Future of Planning, Budgeting, Forecasting and Reporting

Data mastery and upskilling talent critical to enable a finance function of the future

Insights from the FSN Modern Finance Forum
Global survey 2022

Phocas.

FSN®
The Modern Finance Forum

Welcome to 2022's *Future of Planning, Budgeting, Forecasting and Reporting Global Survey*.

Phocas sponsors this important Survey for the first time this year as our platform now combines our heritage cloud-based business intelligence and reporting software with specialized financial planning, budgeting and forecasting (PBF) applications.

A clear outtake from the results for me, is that financial transformation projects prevail. It makes sense that during periods of significant global uncertainty, we turn our focus to what we can control. Businesspeople want to understand what happened yesterday, what's happening today and what might happen in tomorrow.

The findings reveal some addressable obstacles that stand in the way of finance teams and their organizations evolving to their desired state by the end of decade.

Firstly, financial transformation projects are notorious for eating up time and money and often fail expectations. As the findings show, the reality is that most businesses don't have the luxury to devote more than three months to any transformation initiatives in a year.

Secondly, CEOs and Boards as well as business partners are demanding more of finance teams. New demands include more internal requests for custom reporting, more frequent planning and reporting cycles and faster turnaround with analysis - all compounded by increasing business complexity, more data and systems and ongoing change. The knock-on effects flow onto IT functions and global process-owners who are shouldering responsibility for improving data quality. It's not surprising that the Survey showed that the skills now most in demand are data science, followed by business partnering and systems accounting.

Thirdly, finance leaders need to be liberated from disconnected spreadsheets and manual processes by introducing advanced and specialized corporate performance management and planning budgeting and forecasting applications, if they are to champion strategic planning and decision making.

At Phocas, we've made it our mission to help everyday businesspeople, feel good about data so they can make better decisions. And we help finance teams govern and foster self-service environments that eliminate the worry of inaccuracy, manual nature and error from business planning and analytics.

We've designed a business planning and analytics platform that accelerates transformation by overcoming these obstacles; minimizing implementation cycles, the need for specialised skillsets while building on existing tech stacks to deliver a central source of truth. But the thing I'm proud about the most is that we've created something people love to use.

I hope the findings from the Survey offer a sense of community and shared insights and inspire you to explore how you can make strides in your financial transformation.

Myles Glashier

Founder and CEO of Phocas Software

Phocas.

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Executive summary

Making better decisions starts with a Business Planning and Analytics platform

The need for speed

The pandemic recovery is neither speedy nor even. Each country, city, community or organization has had to face different challenges in order to return to a position of stability and growth. While it's clearly not possible to prepare for an unprecedented event, those organizations that had invested in modern efficiencies in their finance function fared better during, and now after, the most pressing crisis of a generation.

As the world changed, companies were forced to change with it, and this meant near-constant re-forecasting to provide vital insight to underpin strategic decisions. Under this extreme duress, it became clear that Planning, Budgeting and Forecasting (PBF) and reporting are both vital and underinvested. Now, senior finance executives are urgently trying to speed up and simplify the process in order to survive in a rapidly changing landscape.

At first glance, he market appears to show little progress in the number of organizations taking their PBF transformation seriously, but in fact there is a returning momentum amongst previously paused projects. While the number of companies making significant changes to their PBF processes remains at around 33%, those that have completely transformed them in the last year has almost doubled from 5% to 9%.

This is an encouraging sign of progress, but there remains a large proportion of organizations that have so far failed to make substantial inroads into the transformation of budgeting, planning and forecasting. And unfortunately, the lag between PBF and reporting is causing bottlenecks in the analysis and adjustments, which is delaying decision-making.

33%

of finance functions have made significant changes to their PBF process in the last 3 years

Making time for transformation

Most companies are looking to catch up to competitors who have already transformed, but are unable to apply the required time to carry out the changes. Three quarters of organizations have less than three months available to affect transformation, most of those far less than even that. But perhaps more worrying is the lack of focus on data accuracy. Only 65% of finance executives think data accuracy will need substantial improvement before the end of the decade, far less than the 85% who want it to be speedier.

This belies the results of the Agility in Planning, Budgeting and Forecasting survey 2021 which found that less than half of organizations could forecast within a reasonable range of accuracy.

At least some of that inaccuracy is a result of inefficient processes, and there are substantial inefficiencies in the use of standalone spreadsheets for complex PBF functions. Thankfully the trend continues to be towards more effective methods of budgeting, planning and forecasting, with a groundswell of interest in corporate performance management (CPM)

75%

of finance functions are unable to dedicate more than 3 months to transformation

systems, Best of Breed (BoB) solutions and spreadsheets connected to a centralized database.

The picture is similar in relation to consolidation, with a steady flow towards more efficient and effective methods of financial reporting as the decade progresses, especially ERP systems. However, these shifts are not likely the final nail in the spreadsheet coffin. The pace of change and the ubiquity of this method will continue to have its place, but this gradual shift is an important part of the transformation of PBF and reporting systems.

> "You can see things a lot more frequently and **it is really bringing issues to the forefront**, rather than they may have been missed prior to having Phocas."
>
> **Clint Agee & David Vollenweider**, National Sales Company.

Artificial Intelligence predicted to be the norm by 2030

As organizations make the change to more efficient and effective systems, they will incorporate a far more advanced selection of tools including predictive analytics, artificial intelligence (AI) and machine learning (ML). The desire and vision is definitely there (three quarters believe predictive analytics will be the norm for organizations by 2030), but considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, substantial uptake in predictive analytics will require a major effort of will and resources.

If, and when, they take up the predictive analytics mantle, finance professionals are adamant that it must not be a 'black box' of indecipherable algorithms understood only by systems analysts and data scientists. They want ownership of the systems that they will use for PBF and be able to change and flex them within the function itself.

Right now, the majority of finance executives don't believe software vendors have a compelling enough business case for AI and ML. But if they consider the needs of the finance function of the future, then there may be accelerated uptake as the decade progresses.

With these new technology resources, finance functions can become faster and better at forecasting and planning, but these technologies won't be taking over the finance office on their own. There remains an intense demand for skilled PBF professionals, with the emphasis on skills rather than headcount.

> 73% of finance executives say they will be unable to meet their objectives **without significant specialization and upskilling**

Half recognize that automation of finance processes alone will not liberate enough time to meet their objectives and 45% say that a shortage of finance talent will hold them back.

The wave of AI and ML technology has created new opportunities to add value within the finance function without losing headcount, if they can acquire the necessary skills to draw out the best and most competitive insights.

Transformation leaders extend their lead

For those companies that have already put in the time and resources to transform their PBF processes ("Transformation Leaders"), the rewards are clear. More than half have also transformed their reporting processes, thereby minimizing the insight bottleneck, and they are more likely to consider Corporate Performance Management systems to deliver their PBF process.

> Transformation leaders are four times more likely to be using advanced PBF techniques like **scenario planning, zero-based budgeting and rolling forecasts** than their laggard counterparts.

And speed or ease of use is no longer at the top of their improvement list because these demands have been largely satisfied.

However, transformation leaders have the same issue with accuracy of data as those organizations that have yet to start their transformation journey. It seems the data torrent is a double-edged sword, adding depth of insight but frequently at the cost of manageability.

This year has been another one of transition for many organizations as the post-COVID clean-up continues and proactive strategies replace reactive ones. Planning, budgeting, forecasting, and reporting proved their worth during the crisis, but finance professionals shouldn't be complacent as the threats recede. This essential part of the finance function is ripe for transformation, and companies need to accelerate their efforts if they are to achieve their ambitions by the end of the decade.

> "We had been looking for a **faster & simpler way to budget** to replace Excel. We believe Phocas will help us implement the business methodology, getting more of our team engaged."
>
> **Billy Hart**, Group CFO, HG Group.

Small to mid-size organizations that are evaluating ways to modernize their reporting, budgeting, forecasting, and planning processes, must consider three factors as they prepare for a modernization project; speed, cost and total value to benefit.

As you evaluate your next steps in your journey to modernize your FP&A processes, consider why you are doing it in the first place. If you are like most small to midsize business owners, the lumbering process to get insights from your data keeps you from getting ahead of a situation. Just ask yourself: how easy would it be if your organization needed to measure performance weekly and re-forecast monthly? Could you do it? Accelerating not only the budgeting but reporting and re-forecasting process will help your project get to total value benefits faster. Phocas is a Business Planning and Analytics platform that provides a centralized location for all of your data, your analytics and your modernized financial processes so you can get to better decisions faster.

2

Speed is of the essence as transformation recovers

Acceleration begins by looking at the entire financial process

Speed is of the essence as transformation recovers

Two years on from the start of the COVID-19 pandemic, the corporate backdrop has changed irrevocably. Remote working is embedded in almost every organization; consumer behavior has adapted to accommodate pandemic lockdowns, job market upheaval and rampant inflation; and companies have had to pivot at short notice to keep up with the changing environment. The pressure is on planning, budgeting and forecasting as organizations seek to maintain their grip on a rapidly changing business landscape, and so there is a renewed urgency to speed up reporting and planning processes. There are signs that transformation initiatives held up by the pandemic are recovering, but there is now greater urgency as organizations seek to make up for lost time and power ahead.

Urgently seeking speed

The part of forecasting and financial agility most urgently in need of improvement is speed and ease of use. 86% of senior finance executives urgently need to speed up the process, followed closely by 84% who require 'easy to use' analytical tools.

This urgency has come about because organizations can't plan or execute strategic initiatives without the insight that planning, budgeting and forecasting provides. But the external environment has been changing so rapidly over the last two years that the parameters need to be adjusted frequently, hence the need for speed and agility. Without it, organizations will be depending on out-of-date intelligence and lose any competitive advantage they may have had.

Which aspect of your forecasting and financial reporting agility needs most improvement for the future?

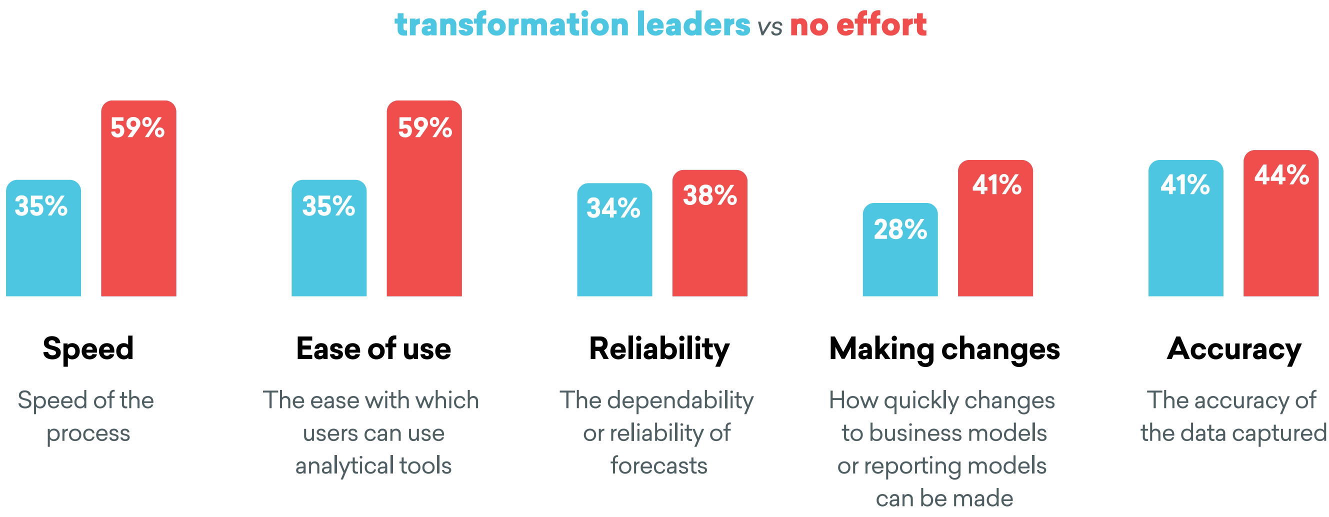


Figure 1: The need for speed takes priority

But while finance executives are scrambling to accelerate the PBF process, financial reporting is holding up decision-making. FSN's 2021 Agility in Financial Reporting & Consolidation survey found that financial reporting was slower and less agile that forecasting, leading to bottlenecks in analysis and adjustments, which delays decision-making.

This is not being addressed with any sense of urgency. The current survey found that finance executives expect forecasting to require the most investment between now and 2030, while statutory reporting languishes at the back of the investment queue.

Transformation is recovering

Across the PBF and reporting processes, there has been little change in transformation momentum since last year. The current survey finds that 33% of finance functions have made significant changes to their PBF process in the last three years and a further 9% have undertaken a complete transformation, reflecting only a slight uptick in transformation numbers from last year. A very similar picture emerges for financial reporting, with 34% making substantial changes, 11% effecting complete transformation and the remainder falling behind even as competitors surge ahead.

Just 9%

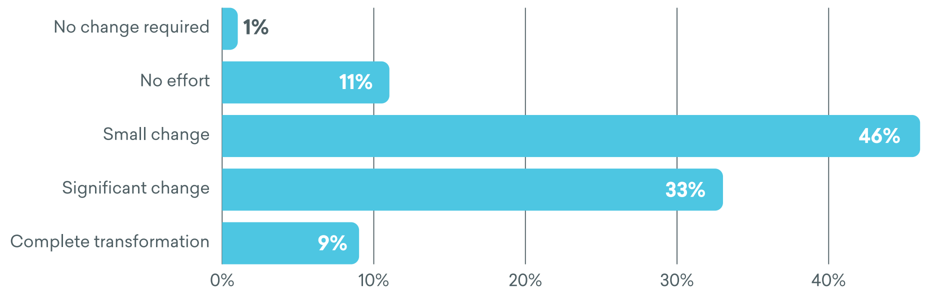
of finance functions have completely transformed their PBF process over the last 3 years

"The thing we love the most with Financial Statements... it has contributed to reducing **month-end down to 4 days** - previously, it was 10 days."

Mitchell Suckling, System Manager, HG Group.

PBF

A third of organizations have managed to make significant changes to the PBF process over the last 3 years



Reporting

A similar picture for Financial Reporting with a third of organizations having made significant change over the last 3 years

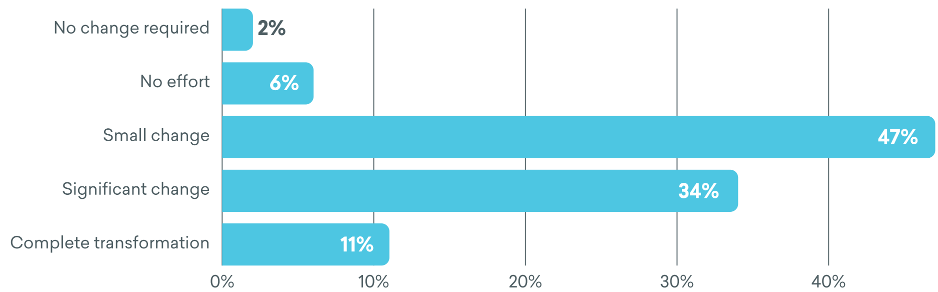


Figure 2: Transformation is recovering

However, the figures are not as discouraging as they might first appear. FSN's 2020 research looking at automation in the finance function found that 41% of projects already underway at the beginning of the pandemic were delayed between one and two years. The current research suggests that the recovery of these projects is well underway and that new projects that were about to commence when COVID struck, are also being resurrected and slowly picking up speed.

Indeed, those that have completely transformed their PBF process in the last year has almost doubled from 5% to 9%. It seems that the few companies that have been fortunate enough to devote resources to transformation have pressed ahead.

The renewed urgency in the post-pandemic environment to speed up and simplify the process of planning, budgeting and forecasting is driven by the need to forecast more frequently to keep up with the social and economic upheaval of an uneven recovery. This is behind the need to accelerate reporting processes. But financial reporting can't keep up, and this is affecting decision-making which is critical to business stability and growth. However, the overall picture shows two thirds of organizations languishing behind. If companies want to achieve their 2030 ambitions, they will have some catching up to do.

If companies want to achieve their 2030 ambitions, they will have some catching up to do

> "We want to grow efficiently without adding too much headcount. So as a business, **we need to scale-up and be more efficient** and find automated ways of doing things."
>
> **Jonathan McCoy**, IT Manager, WD-40.

Organizations are struggling with the daunting task of a complete PBF and reporting transformation. Using outdated spreadsheets and data silos makes creating a comprehensive picture impossible. Even the alluring data lakes often fall short of their transformational promises due to large up-front costs and long time to value, not to mention data security concerns.

Every organization must transform, and Phocas helps organizations do so efficiently and successfully. Phocas removes data silos provides a customized cloud-based data warehouse that caters to any and all use cases. Phocas modernizes the way businesses access all their data by empowering engagement and collaboration across the organization. Gone are the days of needing highly specialized system analysts. This is your data, and with Phocas, you can engage with it.

CASE STUDY

WD-40™ lubricates market growth using Epicor Data Analytics

Phocas offers customers using Epicor ERPs (Prophet 21, E10, Eclipse and iScala) a solution through Epicor Data Analytics (EDA), our white-labeled version. We are excited to share the experience of household name, WD-40™, a much-loved product sold and used in 176 countries.

The WD-40™ HQ team focuses across product, innovation, sales, marketing, and support services such as IT and finance. The "secret concentrate" is distributed to third-party fillers who fulfill the manufacturing, warehousing, and distribution of the product range.

Recently, WD-40™ European Division turned their attention to Epicor Data Analytics. EDA is set to help establish and meet useful metrics to guide Europe, India, Middle East, and Africa's (EIMEA) significant revenue growth as part of WD-40's™ ambitious global targets by 2025.

Bringing data together

Traditionally, WD-40™ ran separate sales, financial, and forecast tools that were time-consuming and clunky to manage. The IT team considered Microsoft Power BI until WD-40™ leaders were brought to meet Phocas — the developers of Epicor Data Analytics — and were impressed...

> "**The ability to immediately connect to our ERP** and act accordingly — not having to develop our own database structure and views — is terrific."

"In EDA, you can bring in sales and financial data and slice and dice in the Grid using measures and dimensions that suit our needs. What we liked about EDA is the long-term potential of having many different functions like sales, marketing, and finance in one data analytics solution."

Measuring meaningful metrics

Part of WD-40's challenge with setting-up their metrics was the need to work across business units and combine sales and financial data. To meet their needs, EDA's database designer tool is used to draw data from both sets of figures.

"We were not interested in just recreating the reports that we got from QlikView in the past — we want data insights to drive our growth," said McCoy. "The outcome of internal strategy discussions was that we're designing director-level reporting, sales manager reporting, and sales reps reporting."

> "We would have to do the reporting manually and then use spreadsheets to manipulate the data. With EDA, **we will finally have a combined view of our entire business across Europe**."

3

Catchup looks challenging

Start planning now to take on a successful transformation project during your window of opportunity

Catchup looks challenging

If organizations are really determined to improve their PBF process, reporting speed and agility, they aren't showing it. 75% of organizations say they are not in a position to take on a transformation project unless it can be accomplished in under three months.

Given their current resources, 37% of organizations say they can spare less than three months to effect a transformation of the PBF or reporting processes. In addition, 23% admitted to only being able to make ad-hoc changes when the opportunity arises, and 14% can only commit to weekly tinkering with their PBF or reporting processes but only to make minor changes and are unable to devote regular time to overhauling their systems or processes. This doesn't bode well for transformation projects that typically require a longer time frame and more intensive transformation actions.

Perhaps more concerning than this lack of time is the lack of regard for accuracy. Only 65% of senior finance executives say the accuracy of data captured requires the most improvement over the next decade, well behind speed and ease of use. FSN's survey last year showed that this is not an aspect of PBF they can be complacent about. The Agility in Planning, Budgeting and Forecasting survey 2021 showed that only 43% of organizations could forecast revenue to with +/-5% accuracy, and only 39% could achieve similar levels of forecasting accuracy for earnings.

75%

of organizations are unable to take on a transformation project unless it can be completed in under 3 months

Given your current resources, how much time is it feasible to devote to finance transformation in a typical year?

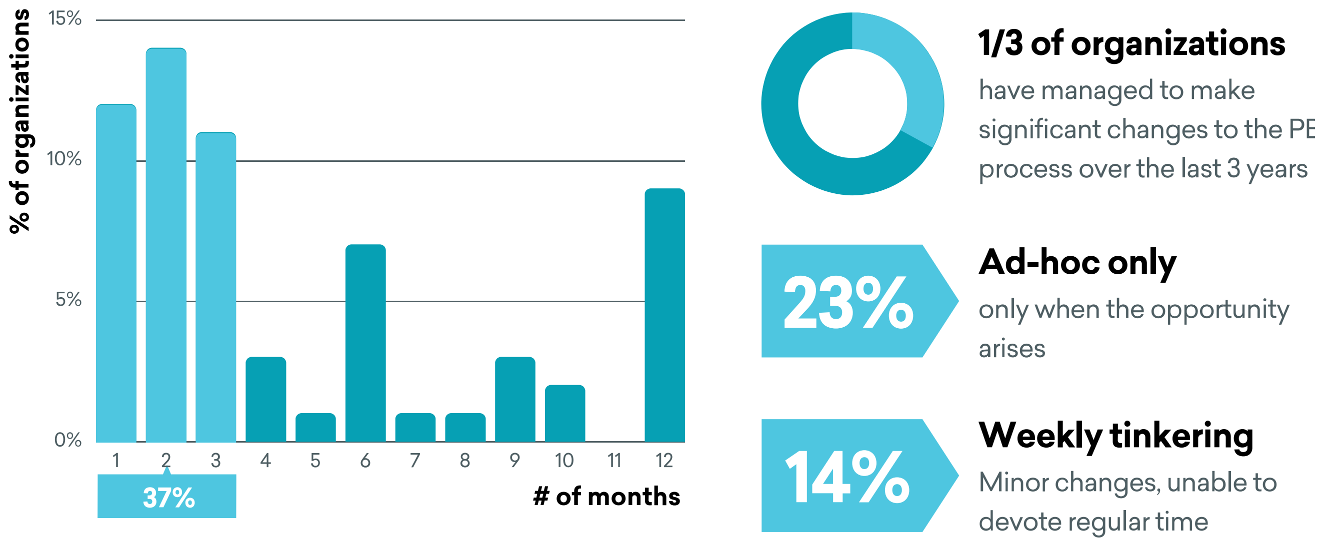


Figure 3: Organizations struggle to make time for transformation

To tackle the concerning problem of data quality and accuracy, many finance executives seem intent on passing the buck to machines or IT owners. 79% wanted to increase automation, and 78% are looking to invest in closer links with the IT function to improve data quality management and skills. Three quarters also want to put in place clearly identified 'process owners' across the enterprise. At the bottom of data quality shopping list is a dedicated role/team for data quality in finance, or even an enterprise-wide team focused on data quality.

If transformation is going to happen across planning, budgeting, forecasting and reporting processes, organizations will need to commit time for it rather than rely on short-term solutions that make no real lasting change. Importantly this needs to include data accuracy, which can't be neglected as it affects every aspect of the insight and decision-making process. Whereas the trend for finance functions has previously been towards independence of data ownership and management, it seems finance executives are increasingly leaning on IT for answers and to ensure their data is accurate and trustworthy.

78%

of organizations are looking to invest in closer links with the IT function to improve data quality management and skills

"In terms of the implementation of Phocas, their support team has been great to work with. Their helpdesk got Phocas up and running efficiently, with a minimum of fuss, and all was completed in a matter of weeks. While most of our reps have been very keen to use Phocas, a few have been a little worried. Phocas makes our sales figures so clear that we can really see where a rep's strengths and weaknesses lie. **Phocas is quickly providing accountability across the different levels of our business**."

Gary Gill, General Manager, SpanSet Australia.

A good business planning and analytics platform provides both data quality and speed.

Phocas helps improve responsiveness and data integrity by connecting directly to your business application and ERP. Phocas provide dynamic self -service access to data to all business users, becoming the single source of truth for consolidated and accurate data.

"I was worried it might drag out to a 9-month implementation – but it was only a matter of a month or so, and it was up and running. **The trust came pretty quickly**, too."

Tom Brett, Deputy Managing Director, Brigade.

Don’t go back.
Get your digital transformation strategy 2.0 ready

Many businesses knew prior to the pandemic that they needed a digital upgrade - now it’s imperative and mid-market managers need to consider data analytics as an essential way to make the transformation to a digital business.

While the need for accurate and timely data has never been greater, there’s been an increase in the reliance on IT to provide reports with accurate and trustworthy data. However, this is not a scalable solution. To compete effectively and profitably in the post-COVID world, businesses will need data to make faster, more informed decisions and data analytics will need to be completely embedded in operations and the culture of the business.

Phocas provides a trusted source of data and enables businesses to develop a strategy focused on data-driven decision-making. When everyone has access to a single source of truth, anyone can analyze the data and prepare reports with confidence.

To compete effectively and profitably in the post-COVID world, businesses will need data to make faster, more informed decisions and data analytics will need to be completely embedded in operations and the culture of the business.

4

Is this the watershed for disconnected spreadsheets?

The future of spreadsheets is connectivity

Is this the watershed for disconnected spreadsheets?

Spreadsheets have dominated the planning, budgeting, forecasting and reporting landscape for decades, but there are palpable signs that the spreadsheet monopoly is at last coming to an end.

The survey shows that their usage by the end of the decade is forecast to go through a sharp decline, with a commensurate increase in the popularity of best of breed planning, budgeting and forecasting tools, CPM systems and applications that allow spreadsheets to be connected to a centralized database.

The pandemic highlighted the limitations of spreadsheets while working under duress. According to previous research, they are simply not agile enough to cope with the pace of change, and in many cases existing legacy applications prove to be too slow. Instead, the cloud and the solutions in it are being recognized more and more for their agility.

> Cloud-based solutions for planning, budgeting and forecasting are becoming the natural choice because of **ease of access, speed of deployment and suitability for a hybrid working environment**.

The aspiration is there. A year ago, 10% to 12% of organizations used specialist software in the majority or all of their business units. The current research shows the possibility of a threefold increase in the application of specialized planning, budgeting and forecasting systems by the end of the decade.

Corporate Performance Management (CPM) systems, Best of Breed (BoB) solutions and spreadsheets connected to a centralized database seem set to benefit from the decreasing popularity of the standalone spreadsheet (with a slight weighting overall in favor of CPM). Specifically, CPM system use is set to double by the end of the decade and Best of Breed software for budgeting, planning and forecasting will grow by a similar amount. Spreadsheets connected to a centralized database will grow a more modest 50%, while standalone spreadsheet use will shrink to around 10%.

When viewing this trend through the lens of company size (number of employees) a more nuanced picture emerges. Large organizations, with more than 1000 employees, prefer CPM, followed by Best of Breed and a centralized database approach. Mid-sized organizations are largely indifferent between these three technologies, while small organizations reflect more varied distribution across the key PBF choices.

CPM use is expected to double by the end of the decade

> "Previously, we were dragging individual reports on customers and products by state or rep. out of SAGE. It was really complicated and time-consuming, taking hours to extract, manipulate and massage in Excel. **With Phocas, your whole business opens up at the click of a button!** I don't need to prepare reports for meetings anymore. I just take in Phocas."

Gary Gill, General Manager, SpanSet Australia.

Consolidation

A similar picture emerges concerning the displacement of spreadsheets for consolidation by the end of the decade.

A year ago, around 12% of organizations used a standalone consolidation tool in the cloud or on premise, and just 3% used a CPM system for consolidation. The current research shows that where there is a CPM system in place, it is primarily used for planning, budgeting and forecasting. The most popular solution for consolidation is ERP (32%), and a similar percentage use standalone spreadsheets.

For heterogeneous organizations with relatively straightforward organizational structures and standardized charts of accounts using a single instance of an ERP system, then the ERP approach to consolidation seems the obvious way to go. **By the end of the decade the use of ERP system for consolidation in larger enterprises will grow to 45%, and across the other techniques up to 20% will use CPM, Best of Breed, or connected spreadsheets.** This proportion is roughly the same in mid-sized organizations while smaller organizations will focus on spreadsheets connected to centralized databases.

It is interesting to note that where an organization has invested in a CPM system, it is by no means the case that it is used for all of their PBF and reporting needs. There is a substantial proportion of organizations that use CPM for either PBF or consolidation but not both. Although, this runs contrary to the initial vision for CPM, it is likely that historically, organizations have either invested in a piecemeal way or have just not been able to commit resources to a comprehensive CPM solution.

Does this spell the death knell of the spreadsheet? It seems unlikely given the slow pace of change within the finance function, and the stranglehold that spreadsheets have within the finance function which has withstood many years of technology evolution. But there is a clear direction of travel for organizations keen to improve their PBF and reporting processes, and spreadsheets are slowly being left behind.

> "**Centralizing WD-40's entire Europe budgeting program into a single source of truth and combining sales data budgets into the GL are game-changers for the budgeting process**. It removes complex spreadsheets and, coupled with workflow and approval processes, ensures the business is only a click away from seeing the current status of budgets or forecasts."
>
> **Jonathan Kemp**, Epicor implementation partner.

Spreadsheets are a great way to organize information. Still, as a Business Planning and Analytics solution, spreadsheets are susceptible to human errors, difficult to troubleshoot, not intuitive to the average business user, and don't enhance the speed of decision-making.

For some businesspeople, the only data analysis tool they use is a spreadsheet. Discovering industry-specific Business Planning and Analytics software like Phocas means flexible reporting, analyzing more data sets, and customized dashboards.

While some may consider a spreadsheet a BI solution, spreadsheets have a long way to go in terms of product satisfaction, business benefits, mobile BI, and ease of use, among other KPIs.

CASE STUDY

FB Chain looks to Phocas as spreadsheet killer

FB Chain has two locations, Letchworth and Blackburn, England with 30 employees. FB Chain has a long-standing reputation for customer safety, and quality, this why the company is obsessed with tracking and tracing the origin of parts and materials to maintain quality and track possible defects.

Working to reduce dependence on spreadsheet

> "Spreadsheets are always out of date, and you can't manipulate the data."
>
> **Peter Church**, managing director, FB Chain.

FB Chain moved to Lakeview, now part of Kerridge system several years ago. Pulling information from Lakeview was difficult and time-consuming creating a proliferation of spreadsheets. Their frustration with data analytics led to Phocas and we checked all the boxes. Within three weeks, the company went from saying yes to completing implementation.

Using data to make informed business decisions

Now users across the business have the information they need to make informed business decisions such as:

- With a few clicks, the purchasing manager can find out what they paid for inventory previously, compare suppliers' pricing and negotiate better margins.
- The sales team can drill into a customer's data and see the margins at the customer level, by product group and by part number.
- Dashboards are providing managers with a quick snapshot of the business, from margin and order intake to salesperson performance

The key to FB Chain's success with Phocas is the live, up-to-date information, and the consistency of the mutiple data bases in including financial, age credit, age debt, purchasing ledger, sales, stock and orders, among others.

New and different ways to use data

Data management and analysis have been critical to FB Chain success in the last few years, and Church is hoping that the company has just scratched the surface of what's possible with Phocas. He added, "We have a massive list we want to do with Phocas, including capacity planning with automated manufacturing. Using this strategy, we can bring material in earlier, update production orders in the system, and start planning how many production hours are necessary and if each machine is working."

He concluded, "Phocas gives me all the different strokes I need to use the data effectively. We now have a solution that gives us new and different ways to look at the data and improve the business, and fortunately, we no longer have to rely on someone's spreadsheets skills."

5

Will predictive analytics be the norm by 2030?

The best way to prepare for the rise of predictive analytics is by first embracing modern accounting techniques

Will predictive analytics be the norm by 2030?

The explosion of corporate data over the last decade has opened up new channels of insight and foresight. Supply chain management, sales, inventory, search history, and customer relationship data are just a few of the vast caches of granular data that can help focus and refine budgets, forecasts and plans. But at those volumes, manual manipulation is just not feasible, instead cutting-edge tools, AI and ML are driving predictive analytics.

But considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, is substantial uptake in predictive analytics feasible?

FSN's 2021 research found that only 19% of organizations have moved to rolling forecasts, 13% use zero-based budgeting in all areas of the business and 13% use scenario planning to improve their PBF process. Graduating to predictive analysis would largely be conditional on leveraging the system and process requirements for these modern accounting techniques (standardized, automated and verified data, effective PBF systems). If so few are even at that stage, it seems challenging for three quarters of finance executives in the survey to expect to be using predictive analytics, AI and ML before 2030.

That said, there is clearly intent and interest in the techniques that aid planning, budgeting and forecasting. Where 18% of organizations already scenario plan, a further 36% believe this will add most value to the agility of budgeting and forecasting in the future, which suggests more than half will have implemented scenario planning over the next decade. The interest is lower for zero-based budgeting (9% already use it and 12% think it will offer great value), and rolling forecasts (22% use it and 29% see value in its future use).

65%

believe artificial intelligence and machine learning will mature over time

More than half of organizations are expected to have implemented scenario planning over the next decade

> "In a utopia, Phocas will suggest new sales opportunities based on what customers are or aren't buying. Right now, we are happy with the headlines, up-traders, down-traders, what's moving, and what levels of service are we providing. Ultimately, **we want to create customer-centric views so we can model the customer experience**."

Mike Morgan, Managing Director, Savona.

Which accounting technique do you consider will add most value to the agility of your budgeting and forecasting in the future?

Figure 4: Scenario planning is growing in popularity

> **xP&A is only currently practiced by 3% of organizations** but a further 27% see it as offering great valueto PBF in the future

The most notable surge in interest is in xP&A, or extended planning and analysis, which is only currently practiced by 3% of organizations but a further 27% see it as offering great value to PBF in the future. While xP&A is not an entirely new concept, connecting all functional areas together in one environment enriches the planning and forecasting insight a company can generate. This is challenging from an organizational point of view but beneficial when done effectively.

Finance executives ambitiously expect that predictive analytics will be the norm for 75% of organizations by 2030, although that does leave a quarter who don't feel they'll need it or don't think it is achievable by then. But they also come to the table with a shopping list of preconditions that need to be satisfied if predictive analytics is to be used successfully in the PBF process. Chief among these is the requirement to understand the inner workings of the solutions they use.

Complex algorithms can easily end up inside a 'black box' of knowledge that can only be flexed by the software developers. Finance functions looking to incorporate predictive analytics in their planning, budgeting and forecasting processes want explainable algorithms that can be changed and flexed within the function itself.

They also want the solutions to be as easy to use and build as business intelligence solutions are today. And they want to be able to link the predictive models to financial data and external market data. Importantly they want all this built into forecasting software rather than as an add-on or afterthought.

> "**We can analyze our sales data every way you can imagine**. And our team can quickly narrow in on what they need to answer their questions. We easily make decisions about where to invest in the future, and on what products to support, cut or extend."
>
> **Chris Douglas**, National Channel Manager, Uvex.

The pandemic has hastened the acceptance of many new technologies including AI and ML. FSN's survey found that 65% believe AI and ML will mature over the remainder of the decade and become more commonplace. But they also complain about its transparency, with 60% believing finance needs to be able to understand how the results of the forecasts are produced and be able to amend them as needed. Right now, 57% don't believe software vendors have a compelling enough business case for AI and ML. If they take heed of the finance functions requirements for success, this can change.

Perhaps tellingly, despite the pervasion of technology in all aspects of life, our confidence in machines has waned somewhat. In 2017, 24% of finance executives said they thought machines will always be better at predicting the future than humans. Today that figure is 19%. Time will tell if trust in machines has plateaued or if this lack of confidence will be further eroded.

To be successful in today's competitive marketplace, it is critical that businesspeople have access to an accurate and holistic view of operations. The key to sifting through a massive amount of data to gain this level of transparency is a robust analytics solution. As technology is constantly evolving, so too are data analytics solutions.

Understanding the likelihood of future outcomes, based on probabilities, enables the company to better prepare. However, predictive analytics won't replace a decision-makers need to re-forecast on-demand or run rolling forecasts or be well-versed in agile planning based on fundamental business model scenarios.

As technology advances, AI will become a game-changer by making analytics substantially more powerful. A decade ago, analytics solutions only provided descriptive analytics. As the amount of data generated increased, solutions providers started to develop predictive analytics. As AI evolves, data analytics solutions are also changing and becoming more sophisticated. Prescriptive analytics is the next step in the evolution of data analytics, building on the previous iterations to reveal possible outcomes and why it may happen, as well as prescribing courses of action to help answer the question: what should we do?

All three categories of analytics work together to provide the guidance and intelligence to optimize business performance.

Algorithmic forecasting...
Is it better than your people?

Many business decisions lean on a forecast — whether it be demand trends, price maneuvers or swings in the economy... But who, or what, do you trust: people or algorithms?

During a lively discussion with a customer, he said:

> "Algorithms can't forecast better than people; the computer doesn't know whether Mary will upgrade her kitchen next week or a construction firm will suddenly need materials."

Another customer said:

> "We use algorithms for all our forecasting; people are slow and not as accurate."

Analysts investigating technology trends are predicting that algorithmic forecasting will be common practice by 2030.

Google and Amazon have been using predictive algorithms since the 1990s; their businesses depend on them. Almost every Fintech firm includes algorithmic forecasting in their feature-set. But just because algorithmic forecasting is popular and increasingly commonplace, it does not necessarily mean it is more accurate.

How do algorithms fare? More than 200 studies have compared expert people with algorithmic prediction and algorithms almost always outperform unaided human judgment. Our tendency to use mental shortcuts, or heuristics, makes us terrible at statistics. Even when provided evidence, we look for information that confirms what we know, we rely on the information in front of us, downplay risks and are adverse to loss. On the other hand, algorithms are not without their shortcomings: they can contain biases, are only as good as the data that trained them, and they tend not to be responsive to one-off events unless designed to detect them.

So, taking all of this into account, which is best? People or algorithms? People tend to understand immediate and one-off situations like a pandemic that may not have been included in the design of an algorithm – a construction project in urgent need of materials, a customer going out of business – whereas algorithms have greater statistical accuracy and speed. MIT predicts the future is Collaborative Intelligence; human and algorithmic intelligence side-by-side.

6

Skills not headcount

You don't need people with data science degrees to master data analytics, you need a suitable self-service solution that your entire team can use

Skills not headcount

For the finance function to achieve any of its long-term ambitions for forecasting and planning improvement, it needs the right tools and the right skills. The survey showed that data scientists, business partners and systems accountants are all being prioritized over FP&A professionals, and specialists in statutory reporting are least in demand, languishing a long way behind all the other functions in the investment queue, despite new statutory reporting requirements.

Notwithstanding the current skills shortage that many industries are facing, the finance function gap is a very real issue and has been for some time. Research conducted in 2019 showed that even then, 42% of finance executives were concerned that their lack of digital skills would prevent them from introducing new technology over the next three years. Now, three years later, 73% of finance executives say they will be unable to meet their objectives without significant specialization and upskilling. Half recognize that automation of finance processes alone will not liberate enough time to meet their objectives and 45% say that a shortage of finance talent will hold them back.

However, it's not a headcount issue for most people. Only 30% of survey respondents said they wouldn't achieve their objectives without a significant increase in headcount. Most are not blaming the growth in volume and variety of data, and only a quarter believe the post-pandemic uncertainty will hold them back until the end of the decade.

Finance recognizes that it's not just about processes or tools, it's not even a shortage of finance talent. Instead, to keep up with the next generation of technology, they need the right skills to remain competitive.

73%

of finance executives say they will be unable to meet their objectives without significant specialization and upskilling

> "Business intelligence and technology **makes me feel like an expert** and it takes the stress away."
>
> **Warren McMartin**, Managing Director, Sydney Automotive.

Modern finance solutions do not require significant project time and head count commitments.

The key to the success of these technologies is that many are built for users of all skill levels. Gone are the days of dedicated product specialists and teams focused solely on managing spreadsheets and reporting for the entire company. With today's finance solutions, consent becomes minimized, allowing broad deployment and integration in bite-sized chunks. Companies can start small and then scale up, adding more data sources and users as they go and as needed.

"We have three people in the IT department who were working full time to get us this information. Now, with EDA, we are able to bypass all of this… **the IT department spends time more effectively on other projects**, such as building our new website and ecommerce capabilities."

Metcalf, Partner and Director of Education, Midway Dental.

Many businesspeople want to improve their understanding of data but don't know where to start. The good news is companies like Phocas spend every day making complex data sets simple to understand and visualize, so managers through to frontline staff don't need to obtain a data science degree to get information.

Instead, they can come together and collaborate about their data and feel confident about their decisions. To master data analytics, you need a suitable self-service solution that your entire team can use.

CASE STUDY

Phocas' self-service solution has made it possible for non-technical users to review data and generate produce reports at Gibsons

Gibsons is a 100-year-old UK manufacturer and distributor of more than 500 games, puzzles, cards and gifts.

The company employs 20 people who support 1,500 brick-and-mortar retailers across the United Kingdom. Gibsons' products sell at nearly twice the rate of their key competitors, so identifying when, where and how to grow sales among their retail partners is critical to the company's success.

Phocas works side-by-side with ERP systems and after consulting with Aspin, Lee learned that Gibsons could add enhanced data analytics capabilities without implementing an entirely new ERP system. Phocas has helped transform business processes, made it possible for non-technical colleagues to review sales data and significantly decreased the time to produce reports.

Today, roughly half the company uses Phocas, including sales, accounts, operations and general management

"The salesforce also used to regularly request reports and sales data, but now it's all self-service. They can get anything they need when visiting customers without having to make IT requests. Phocas pulls all the data from AMSolve and is easy to use for our entire team. It's been a big saving for us in time alone," said Lee.

The Gibsons team has especially appreciated the visual dashboard overviews, making it easy to identify missed sales opportunities. At the same time, the ability to import external data helps create a more complete picture of business operations.

"It doesn't take long to recognize how many opportunities are being missed while pulling in external data such as retail sales, with Phocas dashboards. This allows us to conduct a more in-depth analysis of business-critical information," said Lee.

> "**It's so easy for our users, regardless of skill level**, to get the data they need to help them do their jobs and support our customers."
>
> **Geoff Lee**, business development director, Gibsons

Gibsons highly recommends Phocas.

Lee emphasized the relationship with Aspin and the ability to seamlessly integrate Phocas into their AMSolve software as key to Gibsons' success with data analytics. Lee highly recommends the software to others struggling to access their data and who have bottlenecks in their reporting system.

7

Transformation leaders will lead the next wave

CFOs clearly need to champion transformation efforts that focus on adding value

Transformation leaders will lead the next wave

Some organizations have already completely transformed their PBF and reporting processes. They are reaping the benefits of the time and resource investment. Transformation leaders typically take a more holistic approach to process improvement. 58% of them transform their financial reporting process in tandem with their PBF capabilities. They actively look for platform solutions and are more likely to consider Corporate Performance Management systems to deliver their PBF solutions.

Transformation leaders are also preparing the groundwork for more advanced PBF techniques and, for example, are four times more likely to use scenario planning, zero-based budgeting and rolling forecasts. All this takes time, and they have more of it to dedicate to transformation. Half are able to devote between 1 to 6 months, twice as much as those who have yet to make any change and can only dedicate up to 3 months for new PBF projects.

Having made the transformation, far fewer of these leaders need to improve their process speed, ease of use or forecast reliability. However, the accuracy of data still needs to be addressed. A similar percentage of both transformation leaders and laggards said accuracy of data needed the most improvement in the future. The data issues that have dogged finance functions for years continue to prove difficult to surmount, even for those at the pinnacle of transformation.

Which aspect of your forecasting and financial reporting agility needs most improvement for the future?

transformation leaders *vs* **no effort**

Transformation has addressed many of the speed issues, however accuracy of data still needs to be addressed

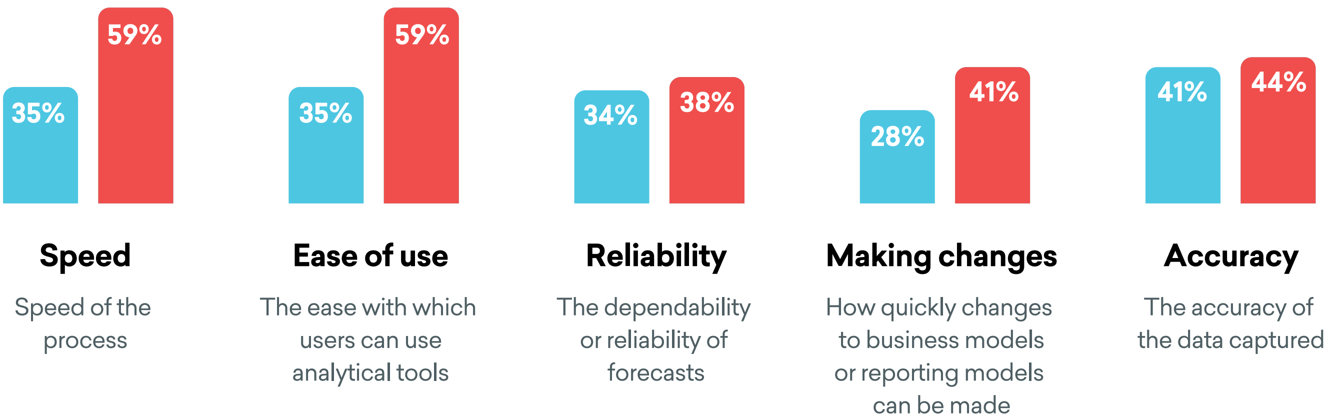


Figure 5: Transformation leaders will lead the next wave

Finance analysts and decision-makers are drowning in data. As complexity increases, they struggle to identify the most critical data and how best to react to what the data says.

The good news is that there is an affordable technology that the finance office can use to accelerate digital transformation and help the finance team work more efficiently.

That said, the next step for those that have completely transformed their PBF process is to utilize predictive analytics if they are not already doing so. Whereas for a quarter of those that have yet to begin their transformation journey, this objective is unattainable for the time being.

14% of transformation leaders already utilize predictive analytics, AI or ML, while their laggard competitors haven't even got off the starting bloc. And 76% of those leaders who don't yet have it expect to have it by 2030, compared with 56% of those organizations that have yet to make an effort to transform.

There is a substantial competitive advantage to transforming planning, budgeting, forecasting with predictive analytics, and the current crop of transformation leaders appear well placed to leverage this capability.

Transformation leaders are poised to take advantage of artificial intelligence and machine learning upskilling

For years, industry experts have known that data analytics are the key to a business's digital transformation, which is the way it uses technology and analytics to differentiate itself to operate better and compete more effectively.

One major question is how to achieve a smooth and effective digital transformation while being inundated with data coming from multiple sources. How can the company be sure the data is timely and accurate?

Armed with a trusted source of data, businesses can develop a strategy focused on data-driven decision-making. A few ways businesses are doing this is by digitalizing and simplifying processes by adding visual elements like charts and graphs and engaging team members by helping them broaden their skills and knowledge to help drive the digital transformation.

CASE STUDY

American Golf advances with help of Phocas

American Golf has become the country's largest golf retailer with more than 100 retail locations and revenues exceeding £120 million. In the last few years, the company has gone through a major transition while focusing on growing their e-commerce business and to enhance their retail experiences.

Need for more agile and flexible reporting

The new leadership recognized the need to be more agile. American Golf has a legacy of reporting and sending end-users email and PDF reports through their SSRS system. The reports were built on OLAP cubes within Excel and not automated.

> "It took too long to get answers from the system, and we needed a solution that was more **flexible and intuitive for everyone to use**."
>
> **Adam Kirby**, Head of Commercial Finance, American Golf

In 2017, the company looked at a competitor, but users struggled to grasp the solution. In the end, the company turned to Phocas Business Intelligence.

Access to current and accurate data to affect real-time change

Prior to Phocas, there was a weekly report compiled on a Monday evening and each store would have an abundance of KPIs to track. Unfortunately, the data and reports were weekly and retrospective Phocas now provides American Golf store managers access to real-time information that's specific to their stores, allowing them to use their data to effect change at any time.

> "Managers should be living in the Phocas dashboard, and living and breathing the KPIs by store, staff and vendor," said Simon Owers, CFO, American Golf. "**With Phocas, they no longer have to wait to make changes or identify opportunities**. Phocas facilitates their improvement in all the KPIs, and they can change over time."

Owers and Kirby have received strong feedback from store managers about Phocas, as they like the way it has been set up, their ability to track their sales teams, and the ease of finding areas for improvement.

"We are giving them more information than ever before, allowing them to be more analytical, drill down deeper into the data and better track and influence KPIs, including average transaction value and custom mix as a percent of sales. All of this gives them better control over their team's and store's performance." said Kirby.

8

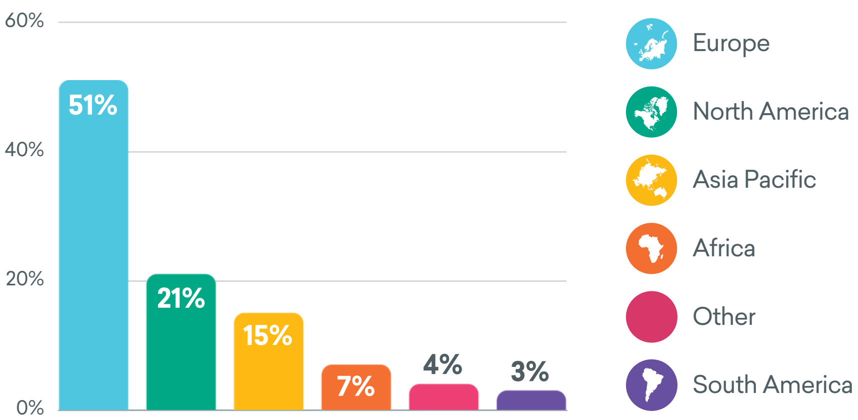
Methodology

Methodology

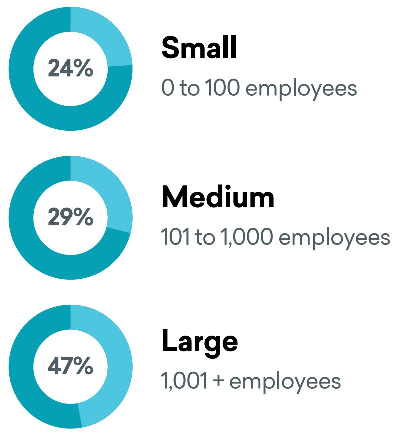
The survey drew responses from 444 international senior finance professionals from the FSN Modern Finance Forum on LinkedIn.

This survey covered finance professionals across 23 different industries. 81% of these professionals were considered to have senior job titles and above.

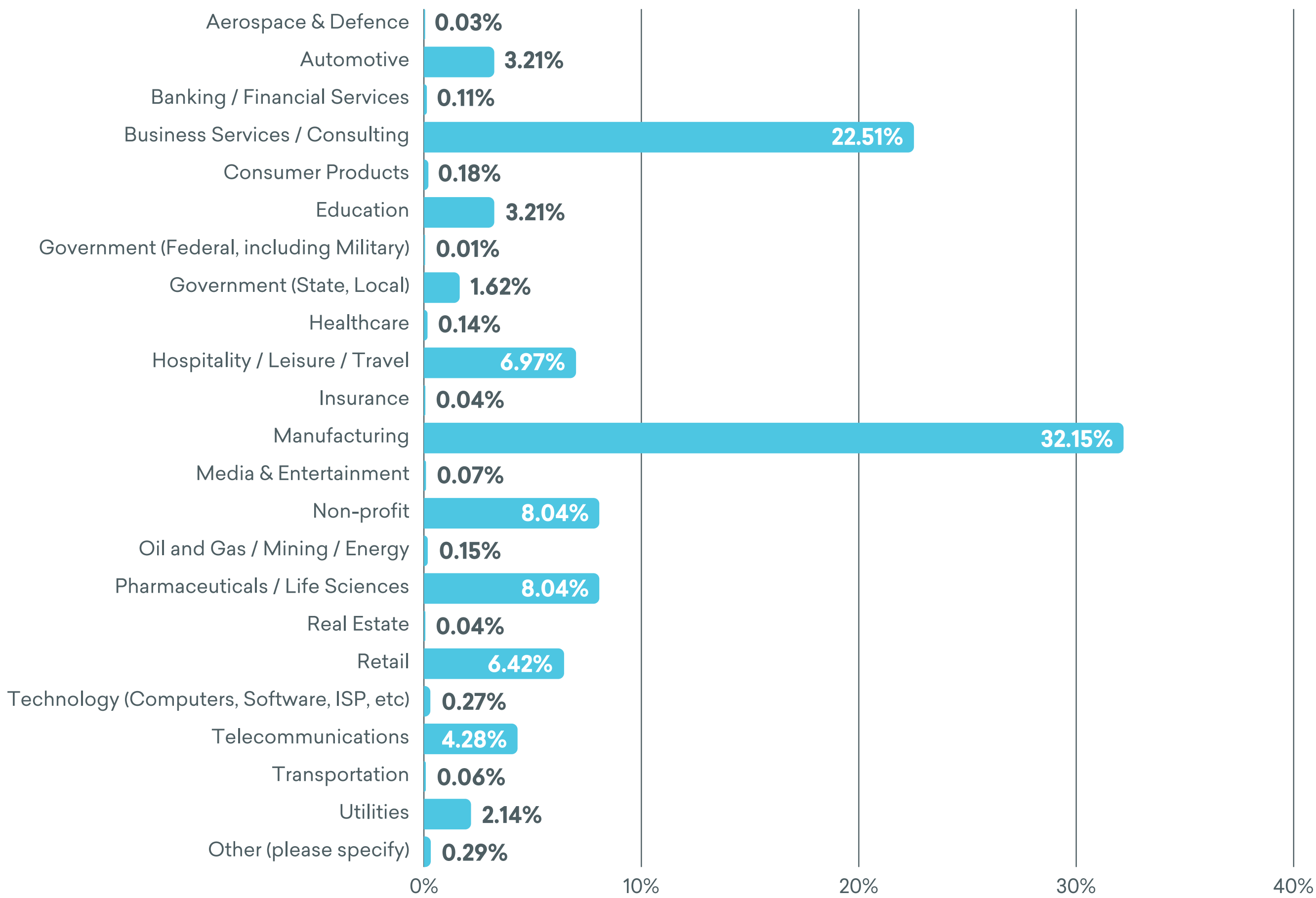
Response demographics



Company size



Industry of respondents



About FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 54,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

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