Part 1 Case Study: Managing FP&A Projects

Project Summary

An analyst from FP&A, Abel, has been asked to lead a project team that will develop a new sales forecasting process for a medical device manufacturer. The manufacturer has been growing rapidly through a strategy of acquisitions, product introductions and expansion into new foreign markets. As a result, forecasts are often late and incomplete and are affecting operating and financial decisions. Senior management has therefore approved the creation of a cross-functional team to define a new process. The team is empowered to involve functions as needed and to create a budget and resources list to support its work.

In the initial meeting with senior management, Abel and the associate sales director, Barbara, discuss the criteria for an effective recurring forecast process. Management wants a process that will produce a forecast segmented by product, division, major customers and geographical markets. The process would ensure that monthly forecasts would be available by the third week of each month and that they would be 95 percent complete and accurate. Management also wants the team to explore ways in which to drive down the time involved to create the forecasts. This will decrease the amount of resources dedicated to this activity but also help make data more current.

Abel and Barbara review the various functions whose participation will be invaluable and estimate that the project's recommendations can be completed in two months and the process ready for implementation.

Senior management's vision for the project focused on developing a new process. Quickly, however, members assigned to the team are beginning to agree that a simple process will not meet senior management's needs. Clara notes that what the organization needs is a tool that will help FP&A, accounting and sales integrate data from existing databases. This will make the process faster and more accurate. It might also make the process more scalable, as new divisions and products are added.

Abel, Barbara and Clara go back to the project's sponsor and propose a shift in scope: Rather than designing a process only, the team will develop a process to be used in conjunction with a planning application. As part of its work, the team will develop an RFP, review vendors and select a system that fits the organization's current and future needs. In preparation for the meeting, Abel and Clara have researched costs of these systems.

Management approves the change in scope and the expansion of the project's mandate, team, schedule and budget. Abel proceeds with the planning activities and starts the process of scheduling a kick-off meeting with all team members.