

ACCURACY DRIVES AGILITY IN FINANCIAL PLANNING AND ANALYSIS

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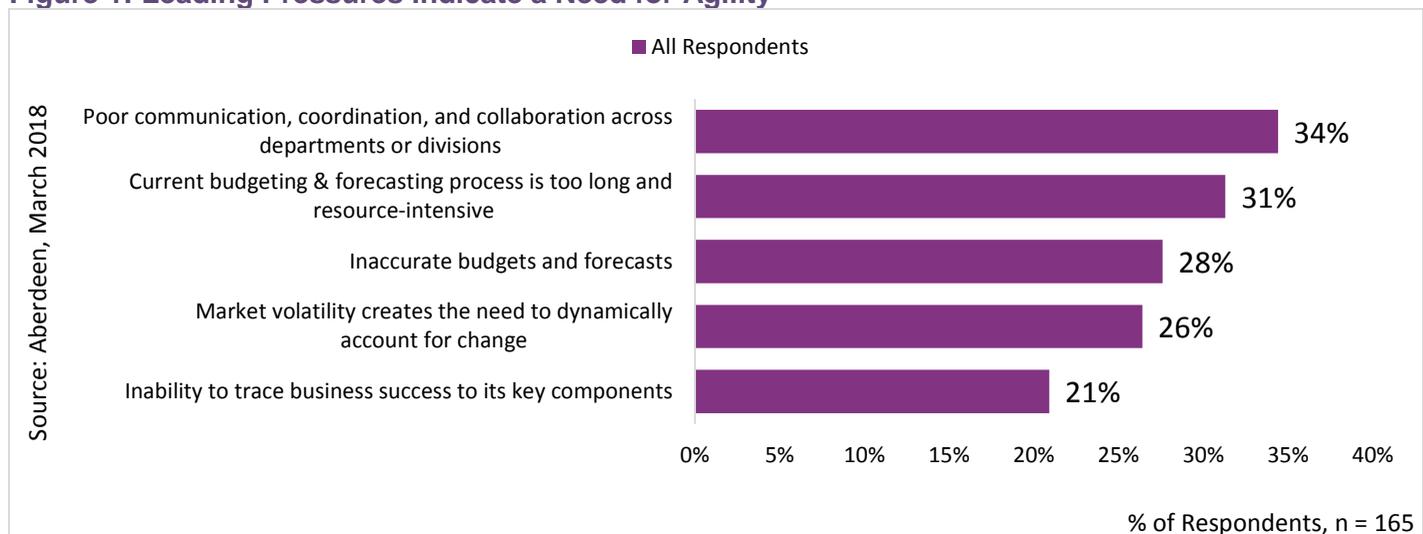
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This knowledge brief examines the difficulties organizations face in achieving accuracy in their financial planning, budgeting, and forecasting in today's volatile market. It details the solutions and best practices that leading firms have adopted to address these problems.

Informed Analysis for Agile Decision-Making

In a recent Aberdeen survey, respondents were asked to designate the top two pressures driving organizational improvement in their current financial planning, budgeting, and forecasting. Respondents indicated that their current processes are greatly hindered by market volatility (26%), as shown in Figure 1. Changing market conditions compel organizations to undertake the lengthy and resource-intensive reforecasting process (31%) that, upon completion, often incorporates out-of-date data. This results in inaccurate budgets and forecasts, which, combined with a lack of internal communication (34%), creates a lack of understanding of the key business drivers that ultimately influence future performance (21%).

Figure 1: Leading Pressures Indicate a Need for Agility

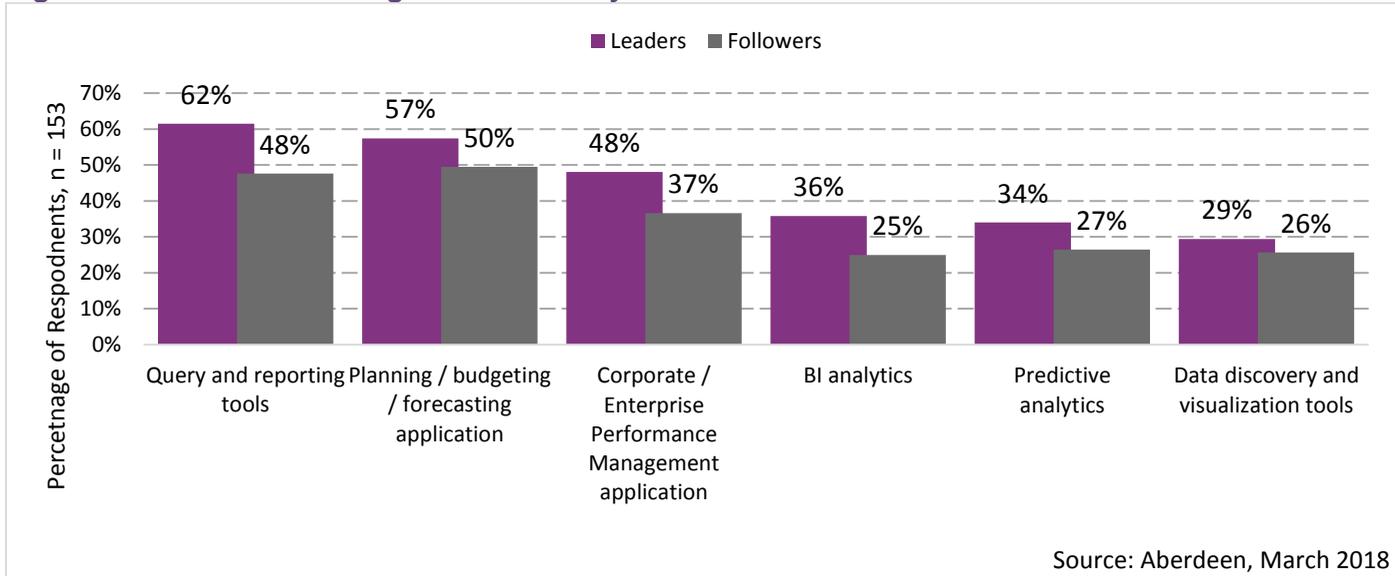


How to Best Empower Decision-Makers

The ultimate goal is to have a complete and accurate understanding of what is driving success in business. Leaders have implemented a variety of technologies to develop the flexibility and agility that is required to address

these pressures and achieve their long-term goals. Leaders are 1.3x as likely as Followers to have implemented a corporate / enterprise performance management (CPM / EPM) solution (Figure 2). This type of solution provides an accurate view of performance data that enhances an employee's ability to derive actionable insight and make better-informed decisions.

Figure 2: Leaders Better Organize and Analyze Data



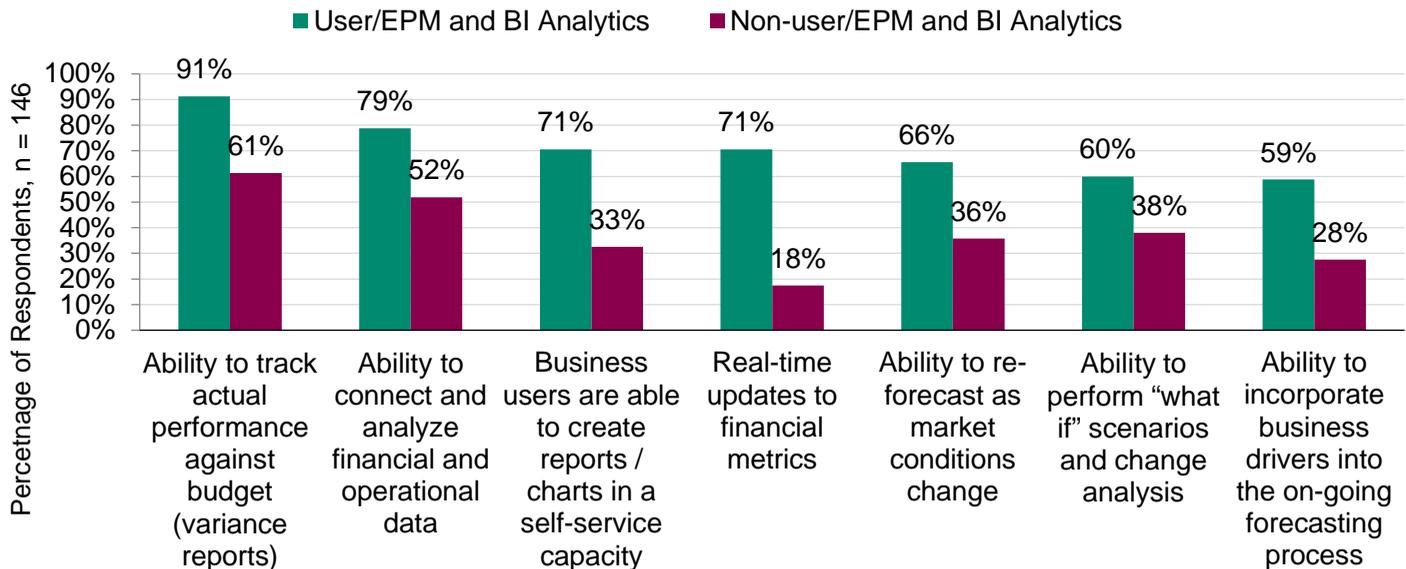
Leaders are also 1.44x more likely than Followers to couple their EPM solution with a business intelligence (BI) analytical solution. This technology empowers employees to dive deeper into the data and more adequately project future performance. Leaders are also 1.3x more likely than Followers to utilize tools for querying and reporting. These tools enhance every employee's ability to intake and explore both structured and unstructured data. Coupled with the right visualization tools, data becomes even more accessible and consumable across the enterprise, regardless of an employee's subject-matter expertise.

In fact, companies that adopt both EPM and BI analytic solutions in tandem see marked improvement in their agile capabilities (those capabilities that enable quick and proactive responses to both external and internal changes) (Figure 3). It is of paramount importance that EPM and BI solutions be easy to use, so that users do not have to constantly rely on IT to access and visualize the data. Organizations that use EPM and BI solutions are 2.15x more likely to empower employees to create reports and charts in a self-service capacity, and 3.9x more likely to have real-time updates to financial metrics than non-users. These capabilities facilitate the ability to track up-to-date variance reports and quickly reforecast as internal and external conditions change. When combined with operational data, users attain a

The Aberdeen maturity class framework identifies Leaders as the top 35% of aggregate performance scorers and Followers as the bottom 65% of aggregate performance scorers.

much better understanding of performance across the organization, as well as the key business drivers for growth.

Figure 3: Enabling Performance Understanding Through Visibility



Source: Aberdeen, March 2018

Equally important, users of EPM and BI solutions are 1.58x more likely to have the ability to conduct “what-if” analyses. This capability makes it easy for an individual to cycle through a series, or sequence, of near infinite scenarios. In doing so, organizations attain a reasonable understanding of how the business would be affected and what the best course of action would be for each given scenario. Essentially, this moves the mindset of an organization from reactive to proactive. The combination of these capabilities ultimately creates a platform for much greater flexibility in decision-making.

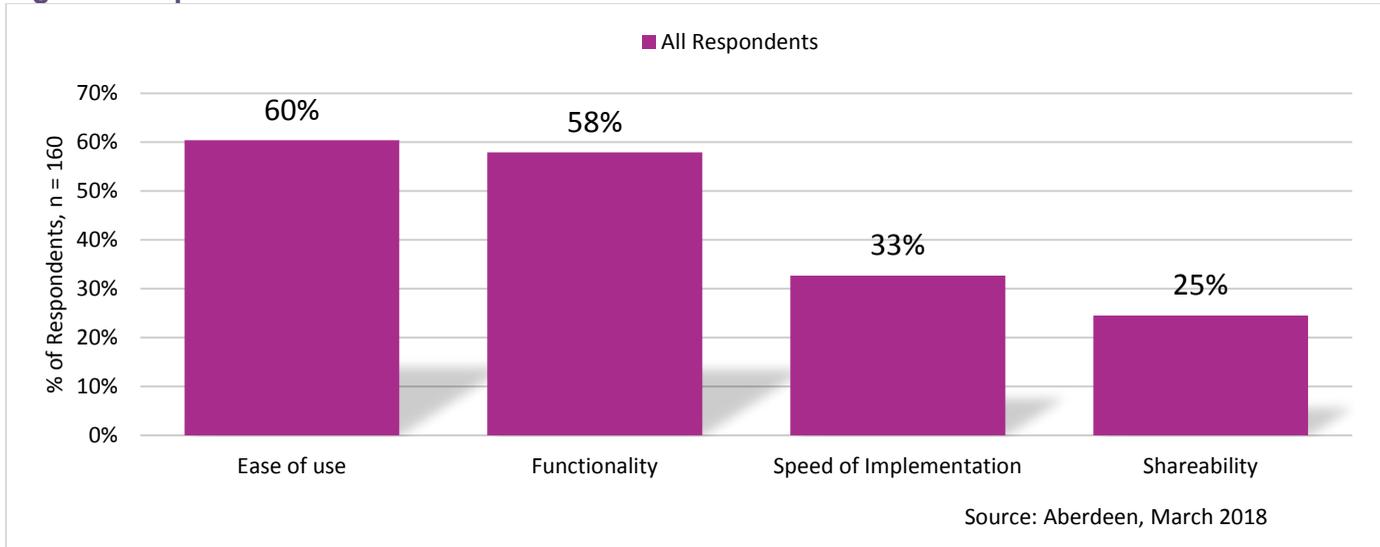
The inherent flexibility of the platform itself is another important factor to consider. Just as organizations must make agile decisions as they grow, the solutions used to support those decisions must also be flexible; they must have the ability to scale rapidly and change as the needs of the business evolve.

Survey respondents were asked to select the top criteria for selecting a solution (Figure 4). They overwhelmingly indicated that a solution must have the right functionality and must be easy to use and support.

The various deployment structures need to be supported, regardless of the configuration, to ensure different areas of an organization will have the same high-quality solution. Ideally there should be a seamless user experience between cloud, on-premise, and hybrid models, giving the organization the

ability to support planning and agility at the same level — no matter what. When selecting a solution, there are many cases where one may seem suitable for your company but is disqualified, because its delivery may not be in line with your organization's IT requirements. This, however, is not a problem with modern, flexible solutions that offer multiple deployment options.

Figure 4: Top Selection Criteria



It is important to understand the differences between – as well as the benefits of – each deployment model. Past Aberdeen research has consistently shown that the cost and scalability of a cloud solution are the two greatest differentiators when compared to an on-premise solution. The cost is typically less, because any maintenance, hosting, and support are handled by the software vendor. This may be of additional importance if your organization lacks the required IT resources to support an on-premises solution. Cloud solutions are also designed to support organizations as they grow over time, due to the ability to:

- ▶ add additional functionality;
- ▶ intake additional users, regardless of their geographic location;
- ▶ automatically upgrade with new and emerging technology, such as advanced analytics.

There may be numerous reasons why your organization would prefer an on-premise solution. For example, you may have a large IT department that wants to manage the solution. Or, your existing technology environment may be overly complex and require a heavy integration.

The best way to ensure business agility in decision making is to select a flexible platform that can support your planning process, no matter how your technology, or organizational, needs change. Regardless of the deployment method, your organization should be selecting a flexible solution for financial planning, budgeting and forecasting that works best for you.

The Results

Implementing a flexible planning platform can have significant impact on the business in terms of the speed of decisions and operational performance. Table 1 details the superior performance achieved by those firms that adopt a coupled EPM and BI analytic solution.

Table 1: Superior Performance with EPM and BI analytics

Performance Metrics (Past 24 months)	User	Non-User	Performance Difference
Improvement in the amount of time it takes to complete a forecast	9%	6%	+ 50%
Improvement in time-to-decision	7%	6%	+ 16%
Improvement in operating margins	7%	4%	+ 75%
Improvement in revenue	7%	5%	+ 40%
Improvement in productivity	5%	1%	+ 5x

Users of such a combined solution set achieve nearly a 50% improvement in the amount of time required to complete a forecast. They can quickly update plans and, ultimately, take advantage of opportunities as they arise while also minimizing the impact of adverse events. With the capacity to plan and react quickly and effectively, these organizations can make decisions that ultimately lead to gains in revenue and productivity that are nearly 40% and 5x greater than non-users, respectively.

Recommendations

External and / or internal conditions are constantly changing, and organizations of all types are struggling to keep pace with their financial planning, budgeting and forecasting. Even the slightest change will make previous data out-of-date, and result in a budget or forecast that is completely inaccurate. Ultimately, this manifests into key business stakeholders making ill-informed decisions about what may or may not be the key business drivers for their organization.

The adoption of an EPM solution, in conjunction with BI analytics, significantly enhances organization-wide agile capabilities. Users of these solutions can provide their employees with a centralized view, in real-time, of financial and operational data, which can increase the speed and accuracy of forecasting and budgeting. This in turn empowers key stakeholders to make informed decisions regarding an organization's key business drivers.

Organizations that adopt these solutions see marked improvement in the amount of time required to complete a forecast, as they are able to quickly update plans and take advantage of opportunities as they arise, while also decreasing the impact of adverse events. For companies seeking to remain competitive, Aberdeen recommends the following:

- ▶ **Provide centralized visibility.** Providing real-time updates to financial data and combining them with operational data in a single, centralized location enables employees to get the information they need, when they need it, to inform their decisions.
- ▶ **Empower employees to explore data.** It is critically important to make all data readily available so that employees can work with it how they wish. Through analytics and access to data visualization tools, employees can quickly derive actionable insights to inform better decisions.
- ▶ **Increase decision speed.** By employing “what if” scenario modeling, business leaders can create a wide range of contingency plans for near-infinite scenarios, enabling your organization to become more proactive.
- ▶ **Extend agility to your finance and operation departments.** By investing in a flexible platform, your organization can ensure that it gives its employees the functionality they need, no matter how the business evolves.

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