Reacting to Global Change in the Planning Process

Tim Caudill

Jochen Hessler

November 30, 2022

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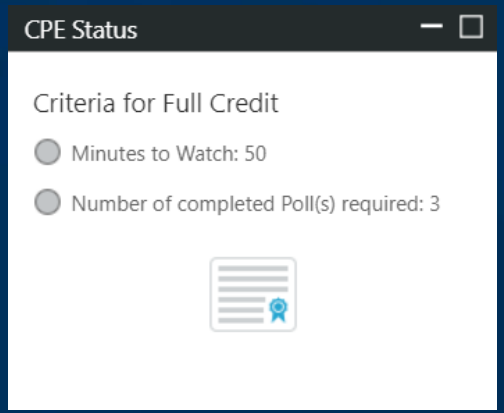

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Featured Presenter

Tim Caudill

Director of Solution Advisory

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Tim Caudill’s Biography

Tim Caudill has over two decades of domain expertise primarily focusing on financial software implementation as well as leading corporate finance teams. As Director of Solution Advisory at Jedox, Inc., he is responsible for showing how Enterprise Performance Management solutions advance the digital transformation journey. By using information gathered over myriad implementations in almost every industry, Tim brings a unique view about what is practical, important, and achievable.

Featured Presenter

Jochen Hessler

Senior Director Product Management

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Jochen Hessler’s Biography

Jochen has over 15 years of high tech and financial experience and has held a number of senior positions in financial controlling, project management, presales consulting and customer success. Jochen has been with Jedox for 11 years and is now Senior Director Product Management for Solutions.

Prior to joining Jedox, Jochen was Head of Financial Controlling at a publisher group in Germany and holds a Master of Science degree in International Economics, with focus on telematic which links computer science to economic sciences. His passion is building and developing teams for continuous improvement. Innovation, Commitment, and a Growth Mindset combined with a shot of humor and strong affinity to IT are typical attributes to describe Jochen’s personality.

Learning Objectives

1. Recognize why traditional FP&A planning techniques are struggling to keep up.
2. Explain the importance of incorporating flexible modeling into the planning process.
3. Describe the benefits of modernizing the approach to driver-based planning.
4. Discuss the value of scenario and sensitivity analysis.

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- Solutions for finance, sales, and workforce planning

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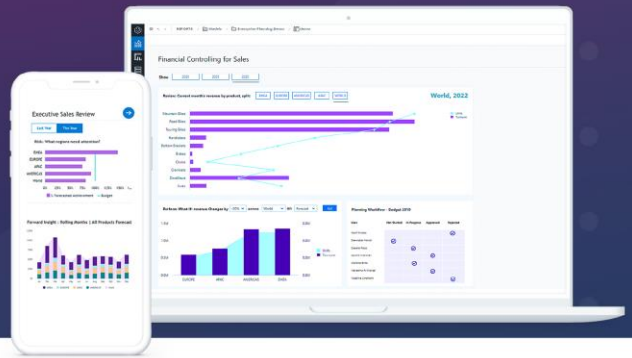

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Traditional FP&A in a Chaotic World

Characteristics of Traditional FP&A

- Seen as a back-office function
- Shareholder Communication
- Risk Management
- Transactional
- Compliant
- Manual Processes

Challenge - Expectations

- More planning cycles
- Planning deeper into operations
- Increasing analytical sophistication
- Consultative business partnering

Challenge - Volatility

Satisfaction in forecast accuracy declined sharply to 39% (down from 54% in 2021)

- Inflation
- FX fluctuation
- Monetary Policy
- War
- Supply Chain Disruption

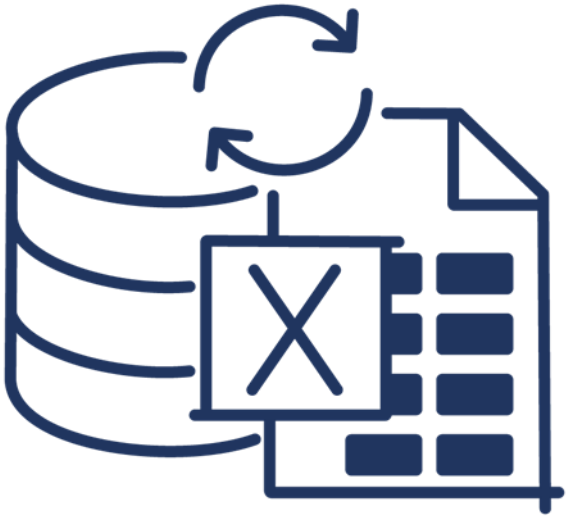
Source: FP&A Trends Survey 2022

Challenge - Data

- Data volumes continue to grow
- Data management and query tools are becoming a necessary finance skill
- Data interconnectivity creates value
- Better decisions are possible with better data

Challenge – Lack of Tools

- 58% use Excel as their main system for planning and forecasting
- 31% do not have a single source of data that everyone trusts
- 46% of C-suite teams have online access to real-time performance data



Source: FP&A Trends Survey 2022

What is Modern FP&A?

- Strategic to Operational
- Automated
- Collaborative
- Continual (AI)
- Value Creative

Poll Question 1:

Has your CFO's organization explored modern technology like AI (Artificial Intelligence) or Machine Learning?

a. We use AI currently.
b. We are interested in implementing AI and we are exploring options.
c. AI is not on our radar.

Poll Question 1 Results: (Placeholder)

The Importance of Incorporating Flexible Modeling into the Planning Process

Adaptability is the new stability.

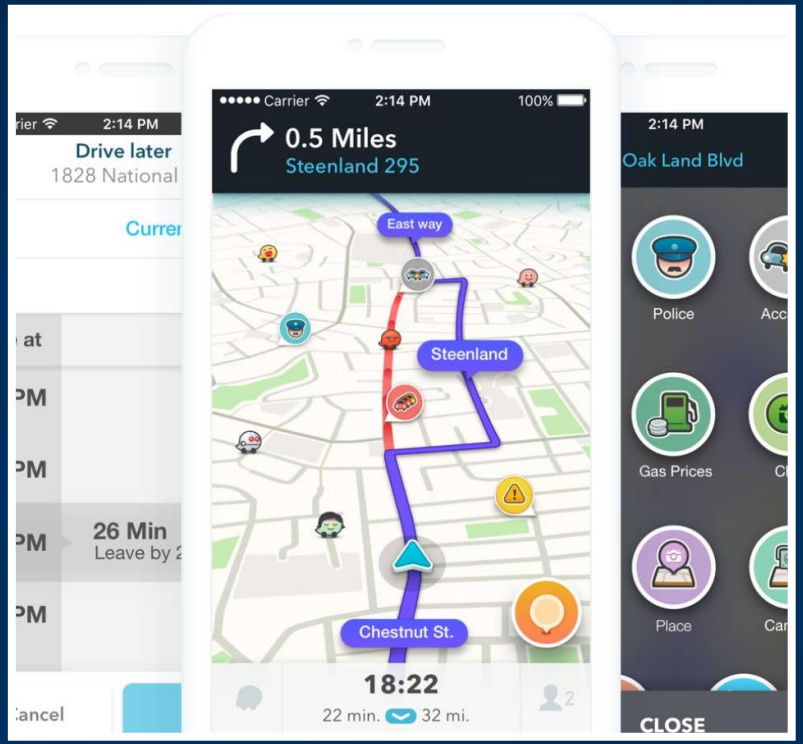
- Reid Hoffman, Co-founder LinkedIn, Partner Greylock, Microsoft board member

If a plan does not work, change the plan but not the goal!

- Unknown

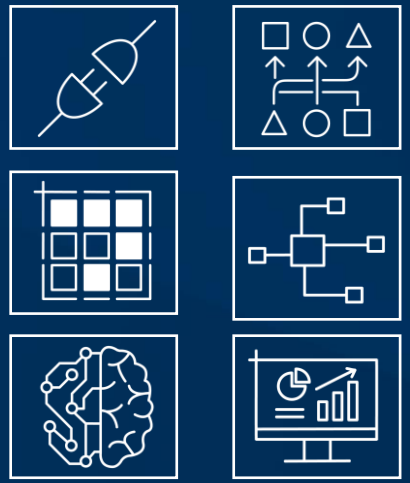
Why Flexibility is Key

1. For 5 years, "flexibility of the software" has been the #1 reason why companies buy a panning tool according to Business Application Research Center, BARC.
2. Changing world and market conditions require fast changing planning models to be competitive.
3. New predictive planning/ forecasting approaches require flexible data models to add drivers.
4. Integrated xP&A planning concepts require flexible data models across various departments.
5. If a planning process can‘t be adapted swiftly, you end up with manual Excel Sheets again.



Where Flexibility is Key

1. Connectors to multiple source system
2. Transformations, Mappings & Business Logic
3. Consistent multidimensional data models
4. Master data & hierarchies
5. AI algorithms
6. Reporting capabilities



Poll Question 2:

What tool do you primarily use for planning?

a. Excel
b. We have software for planning, but we need to augment it with Excel.
c. We use a solution that allows us the flexibility to fully plan for our business.

Poll Question 2 Results: (Placeholder)

Benefits of Modernizing the Approach to Driver-based Planning

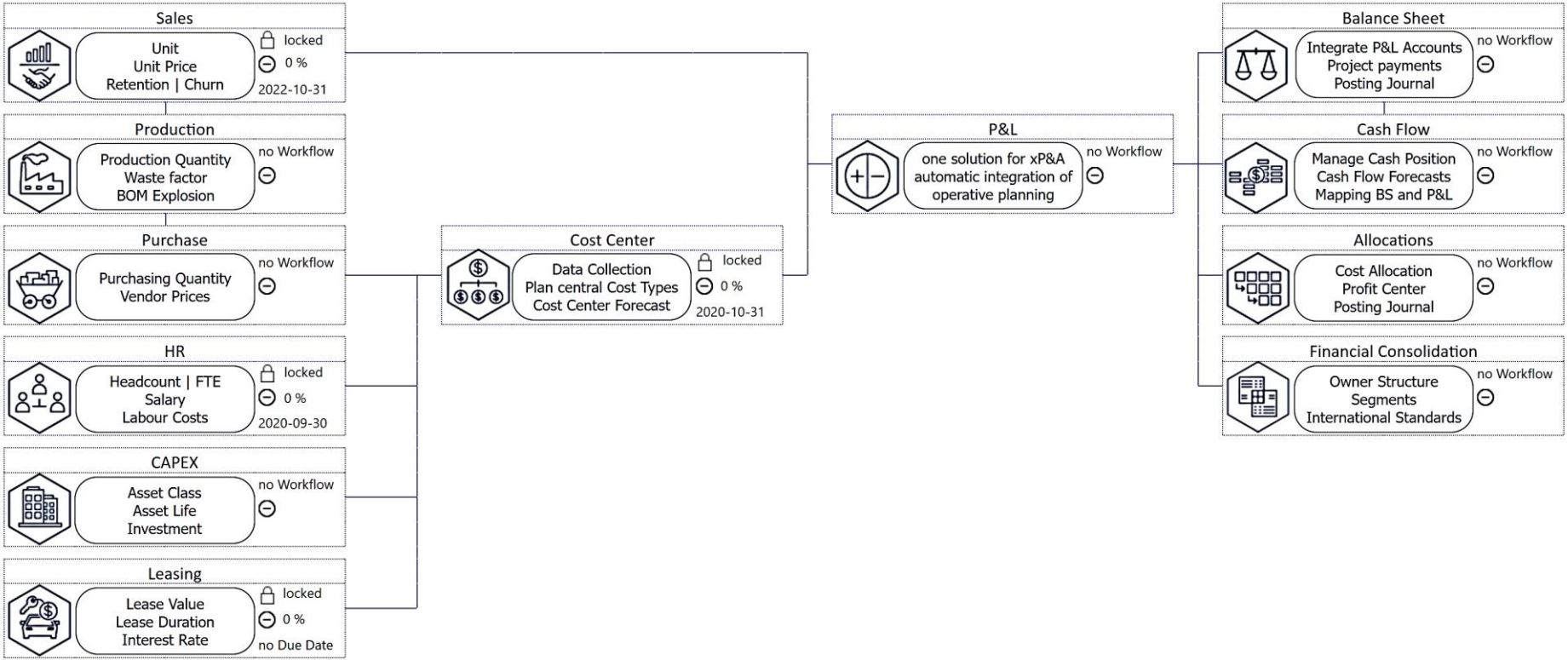
Details are nice, but…

1. Only focusing on finance, sales, or workforce planning is not sufficient
2. Departmental plans need to be connected
3. You can‘t do it manually, if you need to plan more often
4. You need to understand the root causes of change…

A broader picture helps…

1. To identify and understand drivers
2. To react quickly
3. To calculate predictions continuously with AI
4. To compare multiple scenarios
5. To explain deviations

Driver-Based Planning



Action Plan

1. Start with your most relevant areas for planning/ forecasting (check your P&L)
2. Decide on the approach which P&L lines are planned driver-based, which with AI/ML, which manual
3. Setup the model of value drivers
4. Integrate these drivers into your reporting and monitor accuracy over time
5. Use subset of value drivers for strategy plan
6. Search for tools which support you in driver-based, AI/ML supported, flexible planning approaches

Poll Question 3:

Do you include external data and forecasts as drivers in your planning process?

a. We often use external data and forecasts as drivers.
b. External data and forecasts are used to inform planners but not directly as drivers.
c. We do not incorporate external data or forecasts.

Poll Question 3 Results: (Placeholder)

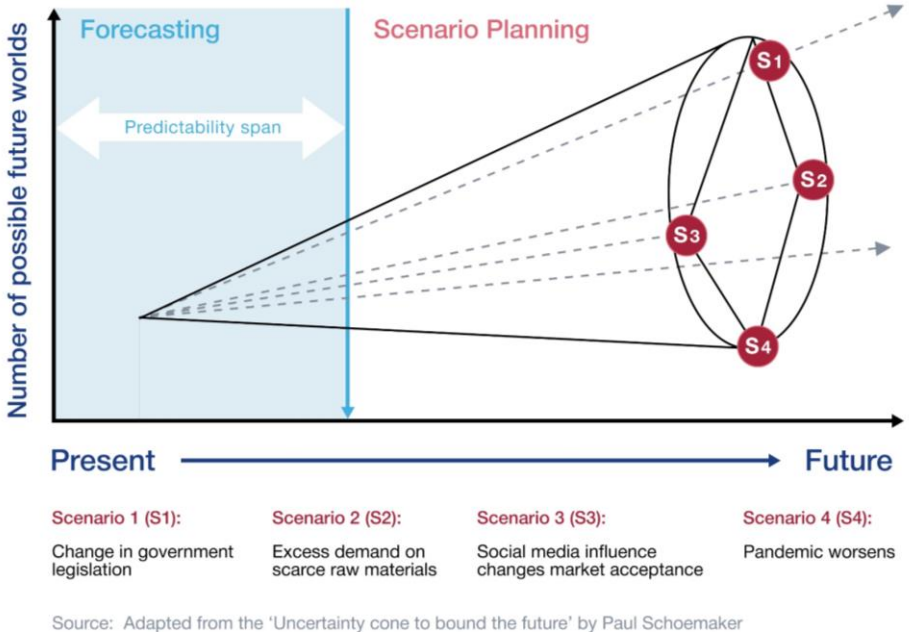
Scenario and Sensitivity Analysis

Scenario vs. Sensitivity Modeling

- Sensitivity Modeling typically looks at one variable at a time
- Scenario Modeling looks at multiple variables considering an event or environment
- The idea is combining the two, enabling us to better plan for uncertainty

Scenario Modeling

- Traditional FP&A only works in the Predictability Span
- The Predictability Span is shrinking
- Outside the Predictability Span is uncertainty/multiple possibilities



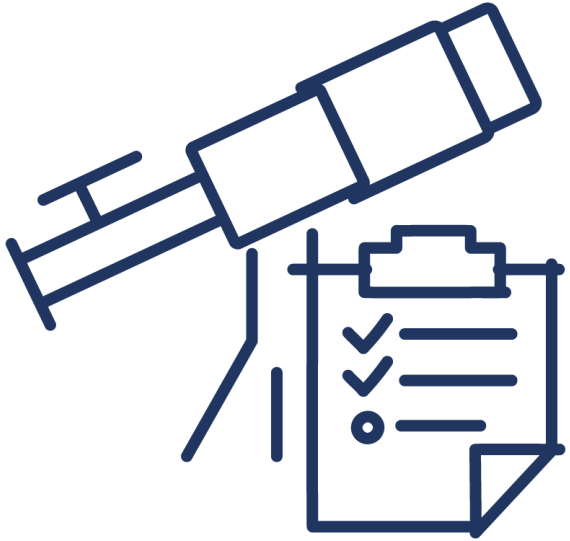
Scenario Modeling Today

- 6% - can run scenarios in real-time, and 13% are able to run scenarios in less than one day.
- 55% - Running scenarios is a long and challenging process
- 26% - are unable to run scenarios.

Source: FP&A Trends Survey 2022

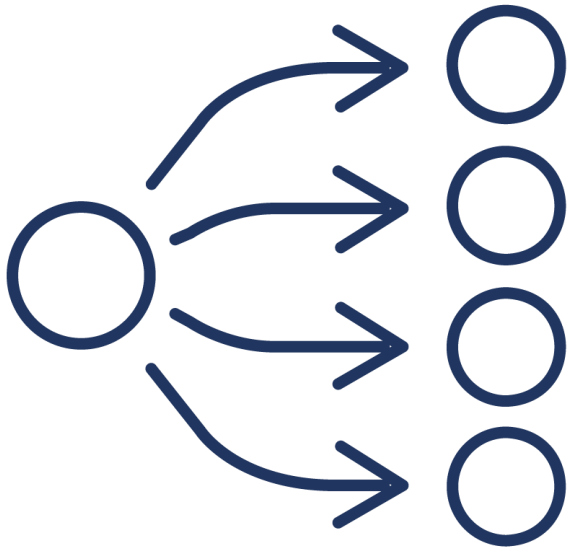
Scenario Modeling – Characteristics

- Automated
- Fast
- Driver Based
- Multidimensional
- Continual Vigilance



Scenario Enhanced Decisions

- How limiting is a restrictive contract?
- If we cannot hire enough, how will temporary labor impact our business?
- What is the cost/benefit of multi-sourcing our supply chain?



Poll Question 4:

What does scenario planning look like at your organization?

a. We run scenarios in real time.
b. We run scenarios in less than one day.
c. Running scenarios is a long process.
d. We are not able to run scenarios.

Poll Question 4 Results: (Placeholder)

Conclusion

Conclusion

1. Traditional planning techniques need to evolve to keep pace with a changing world.
2. More cycles, more stakeholders, more insights
3. Move from time intensive budgets and plans to flexible automated driver-based approaches
4. Have a plan for your plan - use scenario planning and sensitivity analysis to create plan b, c….

Questions and Answers

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Thank You to Our Featured Presenters!

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Final Reminders

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