



***DATA-DRIVEN PLANNING:  
A FINANCE IMPERATIVE IN A  
DATA-DRIVEN WORLD***

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Leveraging data in decision making leads to improved results and clear wins. It enables us to be strategic instead of reactionary. It allows us to operate smarter and more efficiently. It makes it possible to approach everything we do with greater speed and accuracy. For the savviest of businesses, it even provides a competitive advantage. Data-driven decision making is so powerful that it is being embraced in nearly every facet of business today, including enterprise performance management, and more specifically, financial planning.

But what is data-driven planning? What benefits does it bring to finance teams and their stakeholders in the business? What does it mean in practice? In this whitepaper, we will discuss the value of data-driven planning, the challenges of employing it, and how organizations can take advantage of the opportunities it provides. We will also share key considerations and tips to make data-driven planning a reality within your organization. Finally, we will highlight several use cases that we hope will resonate with your organization.

## WHAT IS DATA-DRIVEN PLANNING & WHY IS IT IMPORTANT?

Data-driven planning is not a new concept, but many finance teams have been slow to embrace it. While a myriad of reasons exist for its lack of popularity, client experience has taught us that the main reasons include a failure of traditional financial planning solutions to provide the necessary flexibility and functionality to support data-driven planning. Additionally, the absence of the right skill set and the practical talent required to analyze the data for meaningful insights is missing.

Finance has always been a data intensive function, but modern finance has the opportunity to play an even bigger role in their organization's strategic planning and decision making than ever before. Once dismissed as report producers, finance is increasingly being called upon by line of business to provide greater insight into key operational decisions. The knowledge to make optimal decisions increasingly resides in the office of finance.

Defining data-driven planning can be a challenge since there are many kinds of data and just as many ways to use that data to make better decisions and implement a better plan or process. The key is to find the critical data levers within your unique situation or organization. Finding those levers can take experience and patience, but identifying the right ones can truly revolutionize your business.

Cervello defines data-driven planning as the practice of incorporating non-financial data and financial analytics into the budgeting and forecasting process to provide strategic, 'evidence based' recommendations to the C-Suite and the business. This enables the organization to proactively anticipate business opportunities and outcomes. When it's done right it fosters collaboration with lines of business and provides a way to perform truly integrated planning.

## DATA-DRIVEN PLANNING IN PRACTICE

The possibilities for data-driven planning are endless and span across any industry. Let's consider these imagined scenarios:

- A financial planning and analysis (FP&A) team member uses social analytics paired with sentiment analysis to accurately forecast revenue. By analyzing data from social media outlets, this finance professional is able to determine that customer sentiment about a particular product is negative which could ultimately affect future sales. Because revenue is projected to be weaker than originally thought, the forecast is adjusted accordingly. This insight could help the organization to shift marketing efforts to bolster the weak outlook or move in another direction.
- A petroleum pipeline company transports millions of gallons of fuel via an extensive pipeline system. They have lots of capital assets, including pipes, storage tanks and pump stations. The cost to produce these assets is affected by numerous external factors including the commodity price of steel, the cost of coal and other economic indicators such as fuel and transportation costs. These external data points, if incorporated into the planning process can provide valuable insight into profitability. Additionally, they can help the business better forecast knowing that certain commodity costs could spike in the latter parts of the year, causing them to shift investment efforts to offset the spikes. This could ultimately lead to making strategic management decisions such as the delay of other capital projects, pulling out of them all together, or looking for other expenses to reduce in the organization.
- A group of brand managers at a CPG company determine from their business intelligence dashboard that they should double-down on marketing for their whitening toothpaste line for people in the age bracket 50 -70 after seeing an uptick in this segment over the past 12 months. However, an FP&A professional in the conversation would likely recommend to look at the cost and profitability patterns of people in this age range. The data may suggest that this demographic is a very low-



margin segment that is highly dependent on coupons, and any additional investment may cost the company more than the revenue generated.

The aforementioned scenarios certainly highlight the importance and value of data-driven planning. By feeding plans with dynamic, real-time data and more closely collaborating with line of business, finance can use facts to easily anticipate where and when a business may need to invest and/or course correct amid deeper insightful information. They can engage more stakeholders in financial planning and forecasting processes to increase revenue, reduce costs and drive profitability.

## DATA-DRIVEN PLANNING: THE OPPORTUNITIES

Now that we have explored the value of data-driven planning and what it means in practice, let's discuss some of the opportunities that it provides. These include: the ability to discover new insights by relying on a variety of data sources; operating with greater speed and agility; becoming a strategic partner to the business; and applying a more forward thinking approach to planning.

### DISCOVER NEW INSIGHTS BY LEVERAGING A VARIETY OF DATA SOURCES

In this new age of data, it is increasingly important for finance professionals to be able to quantify and qualify new and high value data sources. With data so ubiquitous, finance must be able to identify the data that matters the most based on key business drivers and operational KPIs in order to gain insights and drive faster, more informed decision making.

#### Leverage Operational & Transactional Data Sources

Data is everywhere. It exists in operational systems, business intelligence systems, and workforce planning tools as well as ERPs and CRM databases. By importing this data from these cloud and on-premise solutions on a steady basis, finance can enhance the accuracy of plans while delivering actionable insights to the business.

#### Exploit Big Data & Unconventional Data Sources

Social media, mobile, the Internet of Things (IoT) have all made us a more connected world. This has resulted in an explosion of unstructured

data. If harnessed, all Big Data (structured or unstructured) presents a unique opportunity for finance to differentiate itself from the rest of the organization by using data to inform company strategy. Whether it's collecting information about client and prospect activity on social networks and then using social analytics and sentiment analysis to forecast revenue or foreseeing commodity price changes to plan or develop predictive cost budgets, finance has the chance to use big data to propel the business forward. According to a 2013 report by ACCA (the Association of Chartered Certified Accountants) and IMA (Institute of Management Accountants),

**“62% of CFOs around the world cited big data as influential to the future of business.”**

### ANTICIPATE THE FUTURE WITH PREDICTIVE ANALYTICS & MODELING

Based on our experience, we see predictive analytics widely embraced within the sales and marketing functions for activities such as identifying the most lucrative leads or pinpointing the most profitable customers. Aside from its use for forecasting, the finance function has been slow to adopt predictive analysis and modeling. However, there are numerous reasons why finance teams would want to use predictive analytics to help their business peers make better decisions. These include everything from increasing revenue to reducing costs and driving profitability.

For example, by using data to analyze the characteristics of your most profitable customers such as industry or company size, or in the B2C world, demographics such as sex or age, you can use predictive analytics and modeling to implement programs to retain these customers as well as attract more like them. For retailers, predictive analytics and modeling can be used to identify products that can generate large profits. When this critical information is blended with sales forecasts in real-time using point of sale data, this insight can then be used to influence decisions around inventory management and the stocking of shelves. In the life sciences industry, predictive analytics is being used in the commercialization of products to help optimize drug pricing. In the financial services sector, predictive analytics is important for understanding how financial instruments will perform in the future due to economic indicators and sentiment which may help investors re-



allocate assets or diversify their investments.

### OPERATE WITH GREATER AGILITY BY EMBRACING CLOUD EPM TOOLS

Traditional on-premise financial planning tools are known for being expensive and time consuming to implement, use and upgrade. Often times, projects can span multiple years making these solutions challenging to implement while keeping pace with the velocity of business change. Furthermore, complex integration requirements means organizing the data into a usable, flexible format for analysis can be challenging. While finance users have supplemented these systems with spreadsheets, a lack of confidence in data accuracy and timeliness still too often exists.

The trend in cloud computing continues as more companies recognize its many benefits, including: the ability to operate with greater speed and agility, the ability to more easily respond to changing business conditions, and the ability for finance to own technology solutions versus relying on IT for system implementation and upkeep.

Cloud-based enterprise performance management and business intelligence solutions provide a fast track to data-driven planning. These tools provide simpler interfaces for today's business users and make it easier to leverage and plan with a variety of data sets while fostering greater collaboration. Cloud EPM tools help fuse the marriage between finance and operations by breaking down organizational barriers and encouraging operations and finance teams to work together to understand the entire picture of opportunity and costs. Some of these tools even have embedded analytics with dashboards, score-carding, and reporting functionality as well as automating forecasted plans with drivers to take the "guess work" out of the planning process. As discussed in the examples above, truly integrated planning between finance and the business and which leverages insights from all kinds of data has the potential to drive profitable business decisions or help avoid costly ones. Furthermore, in addition to the many benefits that Cloud EPM tools provide when it comes to data-driven planning, another advantage of collaborative planning is reduced annual budgeting cycles.

### BECOME A TRUSTED ADVISOR TO THE BUSINESS

Data-driven planning also provides an opportunity for forward-thinking finance teams to become a strategic partner to the business helping to solidify their "seat

at the table". Finance is commonly perceived as the "police" of the business restricting other parts of the organization to overspend. Data-driven planning allows finance teams to deliver meaningful financial insights to the business so that everyone sees the big picture opportunities and costs. This would enable finance to be more of a partner to investments versus the inhibitor of spend and ultimately be a strategic partner in driving profitable organizational decision making for competitive advantage.

### DATA-DRIVEN PLANNING: THE CHALLENGES

Now that we have explored the value of data-driven planning and its opportunities, let's discuss some of the challenges to actually putting it into practice.

Data-driven planning has been slow to catch on within finance and for good reason. Delivering strategic value to the business through data-driven planning often times requires a company to re-imagine its approach to people, tools and technology, and processes which can be a daunting task.

### ORGANIZATIONAL & PEOPLE CHALLENGES

Successfully implementing a data-driven planning approach requires a fundamental shift in mindset around finance expectations, both by finance and line of business. Traditionally known within the organization for data collection and report writing, finance must constantly be thinking about how they can use data to create value for the business. They must ask questions such as: How can we align analytical data and KPIs to the overall business strategy? How should we align with the vision of business units and departments? How can we use data to become a true value creating partner?

Additionally, a change in business mindset means finance teams must be prepared for an onslaught of analytical requests. This means being able to leverage large amounts of data in addition to unconventional data types for analysis and decision making. As a result, this will require finance teams to make sure they have people with the right skill sets and talent in place to be able to analyze this data, connect the dots across it, and draw clear, meaningful insights. It is probably not unrealistic to expect to see finance professionals with "Data Scientist" college degrees in the future.

Lastly, finance mentality has always been to minimize costs by "doing more with less", but this belief has actually inhibited innovation and an ability to grow and



become a true value creating partner to the business. In order to seize opportunities for innovation, finance teams must be willing to build stronger talent and invest in business partnering skills.

### RE-THINKING FP&A TOOLS & TECHNOLOGY

Most financial planning today still occurs in a vacuum with limited business interaction and with legacy systems and spreadsheets that do not lend themselves well to cross department collaboration and external data analysis. Furthermore, reliance on IT to manage these legacy systems is still an all too common occurrence which is hampering finance's ability to respond to business needs in a timely manner.

Given this reality, those finance teams with a desire to embrace data-driven planning may need to reimagine their approach to FP&A supporting tools and technology. While this may seem like a daunting task, it provides finance teams the opportunity to use data-driven planning as a catalyst for technology modernization.

### DATA-DRIVEN PLANNING: CONSIDERATIONS TO GETTING THERE

Now that we have explored the value of data-driven planning, the opportunities it provides and the key challenges to putting it into practice, let's discuss some of the key considerations to actually employing it.

#### UNDERSTAND YOUR BUSINESS

Do you know what drives your business? Are you a manufacturing company that relies on the cost of certain commodities like fuel, oil, or electricity? Or are you a professional services company that relies on the utilization of your employees to drive margin? Either way, the sudden shift of certain drivers can be the difference of whether you stay within budget or are forced to look for areas of your business to trim. Knowing where the levers are in your business is the foundation for building a "driver-based" mentality in your organization and is the first step to getting finance involved in strategic planning to support the business.

#### KNOW YOUR DATA

Every company collects data. The difference between effective companies and all else, is the ability to use the information collected to translate it into a competitive advantage. Whether you are a small company with "big data" or a large company with

"small data", using and knowing your data to drive insight in your business can prove to make finance a strategic partner in the business.

### INVOLVE THE RIGHT STAKEHOLDERS

Is there tension between finance and the rest of the business? Is finance seen as the impediment to an entrepreneurial environment? Start by collaborating with one part of the business and work with them to put together some insightful information. Allow them to start relying on finance for key information and then work into the other parts of the business. There's nothing wrong with starting small, and it can be highly effective to management if parts of the business are performing better with finance's help. Soon, others will be wanting to partner with finance as well.

### LET TECHNOLOGY HELP YOU

Being in finance means that you are a spreadsheet guru. However, it can only take you so far. Leveraging modern tools that integrate data sources can be very powerful in driving insights for the business. The best tools integrate with spreadsheets and allow for analysis in a familiar interface with the ability to create dashboards, tables and reports. They also provide the ability to easily write back to the database after performing modeling with the inputs from the business. Widely available cloud tools provide a cost effective option and allow for a much faster "time to go-live" than traditional on-premise tools which have oversaturated the market for the past two decades. These tools are particularly advantageous for small to mid-sized companies who desire world-class data driven performance management without the enterprise price tag.

### CONCLUSION

The benefits of data-driven financial planning and analysis are vast and span across a variety of industries, companies sizes and use cases. In today's data-driven world, data-driven planning is not just a recommended practice; it's a business imperative. With data-driven planning, finance has the unique opportunity to capitalize on the most precious asset of the business, data, to: drive better connectivity and decision making across the organization; to become a true strategic partner to the business; and to help the business gain a competitive advantage.

