrase the multiple definitions available, a center of excellence is a group of people who collaborate to promote best practices in a specific focus area and drive successful business outcomes. The specific focus area in our case is finance.

## What benefits come with a Finance Center of Excellence?

To ensure that you can support your organization's long-term performance agenda, you need a managed, repeatable approach. An FCOE can help your organization define the knowledge, standards and resources that can wring more value out of your FPM solutions and technology. An FCOE is essential to the strategic deployment of FPM technology because it:

- Maximizes the efficiency, use and quality of FPM everywhere in your business
- Drives end-user adoption by streamlining integration with routine planning and analysis workflow
- Encourages alignment between IT, finance and business areas
- Increases your enterprise's understanding of performance in finance terms (the "Financial IQ")
- Reduces organizational overhead associated with maintaining budget, plan and forecast consistency and use
- Increases the success of FPM solution and technology deployments by helping them deliver more value, at less cost and in less time
- Helps you base your strategies on business priorities for maximum ROI and added value
- Improves business agility and technology management, which in turn drives business efficiency





## **FCOE at Arbitron**

“Reaching out to the business, bringing financial acumen” is how Arbitron frames the focus of its financial center of excellence. Arbitron is an international media and marketing research firm serving the media — radio, television, cable, and out-of-home — as well as advertisers and advertising agencies. Arbitron’s businesses include measuring network and local-market radio audiences across the United States; surveying the retail, media and product patterns of local market consumers; providing mobile audience measurement and analytics in the United States, Europe, Asia and Australia; and providing application software for analyzing media audiences and marketing information data.

As the company’s driver of performance across these business units, the financial planning and analysis (FP&A) team has seen itself as the collector of all performance information, managing the planning, budgets and forecasts. As the team moved deeper into the automated management of these processes, they freed up time for deeper analysis and more detailed work with the business units, as well as shorter forecast cycles and the development of continuous long-range planning.

“We are now able to bring an elevated level of financial support to the business units as well as augment the analysis of their key drivers,” said Neil Eisenberg, Vice President of Financial Planning and Analysis. “We work with operations, product management, sales, marketing, HR, strategy and legal — every organization in the company, examining their processes and services. We help them to improve their planning — either to become more effective in cost deployment or to improve their revenue capabilities — to improve upon a process or stop a particular activity.”

The finance center of excellence consists of a team of four people who support the enterprise planning, budgeting and forecasting functions in a variety of ways:

- Bottom-up budgeting and forecasting templates — standard and customized
- Support for identifying business drivers and key metrics, particularly with a new business or line of service
- Development of the majority of the planning applications
- Review of models built for solutions that link to the IBM® Cognos® TM1 planning application, even at the metadata level to ensure consistency
- Planning and forecasting education:
  - Twice annually, an update on the planning system — what it does, how to work through a monthly forecast and/or budget
  - A recorded training session available online
- Assistance with standard and ad hoc reporting across the year for business and for management

Asked about the special ingredients that enable the success of the finance center of excellence, Eisenberg replied, “First, the FP&A team and the business units work collaboratively on many projects throughout the company. Second, we have systems that allow for rapid analysis and thus rapid turnaround to those who request it. These two elements work hand in hand.”

The FP&A team strikes a balance in their education process. Said Eisenberg of his team, “We bring the financial know-how, helping the business units to expand their understanding of the financial and business impacts of their plans; and we receive back much knowledge and learning from the business units. We reach out to the businesses, but when they have a planning need, they approach us for assistance.”

“We have the people and processes to move things forward and to meet the challenges to continuously improve our work,” said Eisenberg.

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## The muscle of an FCOE

To support your organization fully, an effective FCOE should encompass a broad and comprehensive range of functions. This table provides a summary. While all these functions are valuable, they may seem overwhelming when looked at en masse. However, you don't have to implement all of these functions and activities at once. You can start your FCOE plans with those functions most critical to early success and subsequently add more functions as your FCOE matures.

FCOE function	Function activities
<b>Best practices and standards management</b>	<ul style="list-style-type: none"> <li>• Create documents and templates for all key processes (planning, budgeting, reporting, etc.)</li> <li>• Knowledge management</li> <li>• A deployment plan that uses technology best practices</li> <li>• Naming standards and business rules, methodologies and frameworks</li> <li>• Compliance with industry standards</li> </ul>
<b>Advise and consult</b>	<ul style="list-style-type: none"> <li>• Enablement of self-service and mentoring of analytical skills</li> <li>• Guidance on new planning, budgeting and forecasting technologies, concepts, capabilities and process improvements</li> <li>• Project planning and remote delivery</li> </ul>
<b>Community services</b>	<ul style="list-style-type: none"> <li>• Development and modeling services and creation of a reusable component repository</li> <li>• Reporting services</li> <li>• Demonstration "sandbox" for new FPM capabilities and proofs of concept</li> <li>• Providing progress reports</li> </ul>
<b>FPM technical architecture</b>	<ul style="list-style-type: none"> <li>• A unified FPM platform</li> <li>• Capacity planning, security, version control, migration and upgrade</li> <li>• Development, test and production</li> <li>• Operations data integrated with financial performance data</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• End-user adoption and training roadmaps by role, including territories, new business units or new initiative groups</li> <li>• Self-paced training, instructor-led training and train-the-trainer</li> <li>• New user orientation and FCOE internal training</li> <li>• Ongoing training and refresher courses</li> <li>• Online communities and libraries</li> <li>• Supporting user forums, workshops and webinars</li> <li>• Management, scheduling and metrics</li> </ul>
<b>Data governance alignment</b>	<ul style="list-style-type: none"> <li>• Financial data ownership, stewardship and definitions</li> <li>• Security standards, financial data quality standards, compliance and privacy</li> <li>• Financial data governance, KPIs and metrics</li> </ul>
<b>Business strategy alignment</b>	<ul style="list-style-type: none"> <li>• An information-driven FPM strategy to ensure that business priorities align with corporate strategy</li> <li>• A roadmap that aligns people, process and technology with this strategy</li> <li>• Enterprise roadmap – priorities and initiatives, value determination and validation</li> <li>• Encouragement for cross-functional alignment and business transformation, facilitating cultural change</li> </ul>

## Teaming with IT

As mentioned above, an FCOE helps drive centralization of infrastructure and standardization of FPM software. Ideally, this also includes centralizing financial data. An FCOE provides a pool of talent for educating and supporting a community of business users with information about the capabilities of the FPM solution set and best practices. This makes it easier for business users to adopt the technology and facilitates self-service, which benefits IT by reducing the reporting backlog, reducing the administrative overhead on IT support resources and using economies of scale to drive down costs.

An FCOE typically takes responsibility for common FPM-related standards such as naming, design, templates, reporting and any FPM portals, among others, along with methodologies, frameworks and reference architecture. These common standards make IT more efficient by re-using the standards instead of reinventing them in different silos.

An FCOE can also be responsible for enforcing adherence to proper IT processes, including common global security and privacy standards, development-to-production protocols and vendor and license management. This reduces audit- and compliance-related risks to IT and the larger organization.

## Keys to a successful Finance Center of Excellence

As you begin to build your center—or reshape your current center—blend in these best practices to ensure greater success and efficiency:

- Make sure all components of your FPM solution are well documented and include business processes, test scripts and results, integration points and configuration settings. This will make it easier for your FCOE to meet requirements.
- Develop a methodology for support and make the FCOE the “keeper” of the methodology.
- Create rules for both ongoing support and enhancements. How much does the FCOE handle?
- Make sure that a business owner has authority for enhancements and changes.
- Never suggest that the FCOE make changes to your FPM solution without an ROI or business case in place and agreement by your executive sponsor(s).
- Maintain documentation at all times and update it with changes immediately.
- Provide your FCOE with a tool to manage requests, track service levels and report on results.
- Make sure that your FCOE has at least one professional project manager.





### Related Reading

“Ops-Savvy CFO Flies High,” by David McCann, CFO.com, Oct. 14, 2009.

<http://www.cfo.com/article.cfm/14447552>

“How to Raise Your Firm’s Financial IQ,” Dr. Karen Berman and Joseph Knight, with John Case, *Working Knowledge* newsletter, Harvard Business School, January 2006.

<http://www.business-literacy.com/articles/BLI-How-to-raise-your-firms-financial-IQ.pdf>

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### A few more words about efficiency and effectiveness

FPM investments are most valuable when they are tied to business strategy. An FCOE provides the critical link between business and finance needs, and actionable information.

The FCOE is where consensus is achieved and decisions on sometimes competing priorities are made. In this context, the FCOE helps determine your FPM roadmap as it evolves over time, ensuring proper alignment with overall business strategy and fostering a common language for collaboration between the finance organization, business and IT.

The correct, tested information for financials, forecasting, budgeting and planning requires careful and secure management so that the quality of data is continually improved to enhance FPM processes such as budgeting, forecasting, closing, consolidating and more. An FCOE either initiates a data governance program or aligns itself with an existing one to ensure that the right processes are in place and are adhered to for data quality assessment and improvement. The team can publish business glossaries and data lineage displays so that everyone in the organization is more effective, efficient and working from the same “playbook” of data definitions and meanings.

Because it serves as a centrally available source of knowledge of financial data and experience in advanced FPM processes and analytics, the FCOE can advise and consult for your business. It promotes self-service in the user community—line of business managers, end users, executives and even Finance itself. This creates a higher degree of agility and responsiveness to rapidly changing business requirements and in some cases helps you anticipate change.

An FCOE regularly communicates the results of successful projects and the status of the FPM roadmap. In this capacity, it serves a critical role by promoting new FPM innovations, demonstrating how they can address specific business requirements and describing how FPM investments add value to the business.

An FCOE can help fundamentally transform the way your organization manages financial performance and makes decisions. It can help you rein in systems and processes that are costing too much to maintain. An FCOE maximizes the benefits of your technology investments and captures greater value from your people and processes.

## Conclusion

FPM has always held the potential to improve overall business performance, but today's FPM solutions have even more to offer. Obstacles to the enterprise-wide adoption of these solutions can include a lack of buy-in, no application of best practices, silos of data, complexity in integrated solutions or a general lack of understanding of how the solution can benefit those outside the Office of Finance. In other cases, an FPM solution may have benefited one department in a company, but its value has not been shared with the rest of the company. Only by removing these obstacles can organizations realize the full value of their investments in FPM technology, platforms and solutions. By helping promote FPM throughout an organization and by facilitating adoption in areas of the organization that have traditionally been bypassed, FCOEs can help organizations unlock capabilities in their data and their people, and become more agile and competitive in the process.

Establishing a successful FCOE depends on the right planning. Companies that take a measured, well-managed approach—uniting people, processes and technology—are more likely to succeed. Those that do will gain wider support, contribute significant cost savings to the corporate balance sheet and help make significant improvements in overall financial performance.

## About IBM Business Analytics

IBM Business Analytics software delivers actionable insights decision-makers need to achieve better business performance. IBM offers a comprehensive, unified portfolio of business intelligence, predictive and advanced analytics, financial performance and strategy management, governance, risk and compliance and analytic applications.

With IBM software, companies can spot trends, patterns and anomalies, compare “what if” scenarios, predict potential threats and opportunities, identify and manage key business risks and plan, budget and forecast resources. With these deep analytic capabilities our customers around the world can better understand, anticipate and shape business outcomes.

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1. IBM Institute for Business Value, *The New Value Integrator: Insights from the Global Chief Financial Officer Study*, March 2010



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