MAXIMIZE FINANCIAL PLANNING AND ANALYSIS PERFORMANCE WITH SUPERIOR ANALYTICS

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Companies are being forced to accelerate their processes and decision making to keep pace with their competition, and the pressure on the financial planning and analysis function to provide better information more quickly has increased significantly. This presents real challenges for organizations mired in spreadsheet processes and disparate systems. This report examines the challenges companies face in improving their financial planning agility, and explores the steps that Best-in-Class companies have taken to improve these operations using their analytics capabilities.

**Introduction**

Financial planning and analysis (FP&A) organizations are under constant pressure to improve their performance and reduce their process costs — particularly, to more quickly provide better information for improved decision making. This is a significant hurdle for the financial planning team, who must pull data from multiple sources across the enterprise and synthesize it into intelligent information quickly.

Figure 1 illustrates the pressures and performance expectations that FP&A organizations are under. The data indicates a level of disappointment and dissatisfaction in the ways that FP&A functions have performed in the past, and a desire improve agility and responsiveness. The main business pressures and challenges for FP&A organizations are:

- Poor communication and collaboration
- Current processes too long and resource-intensive
- Inaccurate budgets and forecasts
- Inability to trace business success to its key components
- Followers miss marks on budget and revenue plans, as well as productivity
Using Analytics to Address the Problem

At every step in their FP&A, companies face several issues. They are challenged by multiple data sources and disparate solutions that are not integrated, which is the main cause of poor communication and collaboration. Many organizations are still mired in spreadsheets, trying to pull their plans and summary information together; the main cause for the resource-intensive and cumbersome nature of their processes. This inefficiency also makes it difficult to refresh information based on real-time changes and constant updates, which is largely why the information at these organizations is out-of-date and inaccurate. The inability to model the business forecast effectively, so that it can tested by “what-if?” scenarios, limits the ability to understand and attribute business successes to their causal components.

There are several approaches to tackling these problems, but the real challenge is implementing changes immediately to improve FP&A outcomes. Changing all the systems overnight is not practical, but a viable option is to create a repeatable process from multiple sources and entities by using a strong analytics solution to model the FP&A processes. To that point, based on Aberdeen research, Best-in-Class companies (see sidebar on the first page for definition) are 49% more likely to have invested in analytics solutions to improve their performance than All Others. This investment significantly improves their abilities to gather, organize, and analyze their data, as shown in Figure 2 (Analytics Users vs. Non-users).
Figure 2 reflects the capability advantage for Analytics Users compared to Non-users, who have not implemented an enterprise analytics solution. Analytics Users are 41% more likely than Non-users to have the ability to identify and connect to the data needed and analyze it. This is the first step in a repeatable and reliable process. Standardizing the repeatable process across the organization enables automation, which increases the speed and reliability of the analytics process. This automation can quickly update the FP&A modeling, which addresses the problem of cumbersome, resource-intensive processes.

Establishing these data imports across multiple entities is critical to the accuracy of the forecasting and planning process. This moves the forecasting process to a more reliable state by utilizing up-to-date information. Analytics Users are 75% more likely than Non-users to have this in place; a reason why the customer service and internal compliance to schedule for Best-in-Class companies is so much better.

Analytics Users are more than twice as likely to leverage a self-service capacity in their solution, which eliminates the bottlenecks created by forcing reporting through the IT department. Empowering the user community with strong analytical capabilities facilitates and streamlines the analysis by eliminating the reporting delay.
Best-in-Class Performance vs. All Others

Table 1 compares critical business metrics used to define maturity levels and illustrates the superior performance of the Best-in-Class to that of All Others.

Table 1: Maturity Matrix for Best-in-Class

<table>
<thead>
<tr>
<th>Best-in-Class Performance</th>
<th>Best-in-Class Top 20%</th>
<th>All Others Bottom 80%</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in operating margins</td>
<td>9%</td>
<td>4%</td>
<td>125% &gt;</td>
</tr>
<tr>
<td>Improvement in revenue</td>
<td>11%</td>
<td>5%</td>
<td>110% &gt;</td>
</tr>
<tr>
<td>Improvement in productivity</td>
<td>10%</td>
<td>-5%</td>
<td>2x &gt;</td>
</tr>
</tbody>
</table>

As Table 1 shows, the performance of Best-in-Class companies is significantly greater — basically, double or better — than that of their competition’s revenue, operating margins, and productivity improvement.

Financial Planning and Operations Synergy: Analytics Are the Catalyst for Improvements

Figure 3 explores the analytics-driven planning capability advantages for Analytics Users compared to Non-users. Analytics Users are 89% more likely to integrate financial planning recommendations (such as sales and operations planning (S&OP)), a key differentiator which allows for timely updates as conditions and circumstances change.

This integration enables “what-if?” scenarios to be run both financially and operationally to arrive at a feasible plan, and target the best possible results. Having an FP&A process that has been tested and vetted with these “what-if?” scenarios prepares the organization for how to respond, should an unplanned event occur. Contingency plans can be created based off these scenarios, which enables dramatically improved response times.

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Forecasts and plans change constantly. The integration to data sources via the analytics capabilities enables reforecasting as conditions change. The automation of the reforecasting process keeps the financial plan current with the most recent data available at all times, thereby assuaging concerns about the forecasting process taking too long and lacking the ability to dynamically update.

**KPIS for Analytics-Driven Process Improvements**

In addition to the Best-in-Class performance metrics provided in the sidebar, which indicate a significant performance advantage for the Best-in-Class, there are other performance improvements that are attributable to Analytics Users that are related to Figure 3.

Table 2 explores some of these additional metrics that are relevant to the FP&A process.
Table 2: KPI Improvements for Analytics Users vs. Non-users

<table>
<thead>
<tr>
<th>Process Performance Metrics</th>
<th>Analytics Users</th>
<th>Non-users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in the amount of time it takes to complete a forecast (Past two years)</td>
<td>9.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Improvement in time-to-decision (Past two years)</td>
<td>7.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Percentage of financial reports that are accurate</td>
<td>89%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Analytics Users show 74% greater improvement than Non-users in the time it takes to complete a forecast, and 25% greater improvement in the time-to-decision over the most recent two-year comparison. Although there is room for improvement for all, Analytics Users have a 16% higher accuracy rate on their financial reports. The benefits for Analytics Users are shown in their KPIs and business performance metrics, in addition to the process advantages that they produce.

Summary and Key Takeaways

Financial organizations are under constant pressure to improve their FP&A capabilities in order to provide better and more timely information for decision making. The challenges they face in improving their FP&A processes stem from the lack of integration across multiple sources of data and reliance on spreadsheets for plan consolidations and analysis. Communication and collaboration breakdown can be attributed to the lack of standardization fostered by spreadsheets, as can outdated and inaccurate forecasts.

The goal for finance leaders is to create an FP&A process that allows them to become more agile and responsive, with more accurate plans and projections. Companies that adopt analytics in their FP&A processes have better data access and integration for real-time visibility, standardized consolidation of data across multiple entities, and the agility to accommodate changing business conditions by reforecasting as needed.

The results speak for themselves. Best-in-Class companies that use analytics have greater increases in productivity, revenue, operations margins, and time-to-decision, and shorter forecast completion times. This results in improved FP&A performance because of the faster and more accurate alignment between forecasts and actuals, enabling better business execution.

Aberdeen recommends that all companies can improve their FP&A results by following the lead set by the Best-in-Class in the adoption of analytics in all phases of their organization.
About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

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