

A New World of Financial Analysis

How finance leaders can tap
into analytics to make business
more efficient and predictable

From the old world to the new

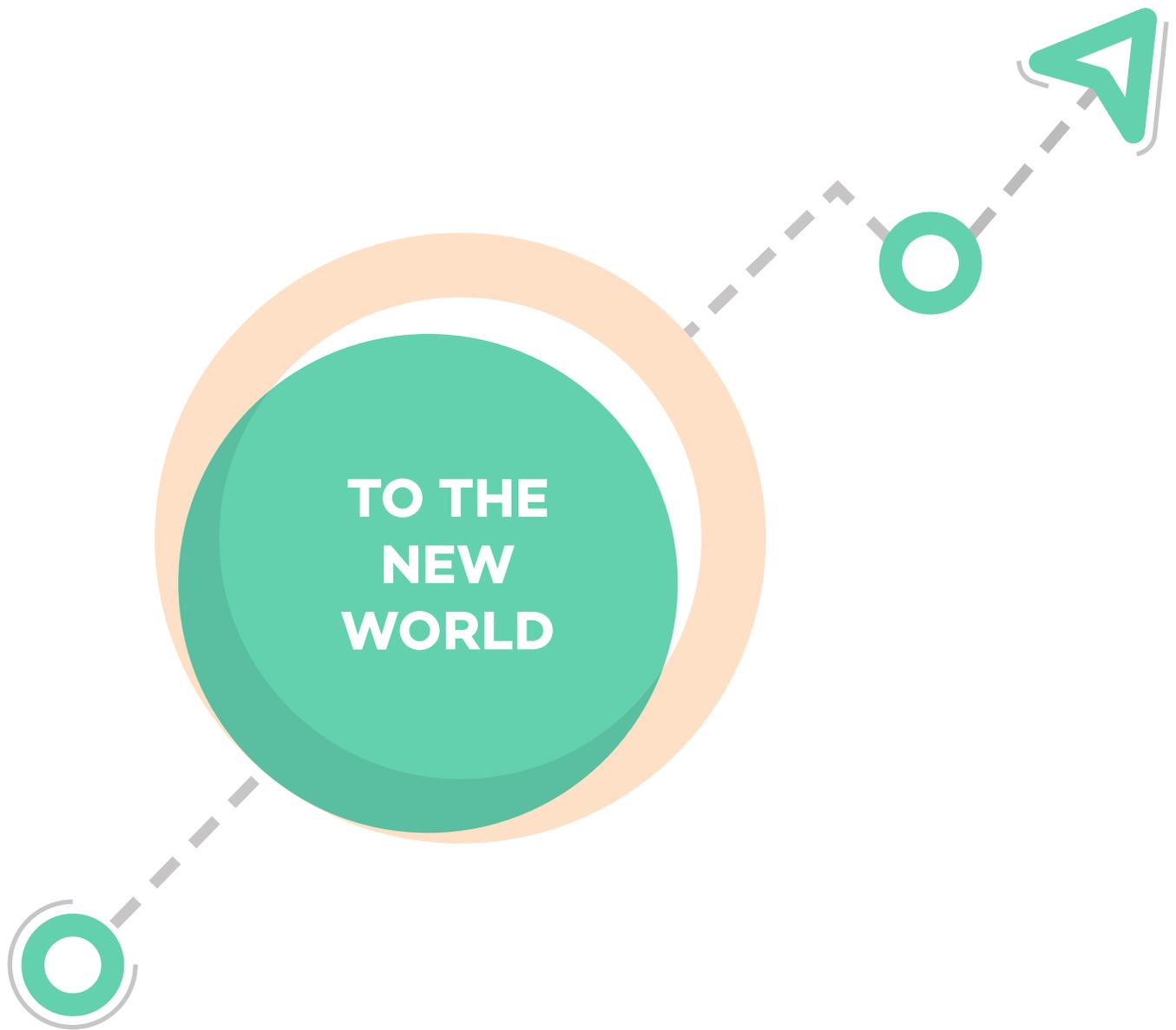
For the longest time, financial analysis meant looking to the past. It meant digging up some metric or KPI based on what has already taken place—last month, last quarter, last year. Today, those metrics remain important because measuring and analyzing past performance is critical to what finance teams do. Increasingly, however, finance leaders are understanding that this traditional form of financial analysis only tells half the story. More importantly, they're recognizing how difficult it can be to take action on something that has already happened. Attempting to take action on historical performance is much more difficult and less effective than taking action with a view into future outcomes.

With a modern analytics solution directly connected to company financials, finance teams can not only easily track traditional metrics—including revenue, spend, profitability, DSOs, and cash flow—but also more predictive insights around account risks or a customer's likelihood to renew. Some businesses have tried to forecast and predict future outcomes of this nature using traditional ERP systems or, even more often, spreadsheets. This is very difficult, however, as we explain in this section. In the rest of the ebook, we'll explore why countless leading businesses have been inspired to turn to next-generation systems, ushering in a new world of financial analysis.

Forecasting with King Kong

Traditionally, in order to forecast future business outcomes, the finance team would require an analytics system completely separate from their financials or, more commonly, a massive spreadsheet—so massive that these spreadsheets would often be given names like “Valhalla” or “King Kong,” representing how they are monumental in size, effort, and sometimes downright scary.

The first heavy lift is usually in collecting and assembling the data. Especially if multiple databases are in play. You need to gather the data, synchronize it when it's from multiple sources, scrub for duplicates, aggregate it if the volume is too large and then organize it into a format you can begin working with. At this point, confidence in the output is already diminishing. Next comes the formulas and calculations. After that, is the presentation layer of the output and distribution out to the stakeholders. Once final, the spreadsheet is locked so “nobody messes with it”. Since nobody can “mess with it”, they make a copy, and then the copy is copied. Who is looking at which copy now? How stale or relevant is the data now? In this traditional yet unfortunately common process, the risk for error is high and inefficiencies are even higher.



Accurate data, actionable data



At first, it can be difficult to fully realize the significance of a new discovery. How does this apply to me? What practical use will this hold? Is it all just hype? With the Theory of Relativity, it took time for scientists to apply Albert Einstein's groundbreaking theory on space, time, and gravity to GPS satellites that now support the sophisticated mapping systems in all our phones. The point is that it can take a while for a new invention to find its way to practical, day-to-day use. Much is the same with technology, especially analytics and business intelligence.

From artificial intelligence (AI) to machine learning, we've all heard the buzzwords. While these terms are intended to abstract complex, underlying technologies, they often end up overused, spurring skepticism. So finance professionals wonder: are there practical use cases for us today or is it still just science fiction? In fact, there are several significant, tangible, in-reach applications for finance teams.

Predictive analytics for finance

What's the difference between predictive analytics and forecasting? Both are predictions of future outcomes; it's a bit nuanced, but the output can be significant. For example, let's look at Customer Churn as a metric to analyze.

FORECAST: "Based on last year's numbers and the size of the current install base, we expect an 8% churn rate."

PREDICTION: "Based on more detailed data points, not only is there an expectation of an 8% churn, but here are the 30 customers expected not to renew."

While having confidence in the forecast is helpful, and may even enable the organization to take action, it's the extra level of detail in the prediction that makes that action much more focused.

Now take that level of granularity and apply it to standard KPIs. For example, FinancialForce features an out-of-the-box time series prediction that analyzes several historical data points in relation to revenue to predict future revenue over time. The user can throttle the confidence level of the prediction and drill into supporting details. Examples abound not just for evaluating dollar figures, but also operational data. In one case, a services organization might find value understanding current backlog. Based on projects in flight, future business about to close, and resource availability, how much revenue could be obtained by fulfilling existing backlog? Modern analytics dashboards like FinancialForce can help answer this question.

Traditional analytics

While it's exciting what finance teams will be able to do with predictive analytics, it's important that financial analytics technology also provide the tried and true historical metrics that every organization needs, including EBITDA (earnings before interest, tax, depreciation, and amortization), DSO (days sales outstanding), cash flow, utilization, and margins by customer, industry, project, service, practice, region, or group. Going beyond summary data points, the most useful financial analytics systems will allow users to drill down and perform more comprehensive analysis of the data.



“Whether it’s slicing our information by geography, by department, by vertical, whether it’s understanding specific customer situations, whether it’s understanding specific employee situations, we’ve gone from the big picture down to the underlying drivers in our business.”

GUY SOCHOVSKY
CFO, NEWVOICEMEDIA

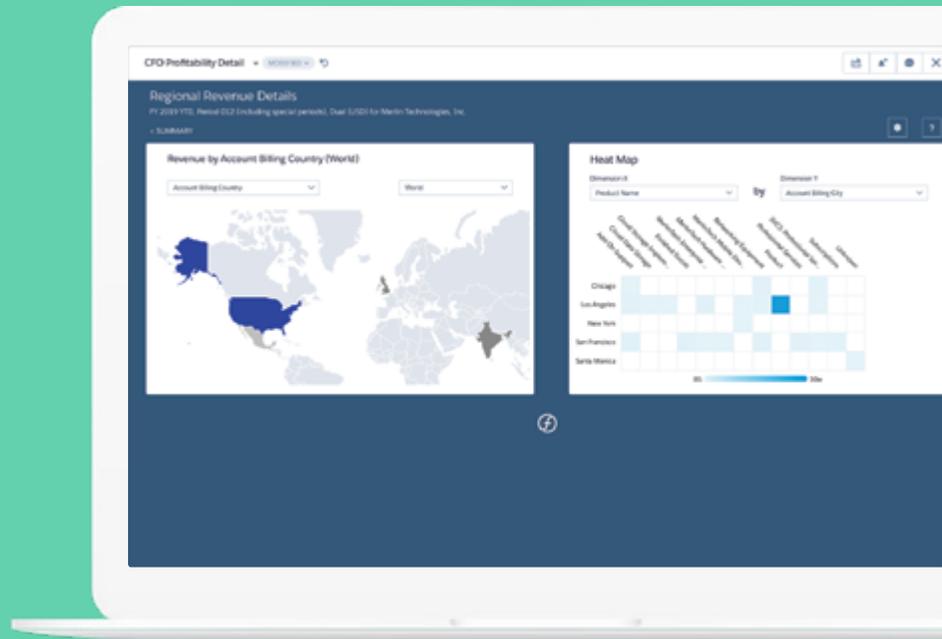
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Architecture makes all the difference



What enables powerful forecasts and predictive analytics are solutions like Einstein Analytics, a business intelligence and AI solution available on the Salesforce Platform. At its core is extremely rapid and scalable in-memory technology: because the data can be stored at the row or transaction level rather than aggregated or summarized, this affords the level of granularity mentioned in the previous examples. This is helpful for both predictions as well as traditional KPIs, offering extensive slice-and-dice capabilities with drill-downs in a graphically rich, aesthetically pleasing user experience. But it's not just for looks: Another benefit in viewing the information at the row level is enhanced traceability and auditability. With a solution like Einstein, auditors will spend less time tying out numbers because the data will always come from the same place as the financial reporting.

Natively built on the Salesforce Platform, FinancialForce leverages Einstein to bypass the obstacles of collecting and synchronizing data, automatically keeping all your data in one place. This eliminates potential failure points associated with multiple data loads and master data synchronization issues. Combining this confidence in the data's fidelity with predefined data sets and dashboards, FinancialForce customers can hit the ground running with their analysis to immediately start turning their data into action.



“Einstein Analytics adds another dimension. It really lets you drill in better and deeper across multiple objects. You get more, and you can do more with it.”

SCOTT HANKINS
DIRECTOR OF ERP, LISTRAK

Multiple paths to insight

Time is precious, and financial professionals have long relied on turning raw data into visual depictions to more rapidly reveal insights. While traditional bar graphs and pie charts are still useful data representation tools, our eyes can sometimes spot an anomaly more quickly on a heat map or a bubble chart. Also, some of these data elements can be dynamically related. For example, selecting a single bar in a bar graph might instantly render supporting details in a donut graph or detailed transaction listing.

Additionally, modern analytics platforms have sought to take the same reporting available on desktop/laptop and provide that through a mobile experience too. Of course, limited screen real estate needs to be taken into consideration on a smartphone, but that doesn't mean financial professionals can't run and view analytics from their phone or tablet.

“Unlike other vendors who hype the power of AI to transform business, FinancialForce has actually made AI work. Customers will be able to replace their legacy analytics and reporting solutions easily and inexpensively with Einstein without needing an army of impossible to find data scientists to pull it off.”

JEANNE URICH
SPI RESEARCH
SPIGLASS, MAY 13, 2019

A new world of financial analysis

While there is plenty to take advantage of right now in today's market as previously mentioned, the everyday use cases for the finance professional to utilize cutting edge analytic technology will continue to grow. For example, one pilot program took the customer churn example described earlier to a whole new level by combining structured and unstructured data. (Structured data is typically data that is stored in rows and columns where numbers can be easily calculated. Unstructured data is data that is stored in emails or rich text fields.) The pilot interpreted the tone of emails from customers in unstructured data combined with data elements like contract renewal dates, DSO, etc. and made a prediction on which customers might not renew.

Maybe it sounds like sci-fi, but the reality is that the technology available today is light years ahead of the legacy business intelligence tools, not to mention cumbersome, manual spreadsheets. And the technology is only getting better every day. Your data is trying to tell you something—go take action on it!



Ready for modern financial analysis?

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FinancialForce delivers the #1 professional services automation (PSA) and the only customer-centric ERP. We accelerate business value with comprehensive best practices and the most intelligent analytics—all on the leading business cloud platform from Salesforce. Founded in 2009 and headquartered in San Francisco, FinancialForce is backed by Advent International, Salesforce Ventures, and Technology Crossover Ventures. For more information, visit www.financialforce.com.

