Integrating Operational & Financial Planning

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Agenda

Introduction

Speaking the User Language

Examples of Planning Outside of Finance

Best Practices

Q&A
Introduction – Eric Milbrandt

- Oracle Certified in Hyperion Planning and Essbase
- Experience across many industries
- 10+ Years at the intersection of Technology and Finance
- Experience architecting and maintaining many operational and other granular modeling cubes
Planning Outside of the Finance Box

• Hyperion Planning is traditionally thought of as a finance only tool

• The tool can be powerfully applied to a variety of operational modeling scenarios

• Consolidate manual operational models in a central tool

• Ensure integrity to GL and financial plans
  • Push down actuals to ultra granular level using fully customizable driver based logic
  • Integrate forecasting and budgeting to drive financials and other operational models
Speaking the User Language
Hyperion Planning is Incredibly Flexible

- Capable of handling dimensions with thousands of members
- Extremely Customizable
  - Flexible forms can be setup to run any calculation
  - Organize unstructured data into powerful hierarchies or keep some elements flat
  - Give operational leaders the ability to execute complex modeling calculations at will

Best in class ETL starts with a holistic metadata strategy
Production Example - Meredith Corporation

• Media Conglomerate based in Des Moines, Iowa
• Began in 1902 with the Successful Farming magazine
• Over 33 Magazine Titles and 15 Television Stations
• Best known for Better Homes and Gardens and Martha Stewart Living Magazines
Production Example - Meredith Corporation

Problem
• Previously using unsupported software
• System administration overhead was unsustainable
• Difficult to update modeling logic to meet changing business requirements

Solution
• Move to cloud solution to reduce need to on-premises internal hardware support
• Enabled forecasting, budgeting and reporting processes for 25 different production managers
• Simplify integration with financial data
Production Example - Meredith Corporation

• Budget and Forecast magazine production costs
• Replacement of discontinued software with enhancements
  • Central assumption input
  • Real time reporting
• Driver based input
• Also used for paper supply needs
Production Example - Meredith Corporation

- Forms
  - Simple User Inputs
  - Form Selection
  - General Input
  - Admin Assumption Input
  - Postage Rates
  - Paper Cost Estimates
  - Printing Costs
  - Distribution Timing
Raw Material Analytics Example

Background

• Global Provider of Chemical and Equipment Services/Products
• 50 business units spanning 100+ countries
  • Customers in Institutional, Industrial, Food Service, Energy, Retail sectors and more
• 500+ plants and warehouses in the global supply chain
• 30+ ERP systems globally
• 100’s of thousands of raw material SKUs
  • Material classifications vary by ERP
• Supply Chain Finance relies on manual templates for tying material movements to P&L
Raw Material Analytics Example

Supply Chain Finance Struggles

- Lack of meaningful insights into Raw Material cost movements and impacts to P&L
  - Reliant on regional sourcing teams. Low visibility into processes
- No central hub for divisional reporting and analysis or regional materials forecasting
  - Offline template gathering, no automated system
  - Minimal ad hoc analysis into underlying SKU impacts
  - No common basis of information with which to communicate with the business

Solution

- Single integrated Planning solution for reporting and forecasting regional/divisional raw material costs and impacts
- Leverage data warehouse for spend/volume information and divisional sales data sourced from 30+ ERP systems
- Leverage master data for material classification and plant codes
Raw Material Analytics Example

Power of Operational Data in Supply Chain Finance

• Reduction in manual template work during critical close
  • Fully automated material spend and impacts available work day one
  • Automated Commodity-driven forecast down to the SKU level
  • Single consistent platform for global materials Plan rooted in real data

• Ownership of data
  • Application availability to Finance and Sourcing creates one source of truth for discussion between organizations and divisional partners
  • High data visibility to facilitate informed conversations impacting the bottom line
  • User inputs in Planning to support the Forecast and Plan process

• Sourcing Cost Savings
  • Quickly analyze raw material pricing at the plant level to identify opportunity areas based on current invoicing data
  • Sourcing users can move quickly to open negotiations with vendors
SKU Analysis Example – Device Manufacturer

• Enable price volume mix and other analysis at the SKU level
  • Income Statement level includes less than 1000 product groupings
  • True driver is price and product synergy of 10s of thousands SKUs

• Enables true analysis 5+ hierarchical levels deeper than any standard financial
SKU Analysis Example – Device Manufacturer

• Legacy data warehouse solutions no longer perform efficiently
  • The next generation of tools can provide real time ERP insight instead of half day or longer cycle times for data updates

• Often times by the time the legacy tools can provide an answer to a question the target has already moved
SKU Analysis Example – Device Manufacturer

Unlocking best-in-class modeling capabilities

- Driver inputs for lightning fast modeling
  - Price % change by SKU family
  - Rebate % by product and customer group
  - Volume % change by product and customer group

Reduce or Reverse Margin Variance

- Zero in on redundant SKUs and phase out unfavorable options
- Identify actual mix changes in real-time
- Exercise unparalleled control on margins
SKU Analysis Example – Device Manufacturer

Problem
• Could not easily reconcile data
• Impossible to forecast or budget properly within old setup

Solution
• Includes GL accounts mapping to automate reconciliation between Data Warehouse and GL
• Automate forecast at item level, changing the forecast process to be more statistical and exception based
Operational Modeling Uses

- Capacity planning
- Supply chain efficiency
- Price volume mix
- SKU level product analysis
- Sales campaign results
- Marketing promotion impacts
- Raw material procurement

The sky is ultimately the limit
Validate Requirements Relentlessly

Mistakes and rework are more costly
• Performance is more sensitive to change at more granular levels

Scope has less room to creep
• Deeper, more complex metadata means exponentially more moving parts

Spend extra time validating requirements
• Prototype earlier
• Iterate faster
Purpose Built Philosophy

• Determine key reporting and budgeting activities, design dimensions and level of data to meet specific role based activities

• Build as few dimensions as possible without sacrificing analysis value
  • Magic number of 7-9
  • Concatenate or remove dimensions where it makes sense

• One planning cube can never do it all well
  • Integrate operational models through easy, dynamic ETL

"Do not try to do everything. Do one thing well."
Purpose Built Philosophy

D - Division

C - Company

S - Site

Primary Hierarchy Aligns with Division

Company Drives Currency

Detailed Expenses are Tracked by Site
Holistic Metadata

Properly designing all financial and operational models around a central chart of Accounts is the easiest way to integrate

• Reduces complexity in ETL
• Creates intuitive models
• Reduces user data questions

Ideally lower levels speak the operational department’s language and higher levels speak the standard financials language

• Alternate hierarchies to reorganize operational hierarchies into the applicable financial hierarchy is another great option
Holistic Metadata

[Diagram showing a database interface with various data entries and folders such as DivCom, TOT_MED, R010-Americas, Latin America, and BR_Affiliate.]
Holistic Metadata
Holistic Metadata
More Modularization

Everything becomes more specific to maintain performance

- Business Rules
  - Make use of variables and re-usable templates
- Forms
- Calculation style
  - Member list Aggregation using form POV
  - Rarely agg full dim
  - Strive to keep most other calculations at level 0

- Hybrid Essbase is worth testing
Tying Granular Data Back to Financials

Identification and selection of methodology early is key

• Holistic approach to metadata
• Purpose built to tie back to financials while still speaking the user language
• Make use of alternate hierarchies
• How can aggregated relevant dimensions match or easily map to consolidated financial models?
• Build dynamic ETL to account for operational model changes with little to no maintenance of financial model
Questions?

Thank you!

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