

The New World of Financial Analytics



deFacto Global, Inc.

www.deFactoGlobal.com

The New Financial Analytics

Big things are happening in the world of financial planning and forecasting. New tools that enable companies to completely model their businesses are opening up a whole new world of more powerful business planning capabilities.

While many organizations have sought to model their businesses to plan for the future, their efforts have frustrated by inadequacies of the available tools. A major drawback has been a lack of integration among the tools used for business planning—business intelligence (BI) and corporate performance management (CPM) tools, as well as the tools for performing predictive analytics.

Fortunately, a new generation of smarter, more robust, integrated, and more capable financial analytics tools is emerging to help these organizations succeed in building business models that enable more accurate and reliable strategic planning. And rather than requiring technical experts and data scientists, these tools are user-friendly for use by line-of-business managers.

Where the Old Tools Fall Short

Many CPM products started as “point solutions” that performed individual processes like budgeting, forecasting, or reporting, then “connected” these functions in some rudimentary fashion. As technology evolved and CPM products matured, it became apparent that the best approach was to have all functions integrated and built around a single centralized model.

However, only a small number of products (deFacto being one) were designed from the ground up as a single product that contains all the capabilities of point solutions, and more. Most CPM offerings on the market are not single integrated products, but remain bundles of three, four, or more point products yoked together.

The single-product approach offers subtle but huge advantages in terms of system security, data integrity, scalability, performance, usability, cost, and more. In fact, the single product approach is so important that it is the key to deFacto’s ability to scale far beyond traditional uses of CPM products, moving its capabilities into the hands of line-

of-business managers and supporting the types of applications outlined in this white paper.

While the value of point solutions is defined by their individual functions, the new generation of financial analytics products like deFacto integrates these tools within a comprehensive model that provides a much higher purpose and value.

Overwhelmed by Data

A problem that has confounded the older generation of analytical tools is the surging volume of data we see today. Many large companies collect global forecasting data from hundreds of users around the world and compare it to actual data from their financial systems to constantly refine their overall planning process.

The current generation of aging CPM tools such as those from SAP and Oracle tend to struggle under the burden of rapidly increasing quantities of data and larger numbers of data sources that push the tools to their limits. The inability to handle large volumes of data can cause a number of crippling problems:

- As data volume increases, the software's performance suffers, especially during heavy usage periods or "crunch times."
- As the number and variety of data sources grows, the systems become cumbersome to use and deliver less reliable results. The ability to do detailed analysis is significantly diminished.

The scalability limitation of older CPM systems, and their inability to handle large volumes of data easily, limits their ability to create a comprehensive business model, thus limiting the granularity and value of the resulting analyses. The older tools have had difficulty harnessing and unifying the full range of data needed to build a complete business model that can more effectively aid decision makers in their planning. Building models with the older systems also requires users to have technical knowledge or skills in the use of underlying technology.

The infrastructures of older CPM solutions also are less efficient and more costly. For example, a Hyperion solution requires six servers to implement a solution that more

modern systems like deFacto's can handle on one small server. Some tools, such as Cognos and Board, employ proprietary technology that creates impediments, making it difficult to access their database.

Where BI Falls Short

While business Intelligence (BI) systems are very good at what they do—*data analysis and visualization*—they do not offer a complete and fully integrated approach for analyzing the impact of decisions, strategic planning, and managing a business.

Businesses looking to achieve high performance need to make better and faster forward-looking decisions based on a broad range of internal and external factors that uniquely influence that business. BI systems are limited in this capacity because they are intrinsically *data-centric*. They utilize standalone sets of historical data that do not reflect all aspects of a business and require subjective interpretation.

While BI tools do create useful forward-looking projections based on historical data and generic mathematical algorithms, they are not company-specific, so forecasts are not accurate or reliable.

Better Tools Needed

Gartner analysts are among those who are advising businesses to become more strategic in their deployment of performance management technology. Organizations, says Gartner, “need to reconsider the scope of strategic Corporate Performance Management (CPM) processes and re-evaluate the use of current tools and technologies in support of more comprehensive CPM initiatives.”¹

Unfortunately, Gartner reports,² while forward-looking decision-making has become increasingly more critical, the tools at hand are not always up to the task. As Gartner explains, businesses have been dealing with aging systems and struggling to make progress with BI and analytics.

¹ Gartner, “Strategic CPM as a Driver for Organizational Performance Management,” Christopher Iervolino, John E. Van Decker, Neil Chandler, January 10, 2014.

² Gartner, “Leveraging CPM Innovation With Leading Trends in Technology,” John E. Van Decker, Christopher Iervolino, October 29, 2014.

However, Gartner also notes that new tools for business analytics, including performance management, have come to market, with many of the new vendors offering a more-optimal approach than the leaders in the current market. These new tools offer the ability to support strategy execution (Strategic CPM) and cross-enterprise planning (Integrated Financial Planning). As such, says Gartner, organizations are considering emerging vendors as credible alternatives to larger, more-established vendors.

New Forward-Thinking Intelligent Tools

This is where deFacto enters the picture, providing the comprehensive modeling capabilities that are missing in the older generation of CPM and BI tools. deFacto complements BI systems by giving business managers the ability to *analyze decisions and create plans* based on all influencing factors.

New systems like deFacto's take advantage of the latest in-memory and online analytical processing (OLAP) technologies and utilize them more intelligently, extending and enhancing their capabilities. This enables the system to create a more comprehensive and accurate model of a business, allowing companies to perform analysis and planning at a level not previously possible.

Ease of use is another advantage. Users require no technical knowledge, skill, or training with the underlying technology to build deFacto models. The interface is designed for non-technical business people rather than data scientists.

Model-Centric Solution

deFacto's *model-centric* system consolidates mission-critical data from around an organization into a comprehensive and intelligent model that intrinsically represents the business. Using the model for driver-based what-if analysis, budgeting, and forecasting, in addition to BI, deFacto provides an objective, single-point-of-reference for analyzing the financial impact of decisions, strategic planning, and managing a business to achieve the best performance.

Using deFacto's model-driven planning, CFOs can work directly with line-of-business managers to develop a model of their business, then use driver-based tools—including

what-if analysis, budgeting, and forecasting – to help those managers evaluate the financial and operational impact of any set of business decisions or strategy, set goals, and manage their performance. In fact, deFacto represents the new generation of “Strategic CPM” and “Integrated Financial Planning” tools to which Gartner refers.

A More Intelligent Use of BI Technology

Building a comprehensive business model for more effective strategic planning does not require complex rocket or data science, rather a more intelligent use of proven technology. Microsoft’s Business Intelligent technology stack has been a leader in Gartner’s BI Magic Quadrant for more than a decade. As a result, many BI and business analytics products that perform analysis, planning, and reporting utilize some combination of components in the stack, including SQL Server, Analysis Services, and Excel.

But not all products use the same components, and not all products use components in the same way. For instance, the foundation component of Microsoft’s BI stack is SQL Server’s relational database. SQL Server is the leading product of choice for those applications that need a cost-effective, high-capacity relational database.

Products tend to use SQL Server on one of three levels. The lowest level only uses SQL Servers’ relational database, which is very good for baseline applications but can quickly lose its usefulness when attempting to generate reports from, or analyze, larger amounts of data. These applications are typically designed for smaller companies or departmental uses.

The next higher level is when applications need extra capability and speed for analysis and reporting. For this level, SQL Server offers Analysis Services, a multidimensional database component that is used in conjunction with SQL Server’s relational database. Analysis Services structures data in “cubes” that are optimized for analysis and reporting. Many enterprise-quality BI and business analytics, including deFacto, use SQL Server’s relational and Analysis Services.

deFacto takes the Microsoft technology stack one level further than its competitors by using SQL Server and Analysis Services to construct centralized models and incorporate

programmable business rules and logic that add an extra layer of business and financial intelligence to the models. deFacto also uses SQL Server and in-memory capabilities as part of its high-performance data-management strategy. The result is an enterprise-quality, highly intelligent, extremely fast business modeling, analysis, and reporting capability—in essence, a more intelligent use of BI technology.

Analysts Recognize deFacto Innovation

Analysts like BPM Partners and TEC have recognized that deFacto is at the forefront in providing new, more powerful business analysis tools that are based on proven technology and extend those capabilities to enable better strategic planning.

As TEC reports,³ deFacto is redefining the enterprise performance management market and providing “an enterprise performance management solution for the future.” As TEC explains, deFacto’s focus on comprehensive and real-time business modeling and intelligent operational planning functionality provides a unique approach to the measurement of enterprise performance that is “a leap ahead of most of its peers.”

Similarly, BPM Partners in its annual Pulse of Performance Management survey named deFacto as the Best New Vendor of 2014. deFacto was chosen as Best New Vendor, said BPM Partners CEO Craig Schiff, “because of the all-around completeness and capability of its solution. “

deFacto’s solution, said Schiff, was a solid addition to BPM Partners list of top-rated and recommended BPM vendors, “enabling users to model business operations, plan, and manage performance against the plan.”

About deFacto Global, Inc. www.defactoglobal.com

deFacto Performance Management was built by a team of CPM experts who have led the market over the past 30 years. Fortune 500 to middle-market customers use deFacto to supercharge their financial performance by streamlining, automating and better managing their decision-making and planning processes across their entire businesses. deFacto is a completely unified modeling,

³ Technology Evaluation Center (TEC), “deFacto Performance Management: Enterprise Performance Management Redefined.”

budgeting, forecasting, consolidation, analysis and reporting product. It offers the full range of features needed to satisfy even the most demanding users, yet it's easy to learn and use—and it's affordable. See deFacto in action – [request a demo](#).

deFacto's native Excel, Web and mobile interface empowers business users to build and manage their own financial models, and to perform real-time what-if analyses and planning – anytime, anywhere. Our prebuilt models, financial intelligence, business rules and ETL “Instant Connectors” expedite the implementation process. Offering native integration with all industry-standard Business Intelligence (BI) and dashboard tools, deFacto seamlessly compliments any BI strategy designed to meet the needs of every user in an organization—anywhere in the world.