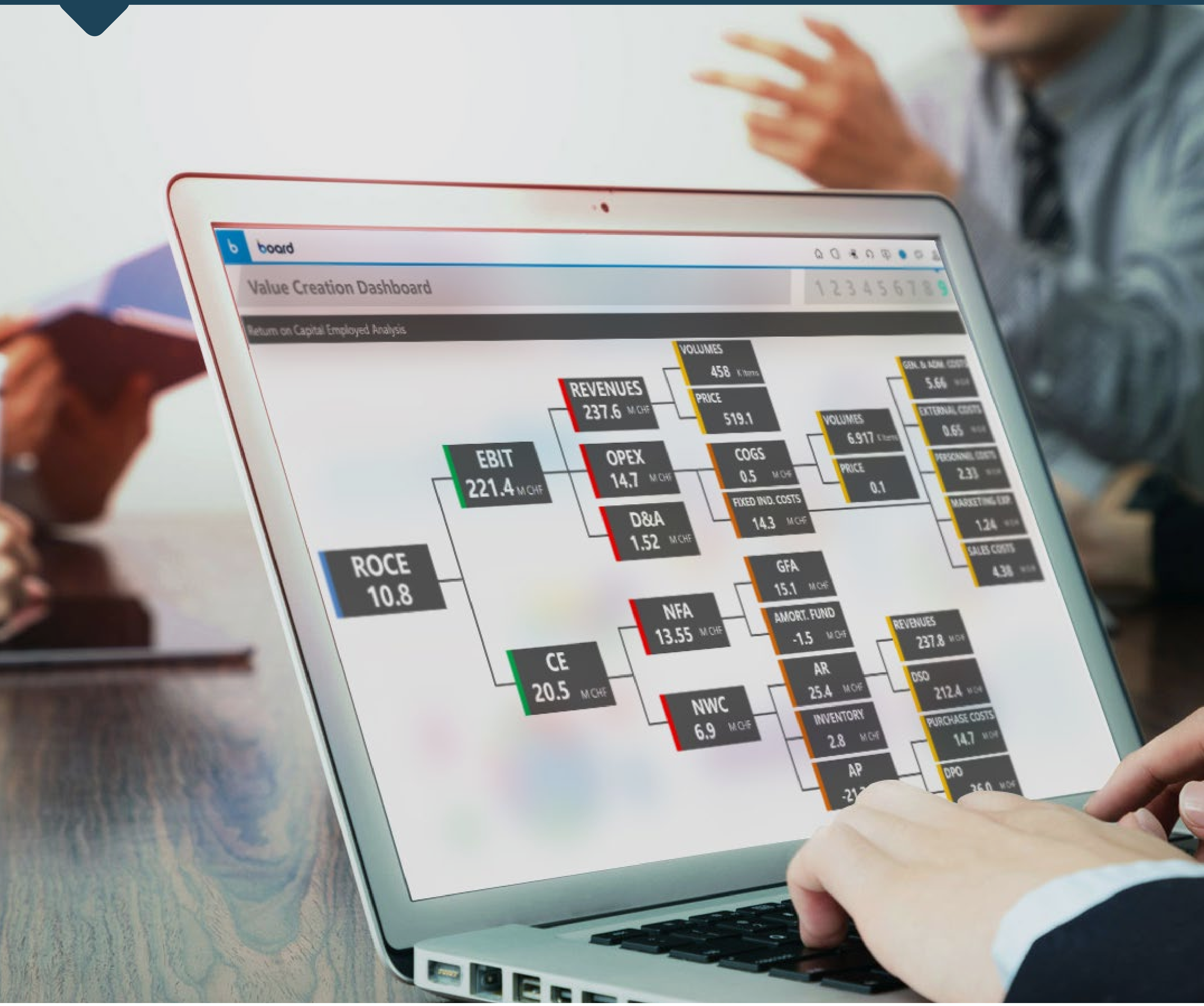
Sparking your business imagination



BUSINESS INTELLIGENCE FOR THE OFFICE OF FINANCE

What CFOs aren’t getting from their business intelligence tools

INTRODUCTION

Today's senior finance executives need to execute their accounting and reporting responsibilities, but of course that's only part of the job. CFOs are also business strategists, which means they must capably manage data as they evaluate and influence business-model changes. CFOs have to accurately assess how those changes will alter their companies' financial futures, and their Boards of Directors rely on them to view the business from an analytical perspective.

Many business intelligence (BI) tools can provide some of the insights that CFOs need, but many also lack the functionalities and business modeling capabilities necessary for finance to **deliver strategic value** to the company. And BI tools conceived for pure data visualization fall short in supporting the CFO's need for **dynamic modeling, planning, and analysis to inform enterprise-level strategic decisions.**

This ebook will outline the challenges that CFOs and their finance departments face in delivering advanced data analytics, show how they can overcome those challenges, and explain the benefits of a **unified approach to business intelligence.** It will cover:

- Why finance shouldn't rely on spreadsheets to overcome the modeling limits of business intelligence solutions
- How typical BI tools aren't conceived to support financial and managerial reporting
- Strengths and weaknesses of the data visualization features of most BI applications
- How automated data normalization and data processing capabilities can help break down organizational silos
- The benefits of BI tools that connect seamlessly to financial planning and reporting functions
- Why CFOs should rely on algorithm-based predictions supported by machine learning

CHALLENGES WITH BUSINESS INTELLIGENCE TOOLS

Spreadsheets are still commonly used in the finance function, and they're useful for a range of tasks. Because of modeling gaps in the capabilities of most business intelligence tools, finance staff will use different tools for driver-based simulation, deployment of different profit-and-loss and balance-sheet schemes, financial reporting, planning, closing, and reconciliation.

To fill the voids, the staff will try to plaster over those activities with spreadsheets. But spreadsheets cause issues when they are put to work

across complex and dynamic processes. The main problems: **spreadsheets provide a static view of data, they're difficult to update and share, and they don't easily incorporate data from either internal or external sources.** They're also difficult to troubleshoot when they're the source of faulty data or calculations, and their inaccuracies can lead to untrustworthy BI analytic findings and models.

Typical business intelligence tools present other challenges for the CFO and the finance team as well. Many are not designed to effectively organize—and reorganize—the data that is common to the finance office. For example, with a typical BI application, it's very difficult to create different P&L schemas (such as IFRS, local GAAP, or managerial schemas) with different timelines (monthly, quarterly, half-year, trailing-12-months, or year-to-date) while ensuring the capability to drill down by product, geographies, channels, or any other relevant dimension. Furthermore, **many business intelligence applications do not provide drill-through capabilities** for directly accessing data at the transactional systems level to understand how the data originated.

Data visualization is a valued, user-friendly feature of many BI tools, conveying analysis through views that are more easily understood and therefore more actionable, even for people without advanced programming or analytics expertise. But in most cases, the BI data visualization tools don't effectively integrate multiple general ledgers, different legal entities within the group, and cross-company data into a single unified view. **To be really effective, data visualization capabilities have to be provided as part of a larger platform, capable of integrating planning, closing, consolidation, and cost allocation (profitability analysis) processes.**

Data visualization tools cannot properly manage consolidation, driver-based allocation, and conversion processes, which doesn't allow the office of finance to properly determine and analyze profitability across product lines, sales channels, customer pools, geographies, and markets.

Another difficulty with many business intelligence tools is that they are typically not integrated with the planning process of the CFO and the finance office. The disconnect between actual results and the planning and simulation phase makes it hard for the CFO to provide a **forward-looking perspective in addition to rear-mirror business reporting.**

Furthermore, the CFO should address the company's business according to the strategy, **cascading goals across the organization and implementing a proper performance monitoring, measurement, and controlling process.** But the disconnect between most BI tools and planning applications is a significant drawback. Similarly, most planning applications are narrow in scope, and don't incorporate the **advanced analytics and visualization feature**s that make BI tools so attractive to finance.

DATA VISUALIZATION TOOLS **CANNOT PROPERLY MANAGE** CONSOLIDATION, DRIVER-BASED ALLOCATION, AND CONVERSION PROCESSES.

CAPABILITIES THE CFO NEEDS BEYOND FINANCE AND REPORTING

The CFO and the finance team need tools that mirror the organization's business model and simulate the impact of specific actions. These tools should support a strong connection between the operations and finance functions of the company.

It's important that the CFO works with applications that can extract data from multiple sources and automatically normalize that data. Normalizing means establishing a common set of criteria so that different departments aren't working with different values, and data can be seamlessly navigated

and explored across different departments, geographies, and legal entities. When CFOs work with tools that can **establish a single version of the truth across finance and operations** — and that can establish reliable data — they become **better strategic partners to the business.**

To break down silos within a company, CFOs not only need a reliable and holistic view of the data, but they must also open up connections between the different planning processes across the organization.

With the right technology, **finance and reporting functions can connect seamlessly into the simulation and modeling processes, and BI can connect seamlessly into planning.** That connection augments the analytical strengths of business intelligence with the strengths of planning and vice versa, aligning and engaging people throughout the organization and drawing on their collective knowledge through **better collaboration.**

Business intelligence tools should also go beyond looking at the past, with an embedded ability to suggest a hypothesis for the future based on past analysis and trends. When simulation, planning, and algorithmic capabilities are connected seamlessly with finance functions, a CFO can **easily move from backward-looking reporting to forward-looking predictive analyses that leverage a unique, consistent set of data.**

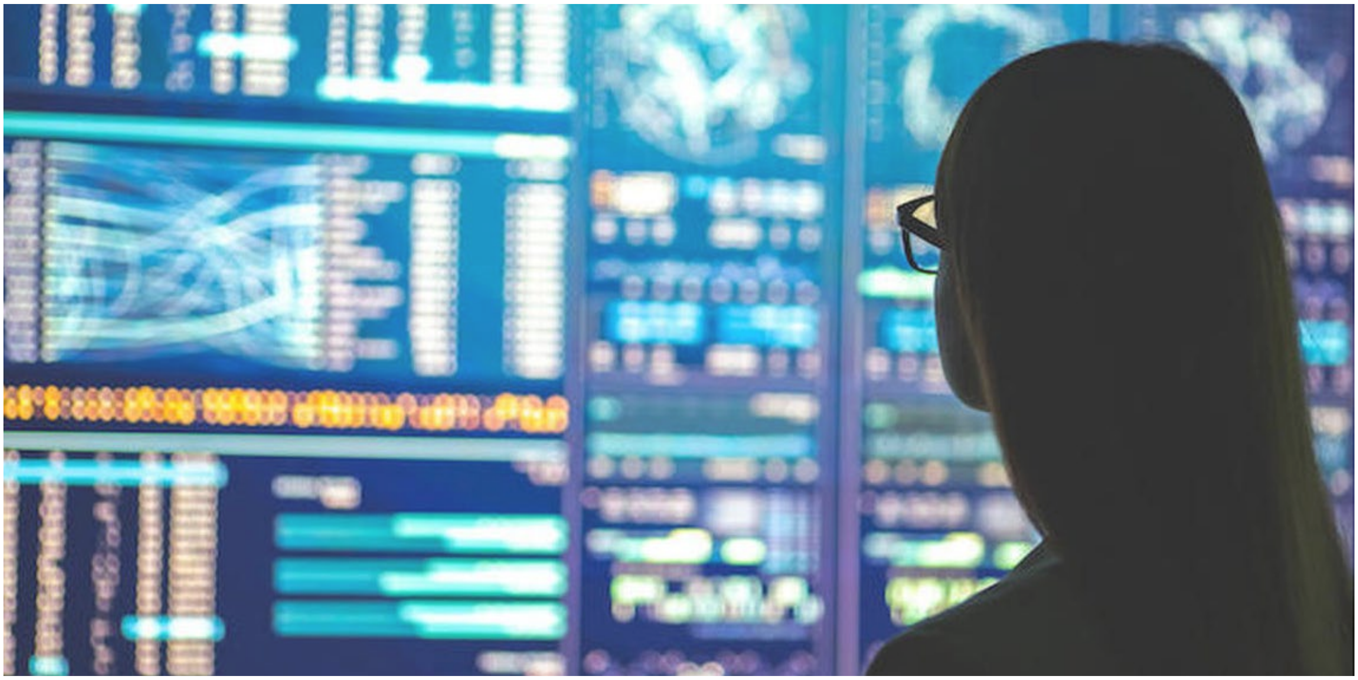
WHEN CFOs WORK WITH TOOLS THAT CAN ESTABLISH A SINGLE VERSION OF THE TRUTH ACROSS FINANCE AND OPERATIONS — **AND THAT CAN ESTABLISH RELIABLE DATA** — THEY BECOME BETTER STRATEGIC PARTNERS TO THE BUSINESS.

The same set of data should then be leveraged to deliver all the different types of reporting requested from the office of finance: statutory, such as IFRS and local GAAP; managerial; and external, such as XBRL disclosures. That is a capability that only platforms specifically conceived for the office of finance can offer.

The big picture described above entails a core capability for finance-oriented BI application: **data entry.**

Without data entry, not only would any simulation and planning activity be impossible, but the solution wouldn't be flexible enough to support the Office of Finance's daily routine.

In fact, **data-entry capability enables finance staff to manually adjust data in a validated and tracked manner,** providing an answer for the contingent issues that may affect the quality and consistency of the data utilized for planning and analysis. The capability covers adjustments to data that are usually requested to make like-for-like analysis possible in an everchanging business environment, for example. The benefits can also be seen in other cases where a temporary situation (e.g. the acquisition of a new company with systems which are not yet integrated with the group) or changes to the organization, product lines, or territory structure create information discrepancies that make data processing/manipulation a key step to significant analysis and reporting.



BENEFITS AND LOOKING AHEAD

Moving beyond traditional tools, selected finance decision-making platforms can now seamlessly integrate planning processes, consolidate dynamic reporting data, and create financial disclosure and managerial reports that are free from consolidation slowdowns and errors. But that's just the beginning.

Advanced data realization tools give the CFO and the finance office **more time to focus on strategy.** CFOs, with these advanced tools, are spending less time on gathering and normalizing data from their colleagues in operations.

Business intelligence capabilities of the CFO and the finance office are increasingly positioning finance as a **business partner with operations.** They are also positioning finance as a key driver of enterprise **performance management initiatives** throughout the company.

As a business partner, the CFO is called on to not only manage accounting and financial issues but also to advise different parts of the organization. The CFO is asked to present the strategic view, to give advice to the chief operations officer and others in the C suite, and to provide the insights and data to operations managers that will help them do their jobs better.

Forecasting and other predictive activity from the CFO and the finance team should be increasingly influenced by algorithm-based suggestions supported by AI and machine learning, rather than personal experience, because **personal experience is limited and biased.**

Some advanced BI applications — those that are seamlessly connected to planning, reporting, and other finance functions — have proved that their predictions are **more accurate than human predictions.** These select BI tools can **automatically collect data,** including transactional system data, and then feed that data to competing algorithms. Through machine learning applied to historical data and outcomes, the BI application then selects the best algorithm for the particular predictive task ordered by the user. These capabilities can be applied to sales projections, for example, or to supply chain planning.

Another advantage of algorithm-based, machine-learning-supported forecasts and analysis is that they remove human emotions and bias from the equation. **CFOs can have more confidence in the accuracy and soundness of these conclusions,** especially when the stakes are high.

ADVANCED DATA REALIZATION TOOLS GIVE THE CFO AND THE FINANCE OFFICE MORE TIME TO FOCUS ON STRATEGY.

CONCLUSION

Senior finance executives need to embrace their role as a strategic business partner, which means embracing the data and technology that offer insights into the company's current state and strategic direction. Advanced visualization tools make the insights understandable and easier to put into action, even for people without advanced analytical expertise.

To deliver value, CFOs need to break away from the spreadsheets and silos that prevent them from viewing critical data and reorganizing that data across different dimensions. They need to demand **advanced BI tools** that have **unified capabilities.** A BI tool that is integrated with planning capabilities and transactional systems can deliver strategic planning, financial planning, corporate performance management, and supply chain planning insights.

The transformation to a consolidated finance platform **streamlines reporting processes.** This transformation also **frees up the CFO and the finance office to analyze internal and external data,** and then provide a clear vision of how changes in the business will impact the bottom line.

ABOUT THE SPONSOR

Board is the #1 decision-making platform. Founded in 1994, Board enables people to have a transformative impact on their business, helping them to intuitively play and create with data in a flexible, all-in-one decision-making platform.

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