

△ ACCORDION

# **The ABCs** **of CPM**

**Essentials for Private  
Equity-Backed CFOs**



# **Table of Contents**

Introduction	3
<hr/>	
The ABCs: Defining CPM	4
<hr/>	
A 5-Step Cheat Sheet for Understanding CPM's PE Relevancy	6
<hr/>	
A Blueprint for Dispelling the 5 Most Common CPM Myths	7
<hr/>	
The ROI of PE CPM	9
<hr/>	
The UTI CPM Case Study	10
<hr/>	
The XYZs of CPM – Next Steps	12

# Introduction

On Thursday, August 12, Accordion hosted a (virtual) panel of executives to discuss the leading technologies that PE-backed companies are leveraging as they professionalize and modernize the digitization of their operations. The panelists, led by Accordion's Mike Cochran (Managing Director, Head of CFO Tech Services) and including Troy Anderson (CFO, Universal Technical Institute), and Dave Collins (Director, OneStream Software), discussed the critical role Corporate Performance Management (CPM) tools play in the path toward digitization, particularly for PE-backed portfolio companies that typically face increased scrutiny around the accuracy and timeliness of their data.

More specifically, the webinar addressed:

- The nuances CFOs face in selecting, implementing, and optimizing digital tools.
- Where CPM sits within the broader digital enablement of the office of the CFO and overall finance function.
- CPM within the context of the PE market and why portfolio company CFOs must consider it as part of their overall strategy to digitally enable finance.
- How CPM advances and ensures value creation plans are met and executed.

The webinar also presented a CPM case study that addressed the real-life business challenges, hurdles, and ultimate successes of the platform with respect to the execution of critical finance duties.

The whitepaper that follows addresses the key learnings from that webinar, including:

1. [The ABCs: Defining CPM](#)
2. [A 5-Step Cheat-Sheet for Understanding CPM's PE Relevancy](#)
3. [A Blueprint for Dispelling the 5 Most Common CPM Myths](#)
4. [The ROI of PE CPM](#)
5. [The Universal Technical Institute CPM Case Study](#)
6. [The XYZs of CPM - Next Steps](#)

# Section 1: The ABCs: Defining CPM

CPM nomenclature can be unclear. Let's start with how we define it:

CPM solutions represent a suite of technology tools, specifically those that focus on the digital enablement of Finance (including close consolidation, budgeting, forecasting, strategic modeling and financial reporting). CPM complements Enterprise Resourcing Planning (ERP) solutions and their analytical reporting environments (data warehousing, data lakes, data marts, etc.).

## Learning from Webinar Participants

Regarding the systems their organizations are currently using to support financial planning, forecast modeling, and reporting:

- A plurality of participants (37%) are, in fact, using CPM tools
- Many companies (32%) are, however, still just using spreadsheets
- Some organizations (21%) are using a combination of spreadsheets (for modeling) and then dropping those results into a general ledger

## Key Webinar Takeaways on the State of the PE CPM Landscape

Webinar participant responses reflect the general marketplace: While some CFOs are ahead of the curve in using CPM to modernize, most are not. In that latter category, spreadsheets are often seen as the quickest and fastest way to stand up some level of CPM-related competencies. But – and it's a critical but – in reality they're usually not successful in creating the ideal state of Finance digitization to realize meaningful value creation.

The questions beg: How does CPM complement ERP? When and where do the systems interact? Or, can an ERP be used in place of CPM?

Every sophisticated CFO understands where an ERP system sits within the context of an organization's overall financial system stack: It supports the back-end operations of Finance (i.e. order-to-cash, procure-to-pay, record-to-report, etc.). Equally, these sophisticated CFOs understand the need for accurate and timely information delivered by way of a data warehouse, data mart, and/or data lake.

CFOs experience with ERPs and Analytics solutions combined with less



CPM tool familiarity often leads to “shoehorning” close/consolidation and budgeting/forecasting capabilities into the ERP or Data Warehouse augmented with large, complex spreadsheet workbooks.

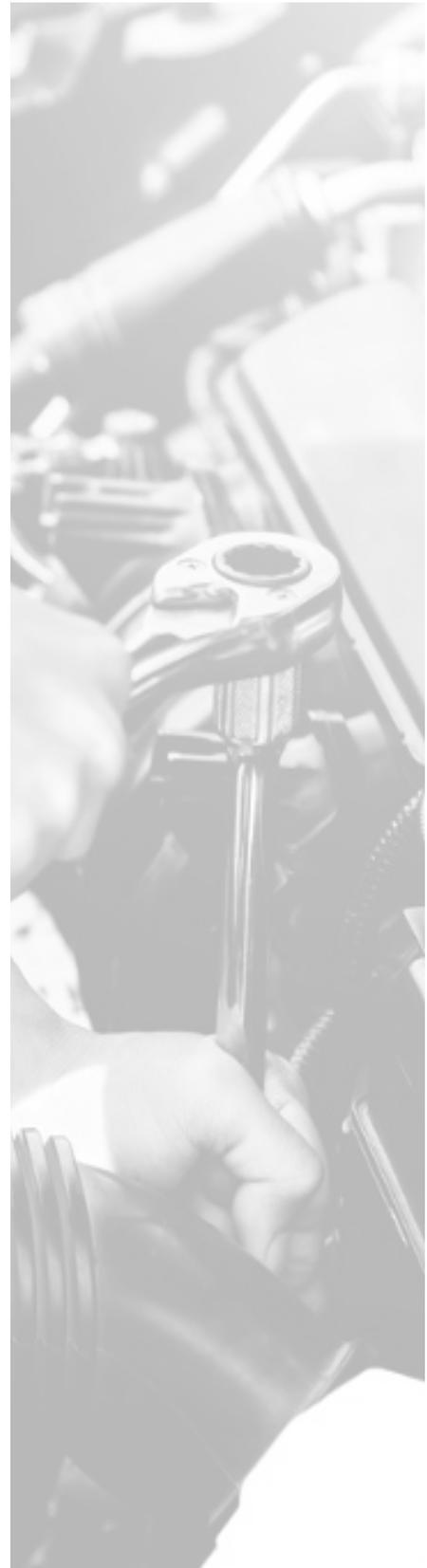
Furthermore, CFOs want to make every portion of their tech spend count. Naturally, there is an inclination to leverage existing technology (ERP, Data Warehouse, Spreadsheets) to address CPM-centric financial functions. While this is an understandable, and even admirable, approach for ensuring ROI from tech investments, leveraging technology to support functions for which they were not intended often leads to complex architectures, data integration challenges, diminished functional capabilities, effort laden processes and error prone solutions; “square peg, round hole”. CPM solutions are purpose built to support close management, financial consolidation, budgeting/forecasting and internal/external reporting; “square peg, square hole”.

### **| The Automotive Analogy**

The webinar used an automotive analogy to help simplify the interactivity and criticality of multiple systems:

- The ERP system is the engine in the car: It makes everything run.
- The data analytics and reporting platform is the dashboard of the car: The operations of the car are faster and more efficient with an informative and quality dashboard. That dashboard tells you point-in-time information (how fast the car is going, the amount of fuel in the tank, etc.).
- A CPM solution is the automotive GPS system: It helps navigate the car. It understands where you are going, and helps you best and most efficiently get there, while re-routing for unforeseen obstacles.

CPM systems model multiple scenarios, allow CFOs to understand various financial impacts, and incorporate an operational context (weaving in operating data side-by-side with financial data). This information is critical in a volatile economic environment, but impossible to attain with just ERP and data analytic tools. The CPM system, is instead, purpose-built to support these functions.



# Section 2: A 5-Step Cheat Sheet for Understanding CPM's PE Relevancy

CPM systems originated and grew up in multi-million dollar organizations. There are many reasons, however (5 to be specific), that they are increasingly more relevant in a PE-backed environment, than they are in larger companies:

## 1. PRICE

The advent of the cloud has driven down the price point for a subscription-based model, meaning that mid-market companies can now take advantage of solutions historically only available to enterprise organizations, while realizing meaningful ROI from their implementation.

## 2. COMPLEX ARCHITECTURES

The PE environment includes companies with more complex architectures than even upmarket, multi-billion-dollar organizations. As part of their value creation strategy, PE-backed company structures include roll ups, carve-outs, and often multiple acquisitions. That results in complex technical architectures, multiple general ledgers, various back-end operational systems, and numerous financial systems. This environment presents challenges for the CFO as they are charged with instituting and standardizing the controls and process required to support internal/external financial reporting and projections.

## 3. RAPID RATE OF CHANGE

Given the focus on value creation, the rate of change within the PE environment far exceeds larger organizations. PE-backed companies are in acquisition mode, bringing in organizations with new charts of accounts, new organizational alignments, new product lines, and new channels. Finance must also act on deal origination and integration within a far more accelerated timeframe in order to meet the sponsor's value schedule.

## 4. BALANCING OPERATIONAL AUTONOMY WITH PROPER CONTROLS

PE-backed organizations need to have technology systems that empower them to act with autonomy in a non-disruptive capacity, while simultaneously enabling CFOs with the stewardship and controls the Office of Finance requires to execute.

## 5. LEAN TEAMS AND LIMITED RESOURCES

In most cases, PE-backed companies have limited resources; Finance and IT. CPM solutions address these limitations by minimizing the data collection, organization, and consolidation processes and maximizing higher value-add functions such as modeling projections and analyzing results in support of making informed business decisions.

# Section 3: A Blueprint for Dispelling the 5 Most Common CPM Myths

Just as there are 5 reasons that PE-backed companies can benefit from CPM systems, there are 5 myths that prevent them from doing so. The webinar tackled each, one by one:

## MYTH #1 Implementing CPM Will Take Too Much Time to Realize Value

### The Myth Busting Blueprint:

In order to expedite the 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 in order to begin using and 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 both financial consolidation and planning/forecasting during a “Common Design Phase” upfront, but deploy each in a prioritized fashion.
- Have the Source to Target COA mappings complete before engaging professional services. (Likewise with other required mappings: organization/entity, product, channel, etc.)
- Remember the CPM solution is a purpose-built platform to support financial consolidation, budgeting/forecasting and the reporting required to support these processes; 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

### The Myth Busting Blueprint:

There is some truth to this myth, but...

- There are going to be data/reporting needs that are better supported by alternative platforms to CPM. That said, the supplemental operational data that supports the financials and/or is leveraged as part of a driver-based planning/forecasting approach, should be brought into the CPM solution.
- Even more so than large, multi-billion-dollar organizations, PE-backed CFOs are expected to be just as fluent in the operational metrics as they are in the financials.
- 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.
- PE-backed CFOs must be engaged with business operations. By layering operational metrics side-by-side with the financials, Finance is informed and empowered to have meaningful dialogue with various operational departments in a value creation capacity.

### MYTH #3 We Don't Need a CPM System Since We Are Migrating to a Single ERP

#### The Myth Busting Blueprint:

But you're a PE-backed CFO, so...

- Consolidating multiple GLs into a single ERP system is time consuming, expensive, operationally disruptive, and drives numerous change management challenges and risks.
- PE-backed CFOs often inherit a complex architecture of financial systems. Untangling these systems, and the processes they support, in an effort to migrate into a single ERP can be impractical, at best, and counter to value creation, at worst.
- CPM solutions allow business unit autonomy (multi-GL 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 Are Going to be a Challenge

#### The Myth Busting Blueprint:

While they can support some rudimentary functions, GLs often fall short in support of...

- The financial close/consolidation process (inter-company transfers, account reconciliation, transaction matching, task management, etc.)
- The planning/forecasting process (driver-based planning, scenario modeling, rolling forecasts, etc.)
- Reporting needs (dashboarding, ad-hoc, drill-down, and drill-through, analysis, etc.)
- Additionally, although spreadsheets offer more flexibility than a GL in support of the functions listed above, they inherently lack the ability to enforce standards and controls. Moreover, multi-spreadsheet workbook logic can be difficult to construct, deconstruct, and append/modify when a business need, like an acquisition, necessitates it.
- Finally, PE-backed companies that are aggressively scaling and integrating new add-ons, as part of the value creation strategy, benefit significantly from the deployment of CPM solutions.

### MYTH #5 CPM Solutions Require Significant Technical Support

#### The Myth Busting Blueprint:

Since modern CPMs are cloud-based solutions...

- Their technical infrastructure is maintained by the software vendor as part of the SaaS model.
- CPM solution administration is, therefore, best supported by resource(s) in Finance and/or Accounting that have good business familiarity and light technology skills.
- Steady-state support generally involves a part-time role. It can increase to full-time during close cycles and budget/forecast processes.
- IT should get involved when new data sources need to be integrated (e.g. Trial balance data needs to be sourced from a new GL as part of an acquisition).
- Outsourcing options exist whereby third-party firms will administer the CPM solution in a managed services capacity.

## Section 4: The ROI of PE CPM

There are, obviously, costs associated with deploying CPM solutions – 3 to be exact:

1. **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.
2. **Software Configuration:** Companies can configure internally, or leverage an outside expertise, like Accordion. In either case there will be support configuration and labor costs (although less so with an experienced partner).
3. **System Support:** Of course, there are also the administrative resources to maintain the system.

---

That said, the benefits of CPM quickly recoup the investment and lead to value creation in 2 important ways:

1. **Hard Dollars:**
  - Resource optimization: Doing more with less
  - Business unit comparisons, best practice establishment, and cost-take outs
  - Ability to support a shared service model (realization of economies of scale)
2. **Soft Dollars:**
  - Realignment of work to higher value-add functions (decrease in data collection, reconciliation and consolidation; increase in business analyses and support)
  - Informed investment of resources
  - Impact analyses and rapid course corrections



# Section 5: The Universal Technical Institute CPM Case Study

## ▶ Universal Technical Institute

A leading provider of skilled transportation technicians.



**1965**

Founded

**~11K+**

Students

**35+**

Manufacturing  
Brand Partners

**225K+**

Graduates  
since 1965

**84%**

Employment  
Rate

**12**

Campus  
Locations \*\*

**\$313.9M**

TTM Revenue \*

**\$103.1 M**

Cash & Investments

\* Trailing 12 months ended June 30th, 2021  
\*\* Two additional campuses to open in 2022



## Finance Transformation Priorities

UTI's growth trajectory required that we evaluate the performance of our finance function and how it can best serve our mission. Working with Accordion, we identified four key priorities.



### Timely & Accurate Reporting

Increase the velocity and accessibility of important business information to decision makers:

- Shorten the monthly close cycle
- Centralize and standardize general accounting functions
- Increase access to easy-to-use dashboards and reports for decision makers



### Business Partnering

Realign the FP&A organization to provide added support and accountability to business operations:

- Regionally align finance managers to support campus operations and drive initiatives
- Provide centralized support for Home Office departments
- Dedicated corporate FP&A team supporting board and external stakeholders



### Scalable Technologies

Evaluate new technologies to replace aging on-premise solutions and provide leading edge capabilities:

- New CPM platform to support new planning & budgeting methodologies and organization structure
- New ERP to improve and automate transactional accounting
- Financial close process management tools to aid in reconciliation and speed close



### Planning & Forecasting

Replace manually intensive, Excel based planning models with an integrated planning & budgeting solution:

- Eliminate manually intensive Excel based modes
- Enable more flexible planning and migration to rolling forecasts
- Increase end-user participation and accountability



## Integrated Planning & Budgeting

The implementation of our new CPM platform and processes will help us take several previously disconnected activities and bring them into one end-to-end solution. This will allow us to move from a static Annual Planning process to a dynamic monthly rolling forecast.

### Revenue & OPEX

- Redesign a legacy off-line revenue planning model, to a system-based solution integrated with our Student Information management platform
- Provide department owners the ability to plan OPEX based on historical trends or specified student-based drivers

### Labor

- Manage global assumptions on merit, taxes, and turnover centrally
- Integrate labor planning with our HRIS system, for timely and accurate employee census data
- Plan and manage key business drivers like Instructor OT or new campus staffing needs
- Better align with HR on new hires and open requisitions

### Capital

- Improved capital allocation on new investments
- Accurately plan for depreciation expense on both new planned assets, and existing purchases
- Plan for new campus build-outs or special initiatives

### Reporting

- Rationalized and standardized report packs for Campus and Home Office leaders
- Timely access to financial and non-financial information through-out the month
- Monthly rolling forecasts to drive greater visibility and accountability across the organization

# Section 6: The XYZs of CPM – Next Steps

## To Learn More:

- ▶ [Watch](#) a recording of the webinar (password: **2+oS=Sm9**)
- ▶ Reach out to discuss how Accordion can help you navigate your CPM needs: [mcochran@accordion.com](mailto:mcochran@accordion.com)

## About Accordion

Accordion is a private equity-focused financial consulting and technology firm that provides operational prowess and an execution-oriented approach to maximize value. Rooted in a heritage of serving the office of the CFO, our practitioners thrive at the intersection of sponsors and management teams within the private capital markets.

## About Accordion's CFO Tech Services Practice

Accordion's CFO Tech Services Practice effectively and efficiently delivers the digital services and solutions to support organizational strategic initiatives.

Our CFO Technology experts work cross-functionally — alongside practitioners from all corners of Accordion — to arm CFOs with the appropriate digital solutions needed to implement the team's business process recommendations and to capitalize on value creation opportunities. From ERP, CPM, Analytics, Data Integration, RPA, and beyond, CFO Tech Services provides finance leaders with a single, objective partner capable of delivering from strategy to execution.

## About the Author and Webinar Moderator



**MIKE COCHRAN**

**Head of CFO Tech Services, Accordion**

[mcochran@accordion.com](mailto:mcochran@accordion.com)

Mike is the head of Accordion's CFO Tech Services practice and has more than 25 years of experience delivering transformational financial solutions through the enablement of technology. He specializes in Enterprise Performance Management (EPM), Enterprise Resource Planning (ERP), Analytics, and Cloud Enablement. Before joining Accordion, Mike spent the better part of his career advising clients and overseeing the delivery of technology enabled financial solutions. In this capacity he deployed solutions ranging from Strategic Planning/Forecasting, Profitability Analysis, Statutory/Management Reporting, and Analytics and Data Visualization – all in the context of empowering organizations with the ability to make both meaningful and actionable business decisions.