

In this age of multimillion dollar ERP implementations, why is it that access to quality information is still the biggest challenge for analysts and managers in so many companies, regardless of their size? Quite simply, they lack the right knowledge—the “whys” behind what occurred -- combined with the right analytical tools. It’s a powerful combination that can help set in motion remedies for problems and plans for leveraging opportunities.

Analyzing the Past to Anticipate the Future

Ask just about any CFO today about how well his or her ERP system is meeting business needs, and you’re likely to get a negative reaction. For most CFOs, the purchase of an ERP supposedly meant the end to all of their problems. They’ve invested a lot of money in systems they believed would provide a long-term solution to managing financial information, but the solutions generally have fallen short of their expectations.

- Most transactional systems do a great job of tracking and storing historical information, which is what they were designed to do.
- Unfortunately, they fall short when it comes to organizing information in a way that allows people to understand why specific business events occurred, and they lack the ability to help CFOs and their staffs anticipate the future.
- In addition, few allow for easy web delivery of information, publishing, analysis, CRM or other adjunct capabilities associated with business intelligence (BI).
- That’s where BI, and financial analytics specifically, comes into play. By incorporating a solid BI solution with the information already in place, financial analytics can deliver information in a much more concise way, taking what has happened and incorporating what lies ahead.
- BI systems have evolved to the point that they now allow drill-through capabilities, enabling users to see detailed information about transactions. For example, if a company experienced a financial glitch in the month of September, a financial analytics solution can identify the source of the problem, whether it resulted from a bad forecast or some other market occurrence.
- Implementing a financial analytics solution on top of an ERP simply allows organizations to gather information more effectively so that they can streamline their profits, creating more accurate and detailed financial projections than were possible with a standalone ERP.
- Financial analytics solutions can bridge the gap between information that comes out of an ERP, pulling it into a forecasting system and taking the information to a new level by incorporating business rules, assumptions and drivers and presenting it in an organized way.

Lack of a Centralized Transaction System

While most financial systems in place today are set up to handle the vital business process of “hard copy” reporting, the multitude of reporting systems used within individual companies can inadvertently create a “Tower of Babel” in which it is difficult or impossible to share financial information. Over the years, companies have allowed different units and divisions to install general ledger systems based on individual departmental needs. While an ERP brings transactions under a single umbrella, it does not allow these businesses to analyze their data.

In addition, as CFO’s know, one of the biggest challenges associated with using multiple financial reporting systems is the considerable expense of maintaining all of those systems to support statutory accounting standards, while still meeting local statutory and tax reporting standards. It is also difficult—and costly—to integrate disparate reporting systems in different locations.

Making Financial Employees More Efficient

To gain additional value from enterprise financial reporting systems, CFOs are wise to move beyond the “spreadsheet mentality” and deploy BI-based analytical tools that offer insight into profitability and improved decision-making. At too many companies, monthly reporting is still a merry-go-round of different people gathering spreadsheets from disparate reporting systems. This approach considerably hinders employees’ ability to work efficiently because it requires hundreds of man-hours to pull information from a variety of spreadsheets that were never designed to store data in the first place. Instead, an integrated financial analytic solution can provide financial employees with forecasting and analysis systems that allow for the storage of several sets of data without having to rely on multiple workbooks that may or may not be linked.

By contrast, financial analytics systems allow for multiple users to access financial information and incorporate standardized controls and definitions from which all users can draw. Because these systems are based on a single data warehouse, all users can make financial calculations and projections based on a single set of data. Not only does this make them more efficient as individuals, it improves the accuracy of their financial reports considerably.

Analytic Benefits Make Good Business Sense

The ability to intelligently analyze financial reports can produce a wide range of business benefits. In fact, the level of insight these systems produce often surprises CFOs, other executives and managers. Some of the key benefits include:

- *A new scorecard:* Good financial analytic systems allow companies to measure unit performances across the organization using a common view, providing a “level playing field” for all business units. This type of collaborative solution can include all front-line decision-makers within the company and helps management consistently communicate refinements and changes in business strategy. It also allows the company to communicate and distribute its common business rules throughout the organization.
- *A new view:* Analytic systems provide the ability to look at data in different ways -- by cost centre, production line, and individual customer profitability -- for example. This capability helps financial decision-makers across the organization to target and reach the company’s strategic business goals.
- *The ability to slice and dice:* Companies can dissect their financial data in different ways, leading to the discovery of new opportunities for business improvement. For example, using an analytic solution, a company could break down its geographical units by cost centre, product line and even individual customer, and then examine that data to reveal new business opportunities.
- *Greater business insight:* Analytic systems provide the ability to drill down into financial data to provide a new level of insight into financial trends, enabling real time and interactive analysis of planning information.
- *Improved customer satisfaction:* Integrated financial reporting allows faster monthly bookkeeping closes, meaning that the organization can more quickly react to changes in business conditions. This can dramatically improve customer responsiveness and profitability. For example, an integrated analytic system can allow a company to move its monthly closes from the 15th of the following month to the 10th or the 5th. This creates a better informed, more agile business that can more quickly react to changes in sales, profits, inventories, pricing and other issues.
- *Virtual closings:* Companies can also use integrated analytic systems to support “virtual” closings. For example, instead of waiting for monthly financial closings, robust systems can support weekly or daily “virtual” closes that provide quick financial snapshots of the business.
- *Better decision-making:* Analytic financial systems allow a company to establish key performance metrics instead of just using traditional income and expense statements. For example, our company, rapidEffect, worked with Forbes Marshall, to create a metrics-based financial planning system. The idea was to create a series of pre-defined indicators that would help key decision-makers within Forbes Marshall better understand its operations and make more informed business decisions. The company’s analytic systems now report on these indicators on a regular basis.
- *Getting the profitability picture:* Together, all of these benefits allow companies to better understand the profitability of individual parts of the business, such as manufacturing plants and product lines. In other words, companies can quickly find the “winners and losers” within their operations and act accordingly.
- *More bang for the buck:* Analytic systems projects are typically enhancements to enterprise systems and as such, can be relatively inexpensive to implement because they often use the company’s existing hardware and software systems.