Seven Great Ways To Improve Your Quarter-End Analysis

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Biography

Daniel Mason is Managing Director at Prophix (www.prophix.com) and is responsible for the UK operations, including sales, marketing and professional services. As the UK business continues to experience high growth so does its importance as a region to the overall growth plans of Prophix Software.

Working directly with finance and operational teams in medium to large enterprises, Daniel is laser-focused on helping businesses with their Corporate Performance Management challenges. A virtual veteran in the CPM industry, Daniel started in CPM over 14 years ago, combined with his over 20 years of Sales & Marketing experience.

Daniel plays the long game, as an avid marathon runner.

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Abstract

All too often, finance departments face the same challenges at the end of every reporting period – whether it's month-end, quarter-end, or year-end. The department must prepare financial reports and statements such as balance sheets, cash flow statements, income statements, and increasingly, management reports, as well as provide information about key performance indicators. On top of that, many managers seek specific information about their product line, region, division, or a myriad of data points throughout the organization. The more information required, the longer these tasks take. This whitepaper discusses the crucial steps which every organization must take along the road to improving its quarter-end analysis.

Introduction

Finance departments everywhere face the same challenges at the end of every reporting period – whether it's month-end, quarter-end, or year-end. Fortunately, a new age of analyzing data has come to the forefront –not necessarily due to new concepts but because of the availability of powerful tools in today's market. Analysis can now fall in the hands of each user, instead of relying on a technical genius or a financial guru to come up with fancy integration and complex formula management. In today's marketplace, many tools are available to analyze data on the fly. For example, solutions that contain an Online Analytical Processing (OLAP) database lend themselves to natural roll-ups by product, division, sales person, etc. Data can be sorted or grouped in a manner that makes sense. Many companies, unfortunately, spend too much time just preparing the reports.

To be competitive in the market, companies need to move beyond simply reporting; they need to analyze the data in the reports and adjust their tactics based on the results. Taking it a step further, the implementation of an automated rolling forecast provides a key tool for analysis and informed decision-making. Use these tools to move beyond reporting and spend more time on the analysis of your key performance indicators.

This whitepaper offers insightful information about such a process. It is presented in seven steps and touches on tools available in the market that will help all departments get key information from their data. If you follow these steps, spreading analysis throughout the company will ultimately make your business more competitive.

Figure 1: Seven steps towards a powerful reporting and analysis process

Source: Prophix

Challenges

One of the biggest challenges facing finance departments is the time it takes to prepare reports and statements. All information must be pristine and error-free, which is the nature of financial reporting, and usually slows down the process due to checking and double-checking. There are added pressure points, such as everchanging compliance requirements, putting pressure on the finance department to the point where they cannot add any insight or value beyond simply delivering the results. Given some extra time, many highly-trained finance leaders can provide value-added analysis of data by doing an investigation of the data points.

When using the most popular reporting tool, Excel, the challenges have been clearly laid out—the lack of security, automation, workflow, control and consolidation functions. These challenges may seem manageable at first but as the business grows, or as the market becomes more competitive, in-depth analysis is forced not only onto the finance department but every department. Unless you are an Excel wizard, the answers don't just jump out from the spreadsheet. To be more effective, other tools should be placed in the hands of all users so that anyone can investigate data that stands out. As each person performs their own analysis in Excel, where does the data come from? Is everyone starting from the same page? Is there a single source of truth? If not, every conclusion will be different.

To overcome this problem, standard reports should be delivered throughout the entire organization. But what happens when the report consumer has a question? Who generally answers these queries? Just when the finance department finishes delivering the reports, it's time to field the questions. Yet another argument to deliver analysis tools in the hands of the report consumer. It makes sense for the finance department to put the reports together and have everyone starting from the same place. But each report consumer has his or her own interests, and hence the analysis of the data in the reports spreads out like a spectrum. With the proper tools, report consumers could look behind the numbers and drill down into the data as he or she desires—making reports the starting point of an investigative journey, not the end point to a finance task.

Imagine you can dynamically create trend charts or perhaps drill down from an expense account right through to the accounts payable transactions in an ERP system. Even better, the marketing director could find out how much money was spent all of last year in print advertising without bothering the finance department to pull files or copy invoices for analysis by hand. The report becomes a "portal to financial analysis" and what you do with the information could control your place in the market.

1. Prepare your financial and management reporting for review

Before a report or statement is prepared some obvious, yet important things need to happen. Consolidation is important to this process and can often be complicated – especially if there are multiple entities, currencies, or legacy systems. There are many systems in most organizations –different ones for personnel, operations, sales and marketing, services and even finance. Providing a high-level and unified view of the business can often be challenging when data from multiple systems has to be brought together.

There are different approaches to consolidating information. Large ERP vendors suggest you consolidate everything in one database. This is the case for SAP or Oracle, for example. This is not a bad approach; all departments, all functions and all business processes can generally be consolidated into a master database.

The downsides are the cost of managing such a system, the infrastructure required and the overall cost of licensing and maintenance. Additionally, many of these systems do not specialize in data analysis and reporting. They are very good at managing transactions but less than best-in-class when it comes to performance management, which includes budgeting, forecasting, reporting and analysis. Cautionary notes include cost, implementation time and the consolidation of data to a unified system, even if there are only a few legacy or sub-systems.

Additionally, investigate the reporting capabilities carefully. Many ERP reporting systems are not best-in-class, and ultimately, you will end up in “Excel Hell.” Best-in-class reporting systems can connect many databases and ERP systems and don’t necessarily copy all transactional data across but instead simply report on the transactions at a roll-up level with drill-through capability to investigate transaction details. Why build a large data warehouse when you already have the data in many systems? Instead, create a data mart with the ability to access the data at its source.

The best reporting solutions are also quite user-friendly. Many of them feature an Excel-like look and feel, giving users instant familiarity and the comfort level required for a high adoption rate. Another key tip: make sure that reports can be created quickly using the reporting solution. If IT is required, you automatically have a bottleneck.

Finally, remember to look for a solution that doesn't just create reports but creates a reporting system – one that's interactive and allows report consumers to do more than just look at static numbers.

2. Manage distribution of your reports to key stakeholders

Another issue that often arises is the delivery of reports and statements. Often, different entities have different reporting requirements. Or, perhaps there are security issues that do not permit everyone to see the same reports. The result is that multiple reports are required to deliver the same information to different levels of the organization. Again, with a "reporting system" as opposed to a report, best-in-class solutions handle this automatically. These systems allow you to create a security hierarchy that automatically determines the required information on reports for specific users. Solutions, such as Prophix, expedite the report creation process by generating one report, then automatically distributing the reports – and during the distribution process, stripping the data that is not permitted based on the recipient's access rights.

3. Tools and tips to analyze your reports in a timely fashion

Once a report has been delivered and reviewed, a natural question may be "how did we get that number," or "how did we compare to last year," or "how does this compare to plan," or even "how does this impact our forecast?" These questions are so common that in fact, it's probably part of the report package. However, if there are other questions, they are usually sent back to the report generator, which is generally the finance department.

One tool that helps you answer most questions quickly and easily is an OLAP-based reporting tool. It's basically a giant pivot table that allows you to change around the rows and columns, as well as perform multilevel filtering. Filter by any item and then present the data across rows by any other dimension (for instance, time). This is hard to visualize but the end result isn't. Simply put, you can arrange the data however you like by dragging and dropping any item such as Product in the row, and Time in the column, Revenue in middle you can instantly see revenue for all products across all times in your database – a giant product revenue table. Add Region as your page filter, and viola, you have revenue for all products across all time by region. This is a very simple example of OLAP's power.

A simple tip is to ensure your reporting and analysis solution has OLAP capability. Another helpful feature is to ensure your tool also has drill-through functions. This allows your reports to be generated quicker, yet provides the consumer the ability to connect to the source system in order to see the actual entries in that system.

The solution should also provide this level of functionality to the report consumer. This by passes the need to contact the finance department for interrogation of data. This idea can be taken even further if the solution is right. Some reporting and analysis solutions are so easy to use that you can permit the end user to not only interrogate the data but also generate a snapshot of the values that are being viewed on screen. This is in fact allows the end user to create his or her own reports when formatting capability is added to the feature list. Don't go overboard; many very good reporting solutions are complicated to use and resemble a software developer's tool kit for writing code. The tools might be there to create reports but no one will know how to use them, nor will they want to learn.

4. Analyze the impact of your first quarter performance

Analyzing the impact of your first quarter performance depends on how your business is run. However, built-in features that come with good reporting and analysis solutions, such as variance and trend reports is a good start. These are common reports but the real trick is generating these types of reports on the fly. Most reporting and analysis solutions have standard variance and trend reports but when a report consumer decides to investigate behind the initial report numbers, he or she may choose to do a variance at a lower level of detail provided in the standard reports. Having a best-in-class reporting solution allows this type of functionality at any point during the investigation process.

Again, use a system that allows you to start with a report and follow the trail or breadcrumbs that ultimately get you to the details you need. Then, generate a new report, a trend chart, variance analysis, or simply step back one level. This sort of functionality marries browsing through reports, like using Internet Explorer, with powerful sorting, filtering, charting and other functions well beyond Excel.

Often, the tools we use limit our imagination on analysis, as it would take too long to manually create these types of views with the data that we accumulate. Here are some questions you may ask your vendor that will aid your ability to analyze data quickly:

- Can we create a trend report on a piece of data?
- If a number looks odd, what was it last year? How about the year before that? How about the last five years?
- Based on history, what will the future projection be?
- What about quickly comparing to other products, regions and so on?

The system should have the ability to quickly change any of these dimensions and allow you to compare against each other. In addition, the system should enable key processes that you may not be currently using, such as an automated rolling forecast.

5. Prepare multiple forecasting scenarios

Forecasting models or the latest term, “predictive analytics” can be as complicated as the ones used to predict the weather or as simple as the dragging function used in Excel. Basically, you collect data, look for trends, or make assumptions based on the data and then use your assumption or trend to predict a future outcome. This can be confusing, and a whole science exists that covers predictive modelling, predictive analytics and so on. Many businesses don’t need it. Basically, once you have your actuals and compare it to plan, you may need to make some adjustments to your plan or update your rolling forecast. However, when you decide to adjust your plan or forecast, your solution should support the ability to quickly change the values.

Automation may come into play here, as well as a “process management” function that permits you to change data en masse and also allows you to perform procedural calculations or changes to the plan or forecast—or even develop multiple scenarios.

Simply stated, the solution should have the ability to make changes to one aspect of your business to see how it affects your overall business, as well as various planning scenarios you may have saved at the planning phase.

To explore and put into practice the full seven points for improving your quarter-end analysis download the full whitepaper at **https://www.prophix.com/resource/7-great-ways-to-improve-your-quarter-end-analysis/**