7 data trends for 2022

Operational + financial data in one place

Phocas.

Introduction

It's been another seismic year for business change.

Many workers now call the home office the permanent office or others have taken part in 'The Great Resignation' choosing to seek more flexible employment. The need to act swiftly to solve problems continues, as does the ability to consolidate operational and financial data in one place. Decision-making is better when a companywide approach is taken and people need access to accurate data from anywhere. We are delving deeper into analysis using all our data so we can measure new metrics about important matters like our people's wellbeing. We are all more familiar with online tools for selling and shopping – so we need to structure the data generated from every channel to anticipate customer behaviour and provide exceptional experiences.

We'd like to thank our customers, partners and in-house experts for compiling the trends and wish everyone a great year ahead.

1 Finance at the centre of new operating models

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Finance at the centre of new operating models

To build value and provide products and services at a competitive cost, business leaders need to commit to new operating models.

These models are a new way of running a business that combine digital technologies and operations capabilities to sustain higher levels of speed, collaboration, efficiency, flexibility and cross-functional participation.

Designing these next-generation operating models have become to a large extent the responsibility of the finance team as the need to include financial data is paramount to their success.

Companies need to shift from running uncoordinated data efforts within silos to launching an integrated data program that reflects the needs of all people across the business so all specialists (from sales to finance) can access information from the cloud from hybrid work environments, budget and forecast collectively with secure workflows and have the ability to communicate remotely about customer issues or supply chain delays.

The new operating model is not piecemeal per department rather it needs to be companywide. Businesses need full data sets that can be sliced and diced by any department to make decisions and see results faster and more accurately.

2 New metrics: going deeper with analysis

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New metrics – going deeper with analysis

While some traditional business KPIs are necessary, companies that can combine operational and financial data can extend their analysis to be more in tune with current working environments.

These extended data streams in sophisticated data analytics and planning tools enable people to better understand key drivers of their business so they can direct business strategy and make better decisions based on deeper insight.

An exceptional employee experience is inextricably linked with a great customer experience. In 2022 organizations need to emphasize not only employee acquisition and retention but also measure and track variable headcount compensation models, human capital value add and annual leave balances. Dashboards of these metrics will make it easy to monitor and see trends. These new metrics will help retain talent, understand people’s contributions, build happier workplaces while positively impacting the customer experience.

3 More extended planning and analysis, please

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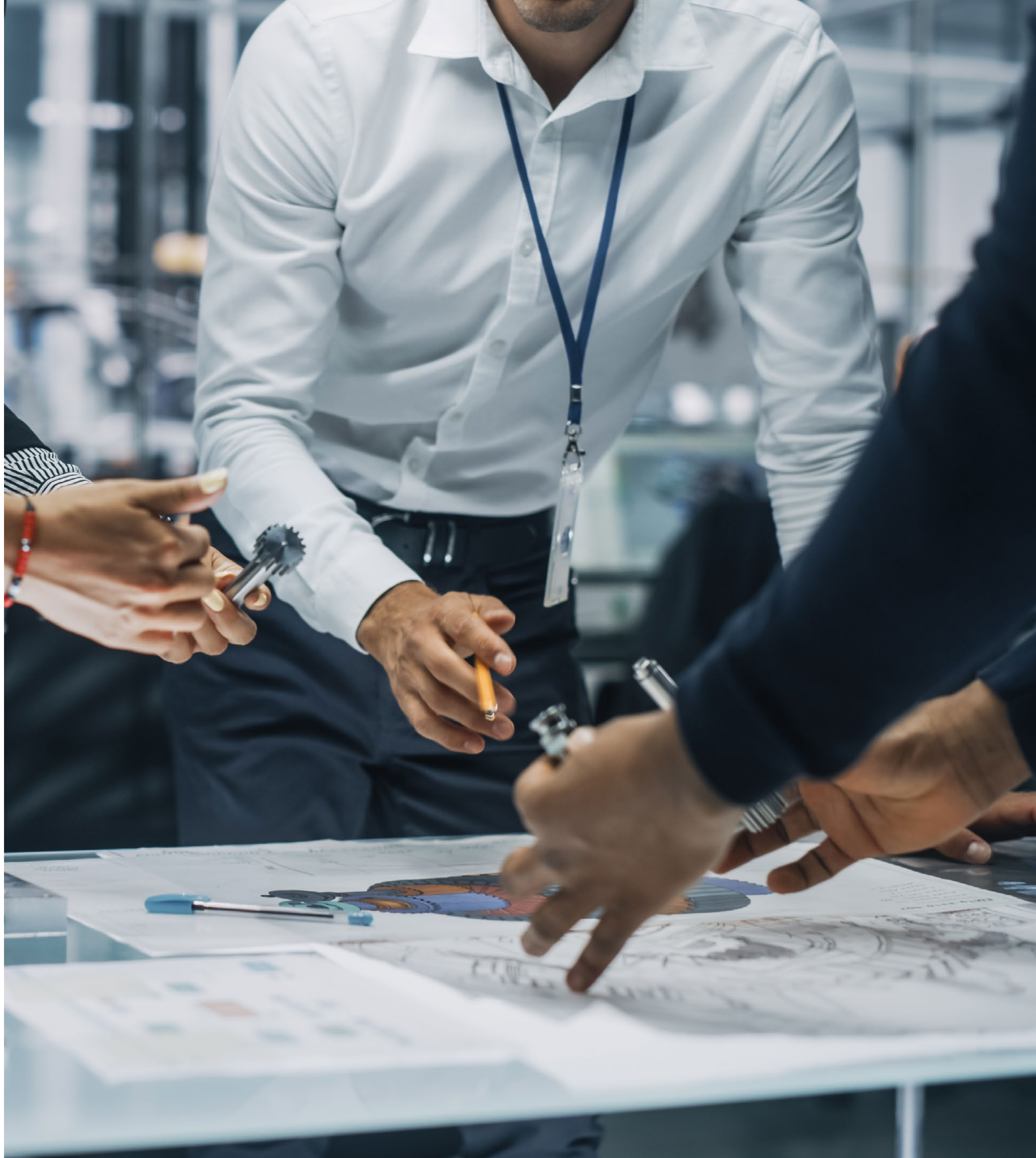
More extended planning and analysis (xP&A) please

xP&A stands for extended planning and analysis and the trend for business people is to do more of both – the planning and the analysis.

Leading companies are bridging the gap between operational and financial planning so they can integrate budgets and forecasts across all parts of the business.



Budgeting and forecasting need to be more regular and more disciplined which is achievable with purpose-built software.

X = collaboration

New budgeting and forecasting tools built on a BI platform can collect and store data from all parts of the business allowing budgeting to be repeatable and built-in workflows foster secure collaboration.

It's not enough just to forecast inventory, a business needs to look at all the data and how inventory levels interrelate to sales and if a sector is not performing, companies need to act immediately. This analysis works both ways and where you have high performing areas, consider what can you do to be a facilitator of success.

When a business can link financial forecasts and planning into operational planning cycles business people can get faster insights that are more forward thinking.

Why xP&A?

Combining best in class financial functions to operational planning, helps an organization get a holistic view of future performance and possible challenges.

Traditional FP&A reporting and analysis uses financial measures as the only metric for success, but it's a limiting approach since other parts of the business that also contribute to profitability are often segregated and use different metrics. This leaves departments to handle data in their own way further creating data siloes for the finance team to content with. xP&A breaks this barrier and standardizes the process, it innately integrates both.

4 Supply chain KPIs have never been more important

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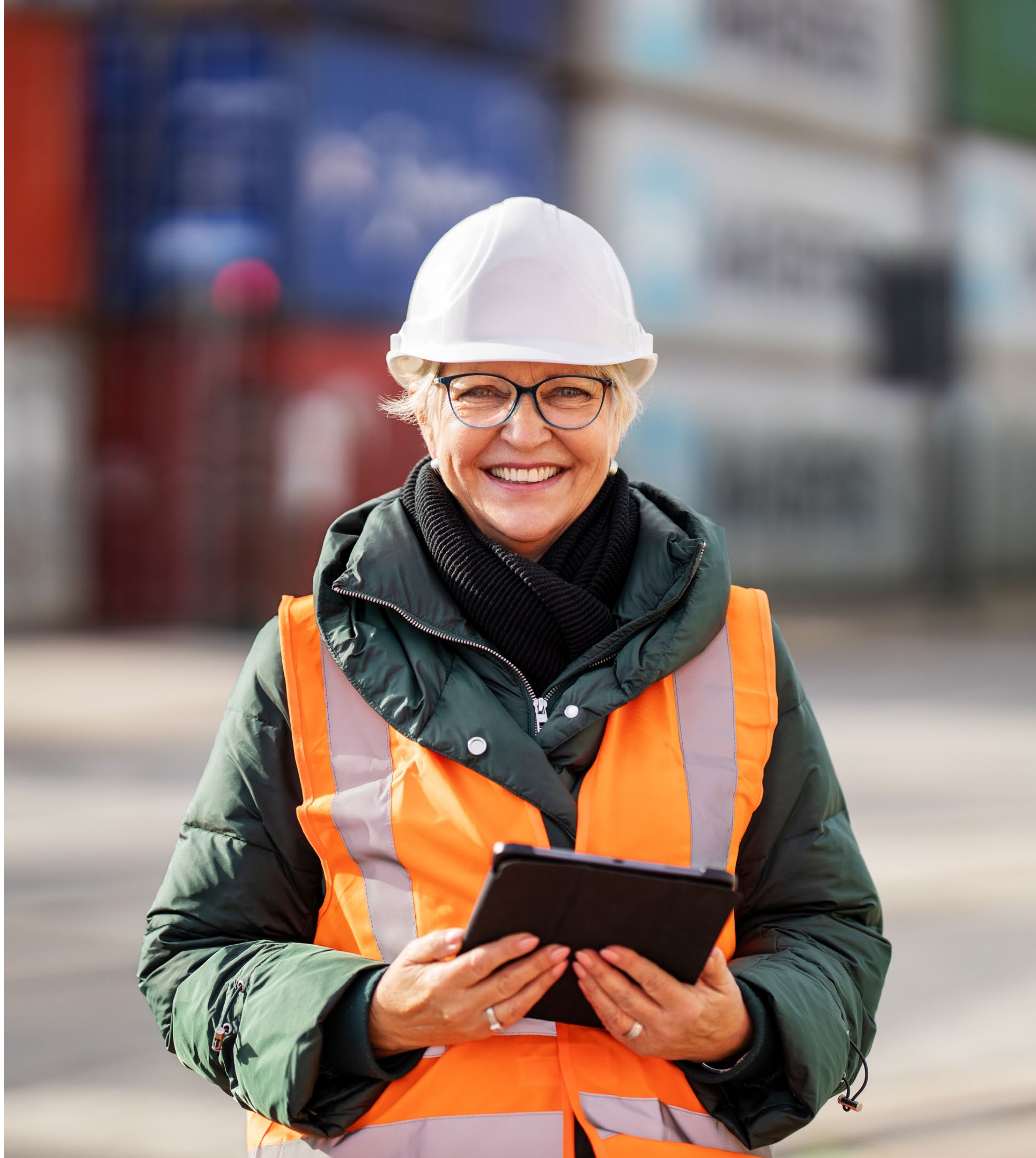
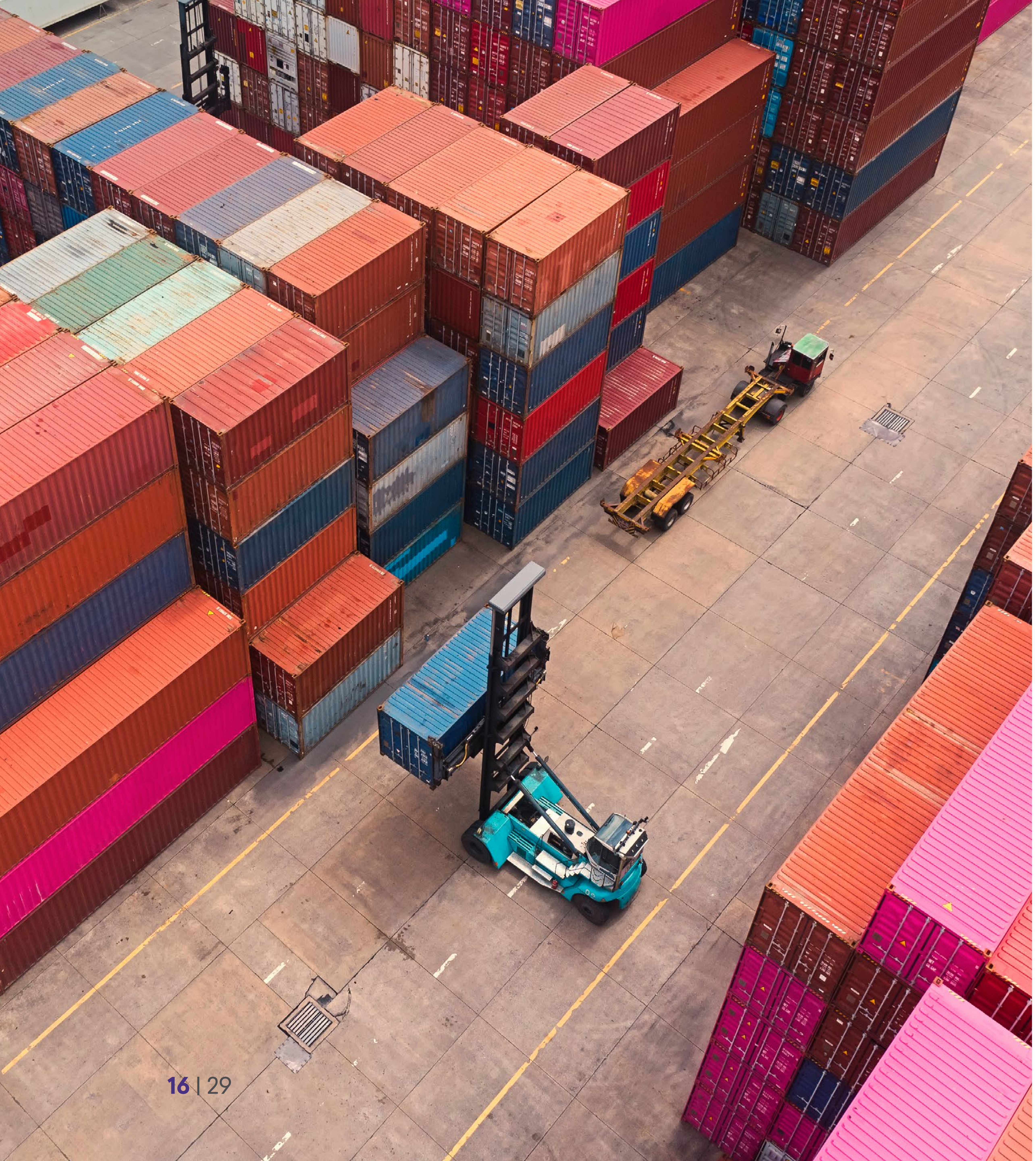
Do you have any resilience in your supply chain?

Supply chain disruption is real and wholesalers and retailers have seen 350% rises in transportation costs, ongoing delays and lost sales in the last couple of years.

↑350%





The need to be on top of your supply chain key performance indicators is critical to maintaining margins and understanding how different suppliers are performing.

In highly unionised businesses companies are opting for a blend of internal and external supply contracts so that disputes don't cripple the supply chain further and for others, they are actively seeking local suppliers.

Specialised BI tools can be used to make it easier to track the trends in supply chain KPIs such as 'Supplied in full' or 'Delivery in full and on time' making it easier to see and consume the real issues.

5 Post covid bounce back requires a good handle on working capital

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Post-COVID bounce back requires a good handle on working capital

Many businesses will be pivoting from cost-cutting and survival to managing growth as the world comes out of COVID-induced hibernation.

Growth brings with it a set of working capital challenges which, combined with supply chain pressures, will mean monitoring working capital KPIs becomes even more important than normal.

Funding and managing growth is one of the next big challenges for businesses. Spotting emerging adverse trends in working capital ratios such as inventory turn, days inventory outstanding, days debtors and days payable outstanding can provide early warnings of cashflow squeezes ahead.

One of the key challenges is the time and effort required to calculate working capital ratios and the need to identify trends over time in divisions, branches or business units.

Everyone managing business operations needs good visibility of these metrics so they can take the appropriate action to capitalise on the growth opportunities ahead.

Financial analytics tools can be an effective mechanism for the delivery of working capital metrics to key stakeholders such as branch managers. Having access to this information allows them to act quickly and decisively and then monitor the impact of their decisions as they ride the post-Covid growth wave.

6 ESG (Environmental, Social and Governance) reporting is a must-have

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ESG (Environmental, Social and Governance) reporting is a must-have

As the 2022 reporting season comes around, we need to see a rise in the ESG reporting maturity if businesses are going to better address carbon emissions and global warming, work together and lead to real, measurable change.

Companies need to accurately measure operational carbon footprint year on year and have more meaningful conversations internally and externally about where the challenges lie, and what can be learned from missed targets and how to embed these figures into financial statements.

There is not yet a consensus on a global standard for sustainability reporting. There are, however several well-recognized frameworks that support strong reporting. **Global Reporting Initiative** or (GRI) reporting is preferred by many organizations and the **Value Reporting Foundation** which is an amalgamation of some reporting bodies is also proving popular.

For ESG reporting to be an effective driver of change, it needs to be understood as a critical part of the business cycle, that runs from strategy to execution to reporting. Reporting is an important opportunity for companies to reflect on their progress and review and reset sustainability strategies.

7 Driver-based budgeting is the smarter way to forecast

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Driver-based budgeting is the smarter way to forecast

Companywide financial literacy is necessary. So focusing your budget on items that the operational team controls are helping to educate people and get more buy-in of the budget process.

Driver-based forecasting links real resources such as quantity, hours, and activities helping people relate the budget to their specific job goals and objectives.

Driver-based forecasting streamlines the budgeting process and keeps engagement strong throughout the financial year.

This technique outcomes-focused and demonstrates the impact of changes in key assumptions.

Take for example - the number of items produced and the impact on other operational requirements such as production operator hours and supply chain requirements are now visible in your analysis.

This method leads to extended analysis helping identify constraints within the business, enabling operational teams to get ahead of pressing issues such as the recruitment and training of more people, increasing production capacity or securing additional supply chain contracts.

Budgets based on operational inputs provide the added benefit of a more in-depth and useful budget to actual analysis.

This type of budgeting makes it easier for the team to explain the “why?” By referencing the operational inputs—such as the variation in units produced plus financial inputs such as the price paid — these drivers help people understand what happened during the period and reforecast accordingly.

Using purpose-built software that consolidates your financial and operational data into one source for analysis and planning can even make the forecasting process enjoyable. Systems that encourage collaboration and allow the use of formulas to reference key assumptions create a better and more relevant forecast. That both the operations and finance teams use.

Get in touch

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