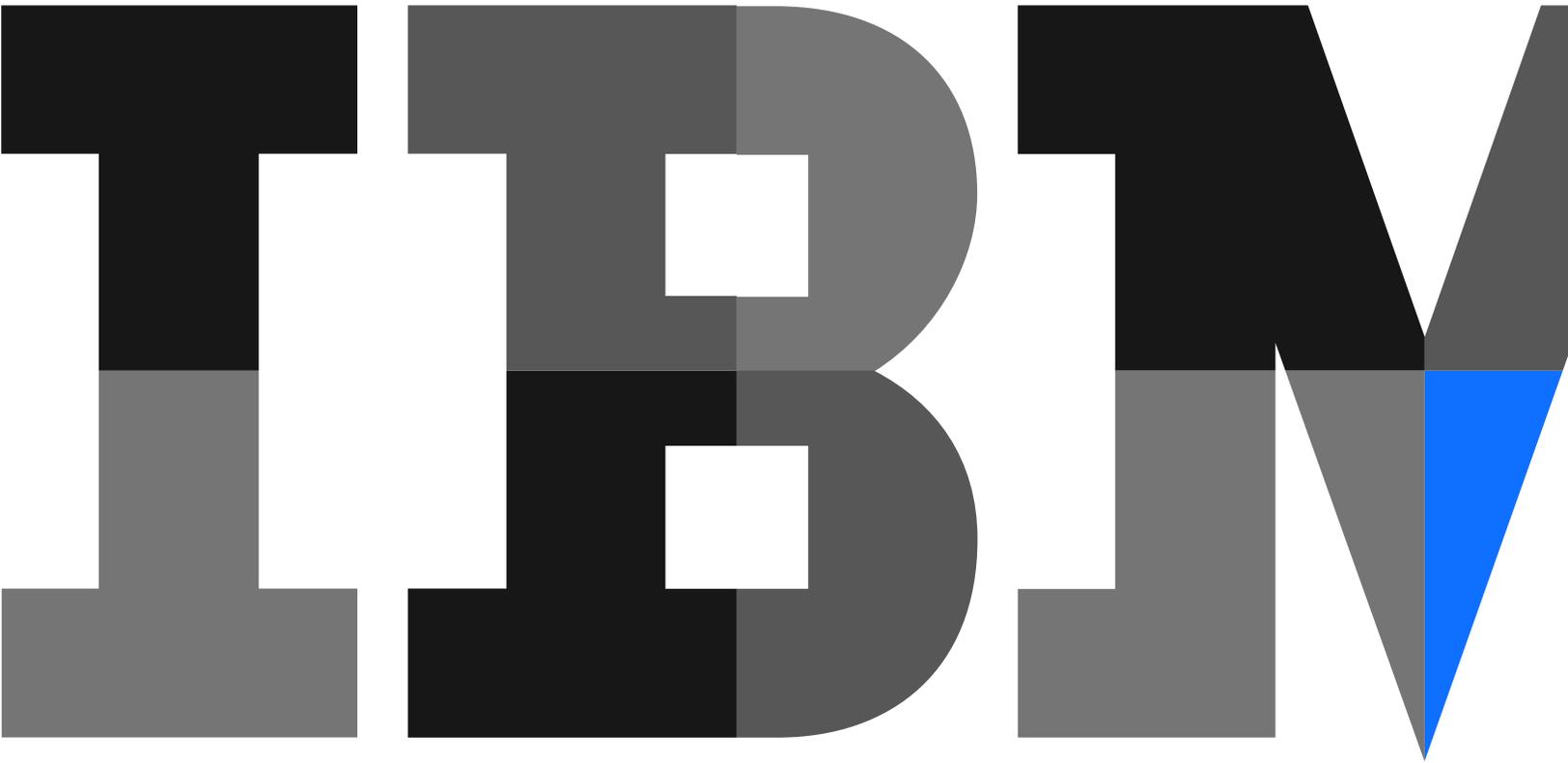


**Beyond process efficiency—
Driving business value in
the age of analytics**



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Introduction: Why act now?

What's different now that requires CFOs and finance teams—as well as business professionals in roles as diverse as sales, operations, and HR—to upgrade their analytics capabilities? Even with an economy experiencing stable growth, low inflation, and low unemployment, multiple forces are disrupting the business landscape. And individual industries are facing a myriad of challenges:

- Market volatility
- Continuing cost pressures
- Changing regulations and tax laws
- Structural complexity within organizations, compounded by a lack of common processes across lines of business
- An expanding enterprise role for finance, bringing new duties and responsibilities

No doubt, the status quo is changing. “Digital transformation” is erasing barriers to entry. Industries are converging, technological advances are bringing new products to market faster, and new sales channels are altering customer buying patterns. Supply chain uncertainty, a shortage of skilled workers, and rapidly changing customer preferences are also sources of concern.

“The boundaries of competition are becoming ambiguous.”

—Yong Eum Ban, CFO, Joong Ang Media Network, South Korea¹

The changing role of the finance function

As the business environment changes, the role of finance is changing too. It's shifting from an emphasis on traditional stewardship functions—closing the books and reporting on past performance—to a more strategic role. It's becoming more forward-looking, focusing on guidance, risk assessment and evaluating opportunities for growth.

To lay the groundwork for this new role, finance organizations are looking to automate their processes to drive down costs and to drive greater speed, agility, and foresight to help their businesses stay competitive. They need to draw deeper insights from all data sources, both internal and external, structured and unstructured.

72% of finance leaders said the finance function should “substantially increase its use of data analytics to support decision making.”

—“Data Analytics Adopters Brave Obstacles,” CFO, March, 2017

New technology such as advanced and predictive analytics and cognitive computing can increase the efficiency of traditional finance functions and reduce the amount of manual activity needed, so that finance professionals can spend more time on value-added analysis and focus on business strategy.

It's important to note that finance also has an important role in sharing the benefits of analytics with other areas of the business. Indeed, at most companies, “finance is clearly the function responsible for driving analytics into disparate parts of the organization, such as sales and marketing, operations, and customer service.”²

CFOs recognize the importance of embracing new technologies:

- 89% of finance leaders have a vision for using digital technologies to reinvent the finance function.³
- CEOs say finance is one of the top-five investment areas for cognitive computing.⁴

- 72% of survey respondents said that finance should “substantially increase its use of data analytics to support decision making.”⁵

However, in spite of this near consensus on the value of new technologies, many CFOs acknowledge substantial gaps between the importance of various capabilities and the effectiveness of their organizations in using those capabilities.

For example:

- 75% of CFOs surveyed said that driving integration of information across the enterprise is important. Yet only 47% believed they were effective at it.¹
- Only 14% of CFOs report that their finance functions are technologically “optimized,” with systems enabling data-driven decisions.⁶

Shortfall: CFOs worry that their teams aren't ready to weather the disruption



Figure 1. Many organizations face a significant gap between the importance of analytics capabilities and their effectiveness in delivering them.¹

How can you prepare your organization for unpredictable, disruptive economic trends and provide the analytic tools that today's business environment demands? How can you increase efficiency and steer business performance more effectively?

Here are four issues that are holding back many finance organizations and possible solutions.

What's holding you back? Common obstacles and how to overcome them

Problem 1

You rely too much on spreadsheets.

Spreadsheets are a popular tool with finance and business professionals. But although they're useful for individual analysis, they have major shortcomings when it comes to large-scale planning, budgeting, and forecasting and manipulating large data sets.

Version control is one major challenge. While collaboration is essential to good planning, emailing spreadsheets back and forth almost guarantees that errors will be introduced. Historically, 88% of spreadsheets have been found to contain some type of error, leading to unreliable plans and conflicting versions of the truth.⁷ Many management meetings have spent more time debating whose numbers are correct than deciding what course of action is best.

Manual work can add hours or even days of additional work, leading to unnecessarily long planning cycles. In fact, many finance and operations teams spend as much as 60–70 percent of their time on data collection and validation instead of on value-added analysis to support the business.⁸

Recommendations:

- Automate routine processes in order to minimize errors and increase the timeliness and reliability of plans, budgets, and forecasts.
- Use automation and built-in workflows to enable better collaboration across departments and geographies in real time.
- Adopt a complete planning and analytics solution capable of providing a single version of truth.
- Reduce the time spent on data collection and validation, and devote more time to value-added analysis.

Problem 2

You lack adequate insight into what's driving your business.

“Many finance chiefs find themselves data-rich and information-poor, with relevant information residing in disparate systems.”⁹ Sound familiar? It probably does, whether you're in finance, operations, or almost any area of the business. When business drivers aren't modeled consistently across the organization, the result is an inability to gain strong insights into business drivers and the critical connections between operational and financial data.

Siloed planning processes, characterized by a lack of collaboration and established workflows, can lead to a disconnect between financial and operational plans. There's an inability to drill down to determine the root causes of problems or to understand the full story behind the data.

Recommendations:

- Coordinate planning across business functions to show how changes ripple through the organization, e.g. how sales affects production, production affects headcount, headcount affects HR training budgets, etc.
- Incorporate multi-dimensional analysis of financial and operational data to uncover insights into the drivers of revenue, profit, and cash flow.
- Include non-financial data in your financial planning and analysis (FP&A) process to identify the underlying business and operational factors behind the numbers on the balance sheet.

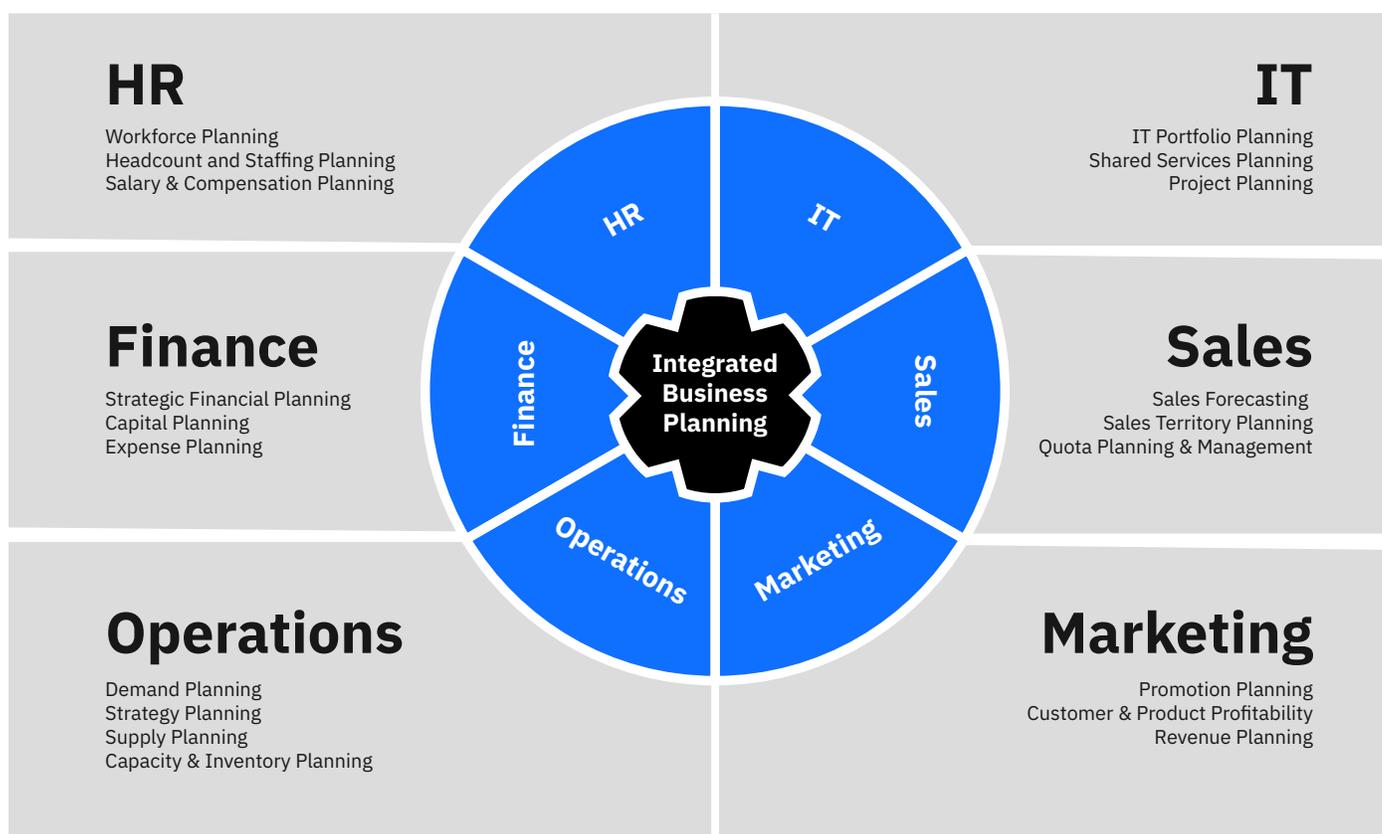


Figure 2. Planning occurs in every business function—not just Finance. Integrating business plans across the organization increases agility and drives faster, more informed decisions.

Problem 3

Your forecasts are based more on “gut instinct” than on concrete data.

Experience and “gut instinct” will always have a place in decision making. But when the stakes are high, you want that hard-won instinct and experience to be informed by as much concrete data as possible. Just as “fortune favors the prepared mind” in science, good fortune in business favors the well-informed decision-maker.

Today, many decision-makers rely too much upon disconnected spreadsheets and simple extrapolation forecasting

methods and rules of thumb. The decision-making process suffers from a lack of integration with modern business intelligence (BI) and predictive analytics tools. Forecast accuracy suffers, and with it, the ability to anticipate market trends and take action with confidence.

Recommendations:

- Incorporate predictive demand planning directly into the planning process to improve forecast accuracy.
- Adopt BI and predictive analytical tools that use advanced statistical modeling and predictive algorithms based on large, historical datasets to create more reliable forecasts.
- Use multidimensional “what-if” scenario modeling to test assumptions, understand root causes and compare alternative courses of action.

Problem 4

You can't react quickly enough to rapidly changing business conditions.

Many organizations still rely on an annual budgeting process, even though research and experience have shown that this practice outlived its usefulness long ago.

Annual budgets are fraught with politics and efforts to “game the system.” Modifications aren't quick or easy, so your planning system often can't keep up with changing market conditions and shifting customer demand. Lack of real-time insight into performance metrics leads to reactive instead of proactive decision making.

“I want to equip our company to leverage data to become more predictive and less reactive in managing our business.”

— Randy Harwood, CFO, Graybar Industries¹

Recommendations:

- Institute continuous planning and rolling forecasts so you can adapt readily to market trends and respond appropriately ahead of your competitors.
- Introduce agile planning methods that enable organizations to experiment, fail fast, and develop a culture of innovation.
- Build dynamic, real-time forecasts that are flexible enough to be modified quickly as business needs change.
- Connect operational tactics with financial strategies so you can allocate resources effectively in response to competitive threats and market opportunities.

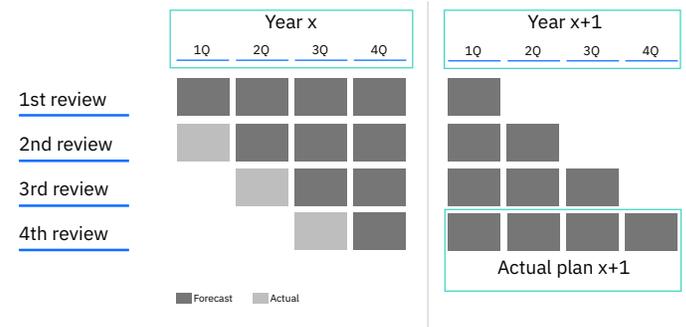


Figure 3. Rolling forecasts enable organizations to adapt to business conditions as they evolve, rather than relying on out-of-date assumptions. This diagram shows a typical 5-quarter rolling forecast.

Redefining what's possible in planning

 Transform finance and business with IBM Planning Analytics

Bring self-service analytics to your entire organization and transform business and finance with a single solution.

 Boost forecasting accuracy with IBM Planning Analytics

Automate your planning, budgeting, forecasting, and analysis processes to drive efficiency and create timely, reliable plans.

 Plan in a familiar interface with IBM Planning Analytics

Take advantage of the familiar Microsoft Excel interface, where needed, while enjoying all the capabilities of a modern planning and analytics solution.

 Examine “what if” scenarios with IBM Planning Analytics

Build multidimensional models and perform “what-if” analysis to explore scenarios or test business assumptions, and immediately see the financial impact of alternative courses of action.

 Perform in-depth analysis with IBM Planning Analytics

Explore and analyze data in real time, create sophisticated scenario models and perform in-depth, multidimensional analysis to assess the impact of initiatives and market events.

How can you put these recommendations into action? With **IBM Planning Analytics**. Deployable on cloud or on premises, IBM Planning Analytics redefines what your organization can accomplish. It automates manual processes for planning, budgeting, forecasting, and reporting. Yet it goes beyond just improving process efficiency by providing the speed, agility and foresight you really need to compete—and succeed—in today’s constantly changing business environment.

IBM Planning Analytics helps you optimize your approach to business decision making. It can help you answer questions such as, “How can I meet my revenue targets and grow market share while keeping costs in line?” “What are my key business drivers, and how are they connected to each other?” “What financial impact will this decision make?” IBM Planning Analytics provides an integrated view of performance so you can create more accurate forecasts, identify potential performance gaps before they occur, and make resource allocation decisions quickly and intelligently. Using multidimensional modeling and scenario analysis, you can drill down into your data to examine the ripple effects of alternative courses of action and understand how your decision will ultimately impact the bottom line.

IBM Planning Analytics offers all areas of your business—finance, operations, HR, sales, marketing, supply chain, and more—the ability to solve problems today and respond to competitive pressures with agility tomorrow.

 IBM Planning Analytics Demo

Watch this 5-minute demo to see how powerful planning capabilities combine with ease-of-use in a visually rich user interface.

Customer stories

“ With Planning Analytics on Cloud, we are delivering timely, accurate insights that decision-makers can trust and put into action—helping STA Travel better identify risks, seize new opportunities and steer successful business performance.”

— Margaux Barradas-Brand, Commercial Finance Analyst, STA Travel

→ Read the full story

“ IBM Analytics solutions are helping us understand the myriad factors that make consumers choose one product over another.”

— Donald Neumann, Demand Manager, Grupo Boticário

→ Read the full story

“ A small improvement in our business can really go a long way. If we reduce our cost of sales by even half a percentage point because we’ve gotten smarter with analytics, it’s going to help us improve our pricing and put the right products in the right stores at the right times.”

— Kevin Kakalow, Director of Retail, Pebble Beach

→ Read the full story

“ We combine human expertise with accurate statistical models—delivering timely, dependable information to support our decision-making processes.”

— André Birrenbach, CIO Rotkäppchen-Mumm Sektkellereien GmbH

→ Read the full story



Next steps

Dive deeper into the solution

Find out how to transform your planning, reporting, and analysis processes to steer your business performance more effectively.

→ Learn more

Learn about the capabilities you need

Read about seven capabilities that finance organizations need to deal successfully with volatility, uncertainty, and risk.

→ Read the paper

Try the interactive demo

Play the role of a financial planner in this quick, hands-on demo of IBM Planning Analytics.

→ Get started

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