



Digital finance – The new superhero

Smart, integrated planning platforms give organisations a strong competitive advantage in the market. It is all about 'time to value', 'rate of change' and 'agility' in a market with declining opportunities.

Old traditional budgeting tools no longer give organisations the insight they need to keep ahead of the pack. The tools that cannot respond to the need for flexible 'what-ifs?' and predictive analytics, lack the integration speed to action, and have limited insight into the future. The days when long planning cycles were followed by offline stop, start forecasting were adequate to support an insight-driven organisation, are long gone.

Niche vendors solve specific problems well. However, the lack of flexibility in modelling, and their inability to keep up with change, still drives most organisations to model business questions in spreadsheets, and only record the final 'answers' in the tools to support the budgeting and forecasting process. Such basic modelling applied to planning, budgeting and forecasting is typically resource intensive, and frequently results in analysis that is flawed or comes too late.

The implication of this approach is not just sub-optimal performance, but also prevents the entire organisation from planning collaboratively across the business functions. These niche applications inadvertently become symbols of the siloed, disconnected enterprise planning process and increase the risk of human error.

Disconnected processes result in activities which do not clearly contribute to realising an organisation's strategic objectives. However planning, budgeting and forecasting that are seamlessly integrated with an organisation's strategy, its day-to-day operations and asset management processes, provide a strong competitive advantage in the market.

Organisations need collaborative and integrated planning across all business functions, to accommodate more frequent, efficient and synchronised plans.

The needs

For a connected planning, budgeting and forecasting process you need:

1. Basic and expert planners to be able to easily and fully adopt the planning solution – without spreadsheets
2. Speed and scale even with big numbers of users, high data volumes, and complex calculations
3. To model master data, and plan changes that are immediately reflected in all views
4. Modelling to be flexible for different business practices, incorporate sufficient details, and allow business users to enhance models over time
5. Real-time sharing of data across planning processes to avoid error-prone manual data transfers, latency, etc
6. A consistent user interface to avoid training issues and low adoption
7. A model exchange that allows model sharing and spreads associated planning decisions.

The answer

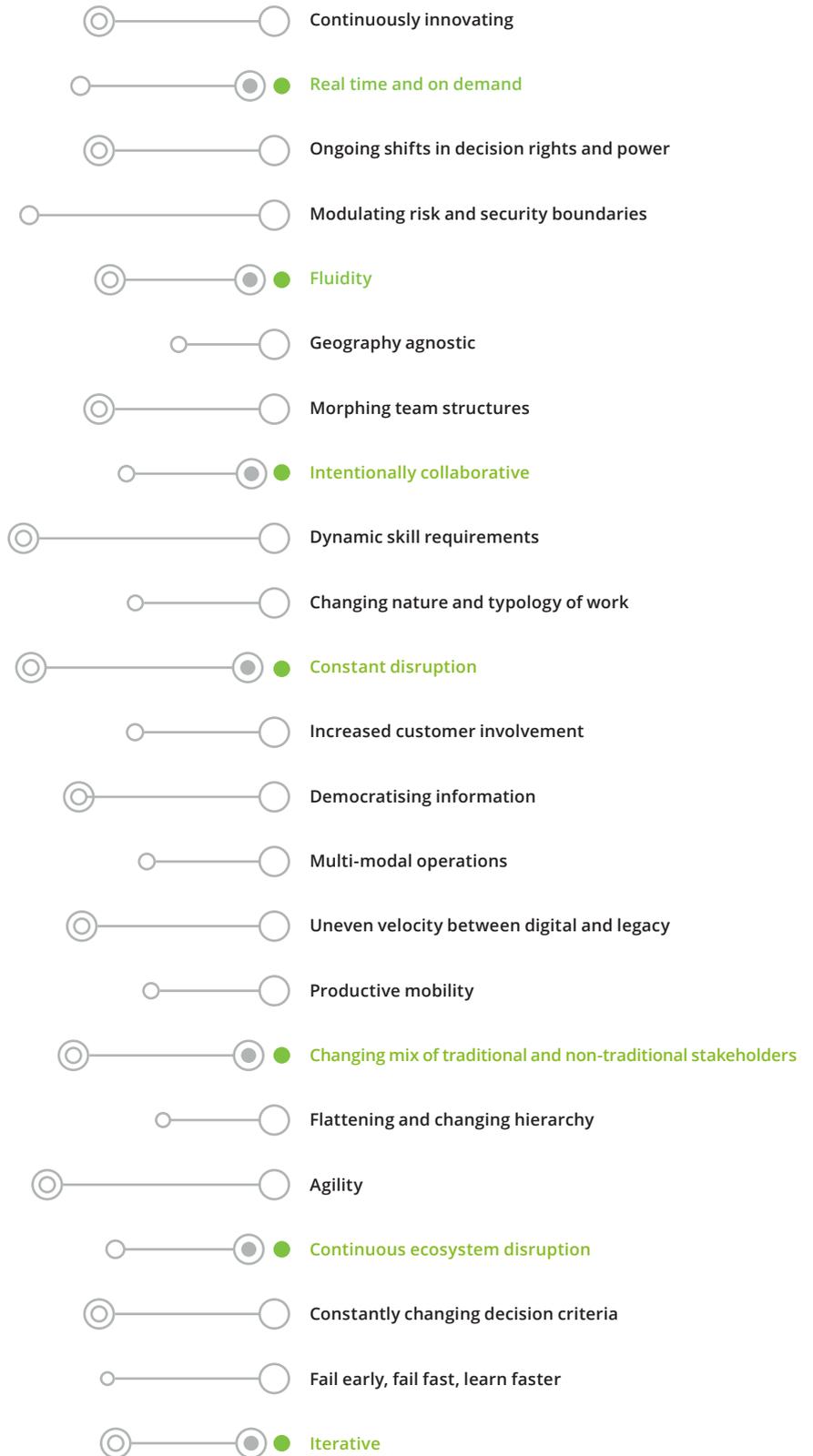
Finance functions that have digital DNA at their core have the characteristics to meet these needs. They thrive in an ever changing market where agility is no longer a choice, but a necessity.

Finance functions with digital DNA are very different from traditional businesses.

By transforming their planning, budgeting and forecasting culture, processes and technology, organisations can:

- Better align long term strategies to short term operational activity. Stress test decisions and responses to market changes in sophisticated models
- Plan in a standard consistent manner across the entire organisation.

To plan in a connected manner using a digital finance function requires a combination of core modernisations and exponential technology changes, underpinned by changes in process and people.



Technology changes



Platforms



Cloud



In-memory computing



Advanced analytics



Visualisation

Platforms not solutions

The right technology platform is the backbone of an efficient and effective, connected planning process. It will automatically integrate data into models across the whole organisation at varying levels of detail and generate easily understandable, highly visual reporting.

Cutting edge planning, budgeting, and forecasting platforms, automatically pull data from a range of core business systems. They spontaneously integrate it into planning, budgeting and forecasting models as and when required. It goes without saying this significantly reduces manual effort, allows models to be refreshed on a more frequent basis, and most importantly provides faster speed to insight for key decision makers.

Result: Data at a more granular level of detail (e.g. asset level or lease level) can be quickly and accurately integrated into the model and aggregated into different hierarchies with minimal additional effort. This provides the ability to view plans, budgets and forecasts at different levels of aggregation; from an individual asset up to regions, divisions and ultimately the organisation overall, providing insights from the lowest operational level to the top levels of the company. By having this ability to slice the data, the organisation can assess performance at the appropriate level or drill down where necessary, increasing the value driven from the financial data.

Cloud and 'in memory' processing

The computational and memory requirements to implement a cutting edge planning, budgeting and forecasting platform, can be significant. Cloud computing and 'in memory' processing address these issues by improving scalability, while dealing with complexity, without having to wait for long calculations to run. In fact 'in memory' translates to 'real-time'.

Result: The combination of these two technologies leads to improved processing times, which greatly enhance the performance of the platform and advanced analytics, benefiting timely decision making, planning, budgeting and forecasting.

Advanced analytics

The ability to incorporate advanced analytics within the platform can help answer complex questions in a predictive (what will happen), prescriptive, (what should be done), and ultimately cognitive manner (deciding what should be done, learning and improving). Advanced analytics focuses on future events, or values such as:

- Predicting whether a tenant is going to pay rent through Intelligent Debtors Management
- Predicting the likelihood of tenants accepting rent increases
- Predicting component failure (e.g. hot water heater, dishwasher, A/C)
- Understanding and analysing the future credit profile of your tenants
- Dynamic forecasting of utility costs enabling flexible pricing based on usage.

Result: When statistical models and data-backed knowledge are used to answer these questions, instead of 'gut feel', they provide trustworthy input into the planning, budgeting and forecasting process. This improves its validity and reliability. By being able to predict, understand, analyse, decide and iterate, an organisation can be proactive to dynamic and changing markets, rather than reactive.

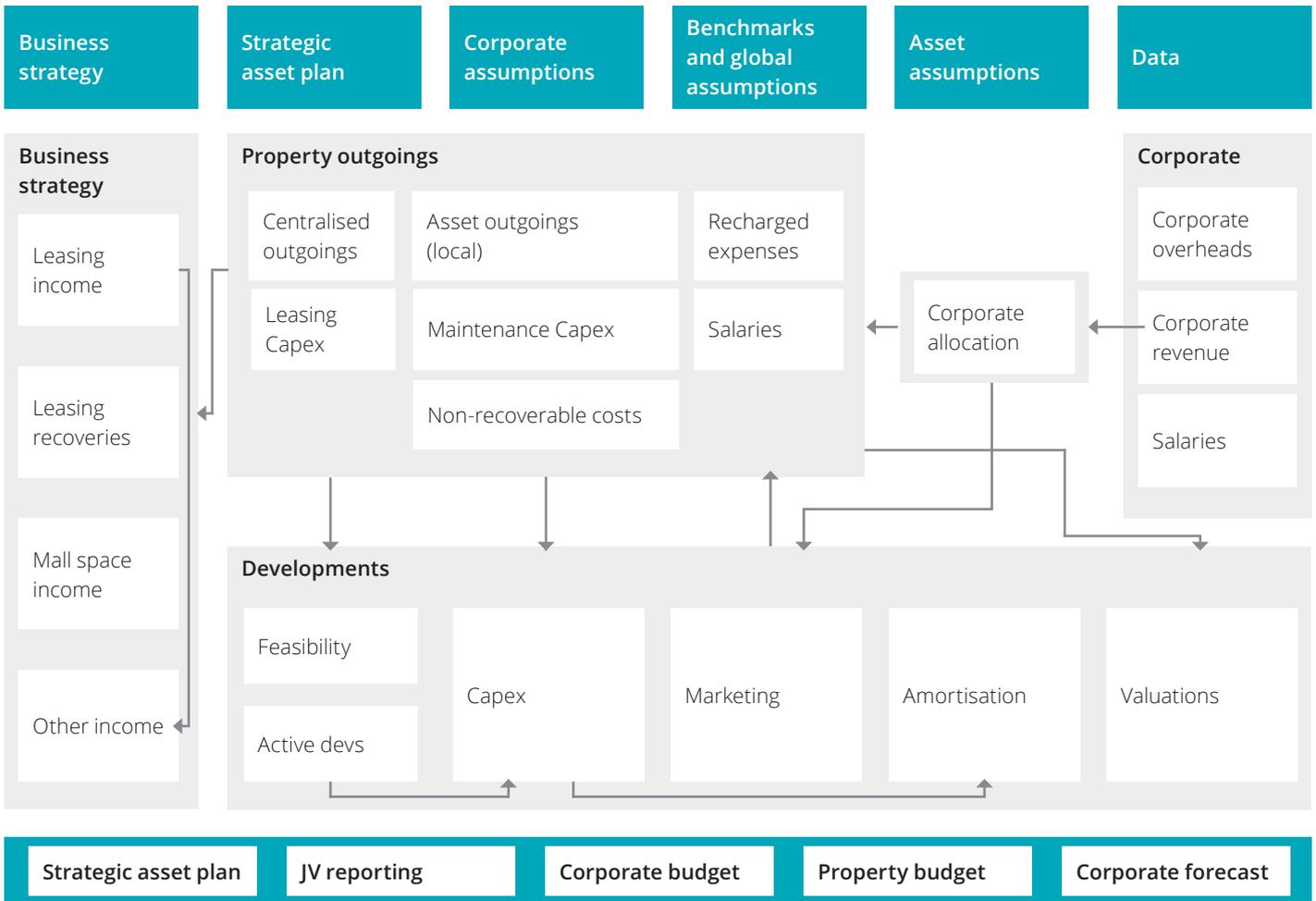
Process changes

Connected planning, budgeting and forecasting requires a different process. Due to the rate of change within the market, and the need to understand data, previous long, offline planning cycles are no longer acceptable to give both organisations and regulators where appropriate, the insight and direction required.

Connected planning is inextricably linked with day-to-day operational and asset management activity. Existing discussions on asset performance, risks and opportunities should be standardised and formalised across the organisation with the frequency and regularity of discussions matched to the operating rhythm of the business resulting in timely decision making.

Plans, budgets and forecasts should be key inputs into meetings to enable fact based and insight driven discussions. The model should be changed based on key decisions in these meetings. More frequent and less time intensive updates to the model ensure that an up-to-date view of financial performance is always available to decision makers, with minimal incremental effort.

Result: Clear sequencing of processes is key in connected planning, budgeting and forecasting. The model is more regularly updated and integrated across the entire organisation. A standard planning, budgeting and forecasting calendar enables stakeholders to understand what elements of the model have changed and need to be updated. This is particularly critical in the Real Estate industry, where revenues can be tightly linked to expenses (recoveries) and depend on changes in assumptions made by other teams (turnover rent).



Source: Deloitte Consulting

People changes

Cultural and behavioural change is critical in order to build trust in the connected planning process and what it can achieve, as well as to reinforce new, more efficient ways of working.

Cultural change must come from the top down. The effort, level of detail and number of iterations of plans, budgets and forecasts is driven by the expectations, queries and review points raised by executives. For connected planning to be successful, standard expectations need to be set across the organisation, and leaders accountable must adhere to these consistent standards. Leaders must also set the tone to engage and motivate to ensure their teams are fully committed to the new ways of working and not falling back on previous behaviours.

Conclusion

In the asset intensive real estate and property industry, the ability to efficiently and effectively update plans, budgets and forecasts, communicate this information across the organisation, and gather key stakeholders to make truly insight driven decisions is a key lever to fully exploit available opportunities and mitigate risks. In essence, connected planning, budgeting and forecasting enables organisations to make more informed decisions, faster; moving the finance function from a reporting business unit, to one that delivers real value to the organisation.



Tony Trehella is a domain leader in large scale design, build, implementation and remediation of Budgeting, Planning, Forecasting and Financial close systems leveraging leading planning and consolidation platforms.



Thierry Lotrian is a Lead Anaplan Partner within Deloitte Consulting Services in Australia. Thierry has worked with a client base across Asia Pacific and Europe to drive business led transformations enabled by analytics and performance management capabilities.

Deloitte.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 244,000 professionals are committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 7,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

© 2018 Deloitte Touche Tohmatsu.

MCBD_HYD_02/18_55350