

eBook

FINANCIAL PLANNING & ANALYSIS

Why Excel & ERP aren't financial planning best friends. (And what to do about it.)



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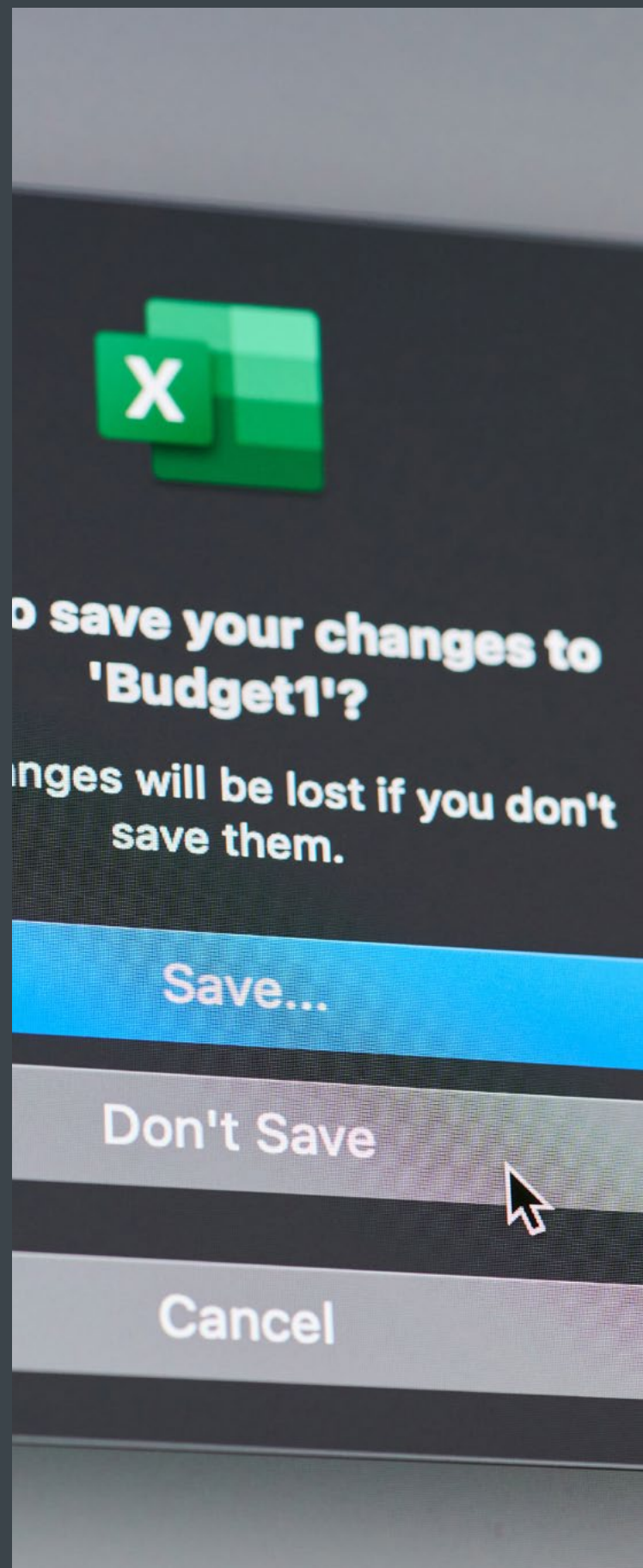
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Excel and ERP — a match made in heaven?

Following its launch back in 1987, Microsoft Excel rapidly became a mainstay productivity tool for hundreds of thousands of relieved companies worldwide. Finally, there was an easier way to manage data on your very own desktop.

Excel became a critical, easy-to-use tool for those responsible for financial and reporting tasks and became ‘the place’ to store and manipulate data — from EOFY reports to payroll figures. It was a happy place for financial professionals around the world.

ERPs were ‘invented’ even earlier than Excel. While the term ERP was first coined by Gartner Group in the 1990s, enterprise resource planning systems date back to the 1960s when, in their most basic form, they were used by the manufacturing industry.

How did Excel and ERPs get together in the first place?

By modern-day standards, legacy ERPs were inflexible, difficult to use, and required employees to turn to the IT department for help with every issue. Rather than waste more time than they had to spare, employees turned to Excel to collate data and deliver the reports they needed. Transferring data from the ERP to Excel provided an expedient workaround and became quickly entrenched as the best way to work with data.

So, what can go wrong with using Excel and your ERP for your financial planning? They seem like a match made in heaven, right?

Wrong. But let’s back up a bit and first discuss why FP&A is simply too important to trust to Excel.

Why is FP&A so critical to your business?

Gartner says ‘Financial planning and analysis (FP&A) is a set of four activities that support an organisation’s financial health: planning and budgeting, integrated financial planning, management and performance reporting, and forecasting and modeling. FP&A solutions enhance the finance department’s ability to manage performance by linking corporate strategy to execution.’

In their 2019 research document, [Key Principles of Effective Planning Analysis](#), which examines the growing importance of FP&A, the Institute of Management Accountants (IMA) says: ‘Few processes within the purview of a CFO have so much potential to create or destroy business value than FP&A.’

While FP&A has always been of strategic importance, advances in technology coupled with times of immense business stress (like COVID-19) have pushed it to the point where [CFO Dive](#) says: ‘Going forward, FP&A will be integral to company strategy as technology and the data it generates become chief drivers of business growth.’ They also report that ‘In 2020, survey data shows that 76% of companies intended to invest in specialist software for corporate planning, simulations and scenario analysis.’

Given its importance to your business, it has become increasingly obvious over the last five years, that to do FP&A justice, you need purpose-designed software. Excel just doesn’t cut the mustard.

Here’s why.

The problem with using Excel for financial planning

Yes, it's often practical to use spreadsheets on the odd occasion when something needs to be done differently — and quickly.

But the problems begin when Excel usage in your company becomes widespread, **creating a dependency on a productivity tool that can't scale or keep up with the financial demands of modern business.**

Excel adds a risk factor to the normally correct data in your ERP. While great for collecting data, it's not equipped to analyse it. And if things change, data needs to be updated manually — creating room for error. Most spreadsheets have errors within them (one [industry study](#) puts the number at 90%) and a major accounting firm says there are errors in 90% of all spreadsheets with 150 rows or more — so, it's a matter of genuine concern.

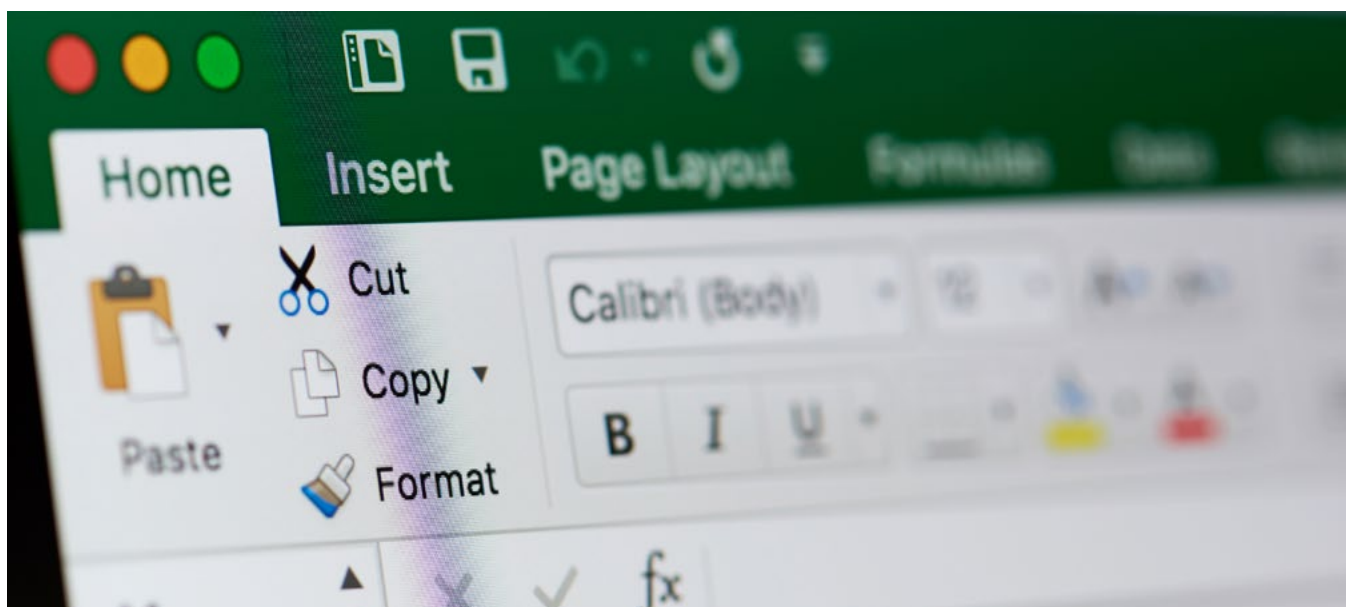
To top it off, Excel isn't designed for collaboration, and there's no effective way to audit or control data (so there's no one source of the truth) or deliver the real-time, accurate information needed to make wise business decisions — let alone forecast probable outcomes. And when used together with your

ERP, the problems only escalate. Together, they're simply not better.

In their 'Smarter with Gartner' article on [upgrading financial analytics](#), Gartner observes: "Heavy use of Excel is a good indicator of an immature budgeting process. More mature processes rely less on spreadsheets and favour purpose-built FP&A solutions that provide access to common databases, manage data scenarios and related workflows, and ensure transparency."

They go on to say: "Immature financial planning capabilities often resemble a shadow budget process, with iterative reporting that can take nine months or more to produce results — by which time the results are often outdated or irrelevant. **Other earmarks of immaturity are simplistic reports, scarce analytics and a lack of (or visibility into) business-value insights.**"

In short, with an increased risk of errors and suboptimal decision-making, the inability to model the non-financial information required for financial planning and forecasting or provide real-time insights and advanced analytics, you're hamstrung from the outset.



But *why* can't your ERP do financial planning?

This is a good question, after all, you've paid a lot for it, and you'd think financial planning (and perhaps even making a decent coffee) would be integral to its capabilities. It's not unreasonable to expect that when you commit to buying an 'end-to-end solution for all your financial management needs,' it will take care of your financial planning and analysis needs. That's what it says on the packet, right?

Sadly, it's not so.

A traditional ERP platform comes with a host of reasons why it can't and won't deliver planning and analysis, reporting, and performance management. **Let's run through those reasons:**



1. One of these things is not like the other. (It's how they're built)

ERP systems are operational systems built on relational database technology. An ERP's job is to optimise transaction processing like posting accounting transactions (sales orders, journal entries, and more) and to run your business on a day-to-day basis.

Compare this with planning software platforms.

Now, they are built on analytics (or OLAP, On-Line Analytics Processing) database technologies, which are optimised for analysis — not transaction processing. They're designed to rapidly aggregate lots of detailed data, define calculations across a multi-dimensional space, and enable you to pivot, slice and dice to your heart's content.

In short, they are designed to fulfil different purposes in your business.



2. It's all about the detail

Planning, analysis, reporting and performance management all require data which meets a precise level of granularity or detail. And this level is rarely captured by an ERP. While the nature of the data can be refined in retrospect, like most 'renovation' exercises, it's often an expensive exercise.

It's fair to say that most ERP implementations are initiated from an accounting and operational point of view. And, of course, this means that when system design decisions are made, they are done so from an accounting perspective by people who aren't necessarily experts in analytics and performance measurement. After all, they don't know what they don't know.

Even if your ERP is implemented with data and analytics in mind, it's impossible to predict changes in requirements brought around by an evolving business environment — like new leadership, an acquisition, or organisational restructuring.



3. Your ERP is a bit of a let-down

In good faith you took on board your vendor's claim that your new system would enable you to 'do your budget' in the ERP system itself. And it sounded great, problem solved.

Sadly, this usually just means that you can upload your budget numbers to the ERP, typically at trial balance, and possibly to whatever level of detail the system supports, so you can use the ERP to do 'Actual vs Budget' reporting. But where do the uploaded budget numbers come from? More often than not, they were created in Excel, or in another planning software platform.

However, what if you want to explore what-if scenarios? Or store and compare different versions or build driver-based models? If your ERP is built on relational database technology, it's going to struggle to produce what your business needs. And if you plan by product and want to do 'Plan vs Actual' reporting? Well, if the data in your ERP isn't broken out by product, you have no option but to do your planning elsewhere.

Disclaimer. Technology changes at a breakneck speed, and many ERP vendors are trying to plug the data and analytics gap — with varying approaches and degrees of success.

Why you need dedicated financial planning and analysis software

So, if Excel (in conjunction with your ERP) doesn't measure up, what does?

Answer: A true FP&A solution.

Conceptually, FP&A is where finance and corporate management intersect. It offers the processes you need to accurately plan, forecast, and budget and support your business's ability to make future-changing decisions to setting organisational strategy with confidence. Think planning, budgeting, forecasting, scenario modelling, and analysing and reporting on financial, HR, sales, and operational data. Or all those things you need to create an intelligent financial plan to ensure liquidity, maximise profitability, and increase shareholder value.

Few workarounds can meet the comprehensive financial planning and forecasting capabilities

of a fully-fledged, purpose-designed FP&A platform. As well as advanced analytics and reporting, real-time insights, and data visualisations, FP&A — unlike Excel — delivers soft benefits like increased collaboration and communication between your finance teams.

To keep up with the rate of change, you can't afford to rely on legacy technologies or workarounds. Business improvement is now a continuous process and demands that you can model unlimited complex scenarios on the go. So, if you need to pivot, you can do so quickly, and with confidence.

Making a business case for FP&A software

An investment in FP&A software will deliver a myriad of business benefits. And quickly.

- **Data democracy.** Data-driven insights are within easy grasp of departments who don't have access to your ERP, fostering a culture of collaboration instead of a world of data 'haves' and 'have-nots'.
- **Step up your game.** With improved accuracy in financial planning and forecasting, you can confidently stand behind your reputation-making recommendations.
- **Get more done.** Increase team efficiency and productivity by providing accurate, real-time information arranged in a more user-friendly way for processing and eliminating repetitive and manual tasks. The outcome? Faster, more accurate and useful reports for both the CFO and the board. (So, a win-win!)
- **Be all-seeing and all-knowing.** Gain greater visibility and control over financial data and overall financial health by using key financial ratios, including cash coverage ratio, current ratio, quick ratio, and debt-to-equity ratio. With FP&A, you can predict the impact of every decision on your cash flow and company bottom line.
- **Make better strategic decisions.** Power up your decision-making capabilities by tracking your historical and current financial performance alongside sales and purchasing data.
- **Reduce risk.** Reduce the risk of errors and non-compliance. No more accidental deleting of rows in Excel, formulas that don't cover the whole range, hardcoded values hiding somewhere inside a formula, or using the wrong copy of the file.
- **Be prepared and play to win.** Increase your competitive edge and stay ahead of the game. Through FP&A planning, budgeting, reporting, forecasting, and modelling, you'll gain a better understanding of your company's financial health and can finetune your plans to respond to adverse situations or new opportunities.



Customer Success Story



Junction is a trusted, leading independent provider of quality community support and housing services. The organisation helps South Australians to not just survive but thrive, by creating opportunities for self-determined independence for all those they work with.

However, the organisation had a heavy reliance on large, complex sets of Excel spreadsheets to produce their long-term planning, modelling, and budgeting.

“What was most concerning for us was the human input into the Excel model. Our spreadsheets had become so complex that even just changing one number meant you had to carefully consider the ramifications. And we had to be cautious about who we shared the spreadsheets with; if someone wasn’t Excel savvy, they could inadvertently overwrite a formula and damage the integrity of the data.”

Helen Haines | Executive Manager Finance, Junction Housing

Keen to improve and simplify how they tackled these tasks, Junction approached Fusion5 to discuss Workday Adaptive Planning. An inaugural meeting with Fusion5 and demonstration of Workday Adaptive Planning convinced Junction that the solution would not only do the job, but do it better than Excel.

By implementing Workday Adaptive Planning, Junction has streamlined their ability to manage lump-sum bulk government funding, develop personnel planning rosters to cater for 24/7 care, provide real-time visibility of staff costs, respond quickly to government tenders, deliver customised reporting and more.

Additional case studies of our customer’s journeys with FP&A

Summary

While a popular and convenient pairing for many, using Excel and your ERP to enable business-critical decision-making is a high-risk strategy. Neither is designed to manage the financial complexities of running and growing a modern business in an ever-changing, endlessly challenging world.

Now more than ever, the value of a purpose-designed financial planning and analysis platform comes to the fore as the tool of choice for the strategic CFO.

And that means turning to an FP&A solution that takes up the shortfall of Excel and ERP to enable true collaboration across your business — without the risk of corrupted data. One that can integrate your financial and operational KPIs to get a true picture of business health, while continuously reconciling real-time data with the budget so you have an up-the-minute picture of the business, and proactively surface red flags to alert you to the need to correct or change course, before you miss your numbers.

Keen to get started to explore what is needed for your FP&A solution?

We are Fusion5

Fusion5 provides business solutions and services that support you and your business in making potential reality.

Working with global technology leaders such as Microsoft, Oracle, IBM, and Workday, we partner with our customers to help increase operational efficiency, create people-centric cultures, strengthen customer relationships, and plan better for the future. By modernising and optimising the tools, systems, and processes your company uses, we can help you thrive.

When we work with you, we don't recommend technology for technology's sake. What drives us is delivering outcomes that genuinely

improve your business. Our business experience and insights from multiple industry sectors, advanced understanding of the solutions we offer, together with innovative technology that can be wrapped around them, means we can offer 'fit for you' solutions that deliver tangible results for your business.

We realise adopting new technology is not just a one-off activity — it requires change management, support, and continuous improvement to ensure your digital journey evolves with your business. We're here to partner with you through all aspects of the journey.

#makingpotentialreality