The Journey to Profitable Decision-Making

Reporting on the past, getting a grasp on current performance – or creating insights to drive a more profitable future

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ANALYTICS LIMITED

Introduction

"The best way to predict the future is to create it"

This quote has been variously ascribed to Abraham Lincoln and business guru Peter Drucker – amongst others.

For those of us involved in Financial Planning and Analysis it holds a particular resonance.

Finance acts as the hub for planning in most organisations – but how many functions are truly looking forward (as opposed to looking backwards to understand where we are – and hoping we'll perform better next time)?

Some organisations have grasped the nettle and have tackled the challenge of not just predicting but driving a more profitable future.

It's exciting – the insights they have uncovered and the planning processes they operate are transforming their business. They are truly powering Profitable Decision-Making.

If they can do it, what's holding the rest back?

The Journey

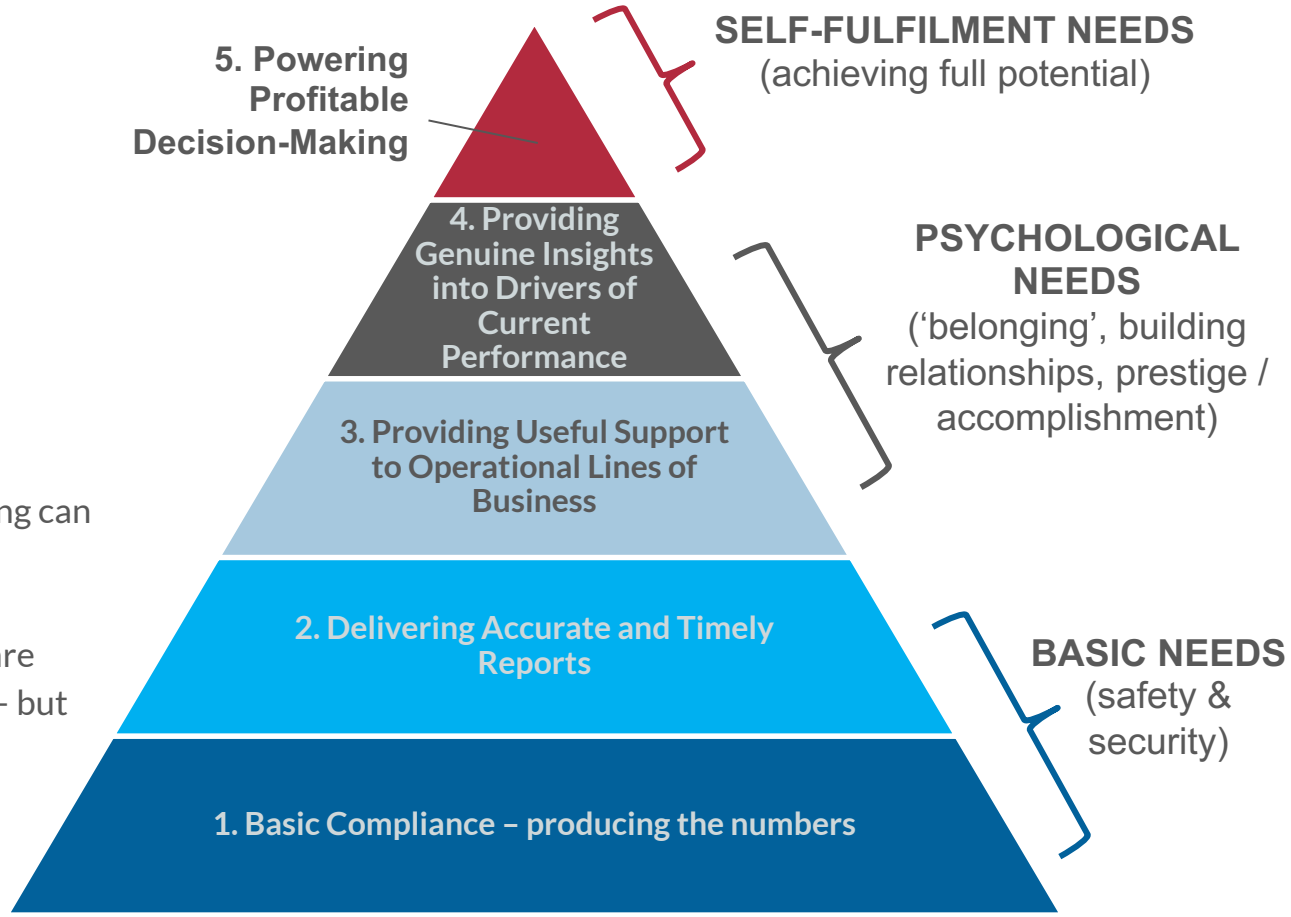
There are many models to describe and explain human and organizational behaviour.

It's always tempting to look for parallels.

The stages a Financial Planning and Analysis team will go through on the journey to driving profitable decision-making can be compared in some ways to Maslow's hierarchy of needs.

Those FP&A teams at the bottom of the pyramid (1 and 2) are struggling to stay employed. Most functions make it to (3) – but it's the jump to 4 & 5 that present the biggest challenges.

Overcoming the common challenges unlocks the path to Powering Profitable Decision-Making



Challenge 1: Verifying Accuracy

If levels 1, 2 and 3 on our 'hierarchy of needs' are about having numbers, reporting them correctly and not exposing the function politically then it was all around producing the numbers.

But the effort required to deliver and verify accuracy is still a challenge.

Excel is a great tool - but the static nature of spreadsheets makes it difficult to quickly and consistently produce analysis, reports or run new scenarios. Multiple sources and dimensions compromise speed and accuracy.

Spreadsheets can also create version control issues when they're passed around for input, review and verification.

The lack of a centralised system introduces inconsistencies into metrics, data and calculations - forcing the finance team to spend more valuable time verifying data.

AUTOMATING DATA GATHERING FROM SOURCE SYSTEMS CAN INSTILL A GREATER LEVEL OF TRUST IN THE DATA, WHILE MAKING IT EASIER TO REVEAL VALUABLE INSIGHTS

Challenge 2: Gathering Data from Multiple Systems

The information needed to drive Profitable Decision-Making includes ever increasing amounts of operational data.

Spending hours or days hunting data down, confirming accuracy and ensuring consistency drains FP&A productivity.

The more steps involved in gathering / manipulating disparate data - the more opportunities for inefficiency and inaccuracy - especially when it comes to error-prone and time-consuming manual data aggregation.

A SINGLE, CENTRALISED REPOSITORY THAT UNIFIES OPERATIONAL AND FINANCIAL DATA CAN VASTLY REDUCE TIME AND IMPROVE ACCURACY.

WITH A SINGLE SOURCE OF THE TRUTH, FINANCE TEAMS CAN REFOCUS THE CONVERSATION AROUND INSIGHTS AND ACTION INSTEAD OF DEBATING ACCURACY / ACCOUNTABILITY

Challenge 3: Lack of Collaboration

Integrated planning and business management necessarily involves the whole organisation working together - but the involved nature of pulling together the numbers often means operational lines of business do not have sufficient input (and consequently buy-in) to the financial planning process.

Lack of involvement leads to lack of knowledge about how decisions they take can influence overall profitability

The time taken to gather, produce and verify reports and forecasts can mean that the Finance Function is unable to provide the stimulus in the form of real performance insights that might help managers to improve their results

Lack of involvement also leads to a lack of understanding of the outputs - how often does a question “what’s behind this variance?” lead to a long round of discussion before someone closer to the front-line is brought in to explain it. If those individuals were engaged in the process there would be greater understanding and valuable insights would be yielded sooner

FINANCE TEAMS NEED A TOOL THAT HELPS THEM TO COLLABORATE WITH OPERATIONAL LINES OF BUSINESS ACROSS DATA GATHERING, FORECASTING AND REPORTING

Challenge 4: Turning Data into Insights (or information)

The data has been gathered - now it needs to be analysed and interpreted. Only then can financial and operational insights be articulated.

The better the understanding behind the numbers, the greater the opportunity for valuable insights.

Line of business and operational leads tend to seek more than just numbers - they want to see trends, they like to consume information visually.

FINANCE TEAMS NEED TO BE ABLE TO PRESENT THE NUMBERS IN A WAY THAT CAN BE EASILY CONSUMED AND IS MEANINGFUL TO THE REST OF THE BUSINESS

Challenge 5: Taming Powerful Technology

Financial Planning and Analysis tools exist - software that is more sophisticated than just a spreadsheet, that enables and automates data gathering and validation. Tools that enable multiple business units to collaborate and that provide a centralised repository - a single version of the truth.

The challenge is deploying it effectively whilst still getting the day job done.

It's one thing having a tool that has the ability to deliver financial intelligence and insights into business performance - it's another entirely making the tool do it.

FINANCE FUNCTIONS CONTAIN FINANCE EXPERTISE AND ARE RARELY TECHNOLOGISTS. HARNESSING THE CAPABILITY REQUIRES SOMEBODY WHO CAN UNDERSTAND ALL OF:

- **THE NEEDS OF THE BUSINESS**
- **WHAT THE FINANCE TEAM NEED IN ORDER TO MEET THE BUSINESS' NEEDS**
- **HOW TO MAKE THE TECHNOLOGY WORK FOR THE FINANCE TEAM (RATHER THAN JUST MAKING THE FINANCE TEAMS SLAVES TO ANOTHER PIECE OF SOFTWARE)**

Getting it Done

Organisations who are tackling the challenges and making progress on the journey

EDRINGTON

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Tackled the systems and processes for gathering the data to drive their planning and reporting systems

Vastly reduced time to load data and eradicated errors.

Stock depletion planning is now driving marketing, distribution and production decision-making

ROBERTSON

FIND OUT MORE>

Tackled the challenge of consolidating data across 22 businesses across several business systems.

Reduced the manual processing – freeing up the finance team to focus on analysis.

The finance team are now able to collaborate across the business and provide insights that drive decisions across the group.

Conclusion

A bit like the desire to survive, planning is a basic human instinct. We make sense of the world around us by working out what is happening and what we think will happen.

Instincts are powerful - and just like in nature, those who are able to adapt fastest to changes in their environment are most likely to survive and thrive.

We're in the era of data explosion and there's no doubt that we live in interesting times. If we can't gather and interpret the data fast enough we can't make sense of our current circumstances or their impact on our desires for the future. We can't clearly see the consequences of our actions - making us increasingly removed from the the customers we serve and the markets that we operate in.

Getting past just 'surviving' means transforming our approach to planning and analysis - whilst technology exists to aid us through the journey, the finance function must harness it - tame it - to get fit it to the specific needs of the business.

THERE IS A BRIGHTER FUTURE...

Picture this: A Smarter, Brighter Future

Financial Planning and Analysis is a skill and core competency.

Many of the challenges FP & A teams face involve constraints in process and technology – forcing them outside their core skills and competencies.

The answer to addressing these challenges involves tackling the process and technology pains. It involves freeing up the FP & A team to do what they are best at – planning and analysis.

Consider a different approach.

Where an-depth knowledge of the processes and strains placed on FP & A teams coupled with comprehensive technical experience with the technology can help the function along the route.

Enabling FP & A to become dynamic and forward-focused. Creating the time to run scenarios that provide powerful insights that drive the business forward.

TALK TO US…. WE CAN HELP

Spitfire Analytics

We are finance professionals who specialise in helping companies bring efficiency, speed and agility to their Finance Teams.

We do this by designing and implementing the automation of your planning, budgeting, forecasting and analysis processes, using IBM® Planning Analytics, powered by IBM TM1.

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