Analytics Game-Changer: Merging Operational and Financial Data

When faced with uncertainty, businesses tend to re-forecast more frequently. Many businesses, for example, have re-forecast their financials at least weekly and their cash situations practically daily in the previous three months. It's what FSN refers to as the hamster wheel effect: the wheels are moving faster and faster, but the process isn't producing any more substance in terms of insight – and that's because, in most situations, nothing has changed. However, the recent COVID-19 problem shows that firms are increasingly looking more closely at non-financial and operational data to have a better grasp on their prospects.

According to the study, companies that used non-financial data extensively were more than twice as likely to be able to anticipate success beyond 12 months. Traditional financial statement-based analytics related to the month-end reporting cycle dominate analytical effort, while operational procedures like the Purchase to Pay (P2P) and Quote to Cash (Q2C) cycle are devalued and underutilized.

The study turned out to be relevant and even accurate. Although the research findings predate the COVID issue, businesses have been rushing in recent weeks to get a better understanding of their supply chains, as well as their customer order book and consumer behavior.

Customer behavior, tendency to buy products, how they acquire goods or services, the customer life cycle, and predicting when they are likely to buy, renew, or move to a competitor are all examples of insights that may be obtained from the Q2C process. Organizations can use P2P systems to identify suppliers that consistently deliver late, are more expensive than others, are more difficult to do business with, or have quality concerns. All of these aspects of customer and supplier interactions have an impact on the bottom line, and information may be quite useful in boosting performance.

Yet, traditionally, investment has been extremely minimal in these processes and changes do not seem to be especially essential. Despite the already trailing in critical processes behind the budgeting, planning, and prediction (BPF) and reporting (R2R) process for the present investment, more than 60 percent of firms have no plans or will consider implementing P2P or Q2C tools at all or will only consider this in two years.

These processes are, unfortunately, viewed as just transaction systems, but if the current role of finance is to achieve its analytical potential, it might be the time to demand change and to begin to perceive it as fully-fledged information systems, which might provide wider insight and decision-making. Research has even shown that it is time to amend the CPM model to explicitly integrate the P2P and Q2C processes. The results have been obtained. If recent experience offers a catalyst of change, P2P and Q2C should be firmly given financial functions.