UNIT4

In Business for You

8 OUTDATED ATTITUDES THAT ARE PUTTING YOUR ORGANIZATION'S FINANCIAL FUTURE AT RISK

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There's never been a more important time to plan your organization's financial future quickly and accurately. With so much uncertainty around, you need to be able to model the financial implications of what-if scenarios quickly.

But many financial planning and analysis functions are held back by outdated processes, systems and mindsets. They're still acting in pre-Covid ways and need to rapidly re-invent themselves if they're to survive the crisis and thrive in the strange new world which lies beyond it.

Here are our finance experts' summaries of the eight most common mistakes that FP&A functions make and how they can avoid them.

1 – Taking too long to turn data into insight

Is your planning based on historical data that's only updated at month end? Does your organization have different data repositories, formats and reporting cadences across its various divisions? Are you still laboring with inconsistent manual processes?

If your answer to any of these is Yes, then it's probably taking your organization too long to get the insight you need to make a real difference to your business performance at this unpredictable time.

You could speed up time to insight if you had one platform for financial planning and analysis across the whole organization. It would need to have ready-made integrations into all the other major systems you use and it should also feature plenty of AI, automation and visualization to give you actionable insights faster.

2 – Still using a long-interval planning cycle

Remember when you used to have to prepare the financials for a three-year strategic plan...? Then came the era of the annual planning cycle, or quarterly if you were a public company. Now, in these unprecedented economic conditions, even a monthly planning cycle could leave you with wildly inaccurate forecasts.

Good practice has for some time been moving towards a daily planning cycle, or continuous planning as some call it. Having the capability to work with much closer planning horizons is going to be critical to survival in the coming months.

As one of our customers, Dominic Easton, Head of Finance at GoCompare said, "We rely on customer data insight to make good business and planning decisions daily." Every FP&A leader needs to develop a similar capability in their own organization.

3 – Putting up with manual processes

Many organizations are still trying to manage with manual financial processes. Managing processes such as cash allocation by hand not only slows down financial operations, but it also means analysts and planners have to wait for the data they need. Digitizing financial processes can have a revolutionary impact on cash flow and labor costs as well as improving the accuracy and timeliness of financial forecasts.

Far-sighted organizations have already automated the importing, reformatting, mapping, consolidation and reconciliation of operational and financial data. They have freed their analysts from these routine tasks that a machine can do faster and more accurately, leaving them more time to do what they do best – plan for the future.

4 – Sticking with Excel just because you know it

Most of us are creatures of habit and we don't like change, especially if we're under pressure. We haven't got time to think about doing something differently. We gravitate to what's familiar, reaching for the tools we've always used, even if we know they're no longer the best.

This is the psychological reason why so many financial analysts still use Excel as their main tool. They know it's got its limitations. But they know it – inside out. It's just too much effort to think about changing to something else, even something better.

They're also not sure they have the time or the skills to evaluate which alternative business intelligence and analytics tools to choose. And they're concerned that it might take time to get up to speed on the new tool. But there are systems on the market now that are extremely simple and intuitive to use, so this really is an unfounded concern.

5 – Using too many tools

At the other end of the scale, some organizations have ended up with too many tools. It's not uncommon for a large organization to have its main enterprise financial system, integrated with operational and HR systems, a BI tool and some sort of data wrangling middleware. Excel is still in widespread use for analysis and PowerPoint for presenting the reports.

There are sometimes understandable reasons for such complexity. The organization may have grown through acquisition, be highly diversified or operate in niche sectors of industry which call for specialist software.

Whatever the reasons, the results are the same. Having lots of systems slows analysis down, introduces errors and increases costs to both the IT department (in integration, licensing and management of multiple software tools) and to the financial planning and analysis function itself.

6 – Relying only on human intelligence

You're intelligent – you wouldn't be where you are if you weren't. But have you accepted that, although not necessarily 'more' intelligent, artificial intelligence is certainly faster?

AI can correlate multiple sources of data (including unstructured data) in real-time and spot patterns in seconds that it would take a person days to notice, if they ever did. AI doesn't replace your ability to think creatively and solve problems, but working in tandem with it is like having a very bright, tireless servant to do all the donkey work.

Using FP&A software with built-in AI will speed up and improve the accuracy of your number crunching and leave you more time for interpretation and strategic thinking.

7 – Clinging to outdated roles

As business functions are digitized, the skillsets required change, and financial planning and analysis is no different.

Today's FP&A function requires people familiar with multi-dimensional analytical technology and practices. People who are skilled at working with large datasets and up to speed on AI-powered analytics tools and in doing so can become a true partner to the business.

Financial analysts no longer simply assemble, summarize and report data, but search for patterns, make connections and predict possible outcomes. They have to understand not just new techniques, like driver-based models and rolling forecasts, but know their way around a fast-moving technological landscape as well.

The job is part data scientist, part business analyst. You can hire some of these skills in, but you should also develop the skills of existing people to achieve a healthy balance.

8 – Thinking now's not the time

Coronavirus is putting great pressure on organizations of all types. You have people working from home, furloughed staff, Government support to claim, and it's very difficult to predict what your revenues and costs may be in the coming months.

You might be forgiven for thinking now is not the time to be considering new financial planning software. You may not feel you have the cash for capital investment and that it wouldn't even be possible to implement a new system because everybody's working from home.

Both of these assumptions are not necessarily true. With the software-as-service model, while there are some up-front fees for configuration, there's no capital purchase – you pay for the service when you start using it. And with today's cloud architectures and homeworking technology, implementation projects can be conducted entirely remotely.

If you'd like to know more about how a single, people-friendly FP&A system that's flexible, intuitive and economical, could help your organization plan through and beyond Corona, take a look at Unit4 FP&A or talk to one of our experts.

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