FINICAST

Business Modeling

Quick Guide

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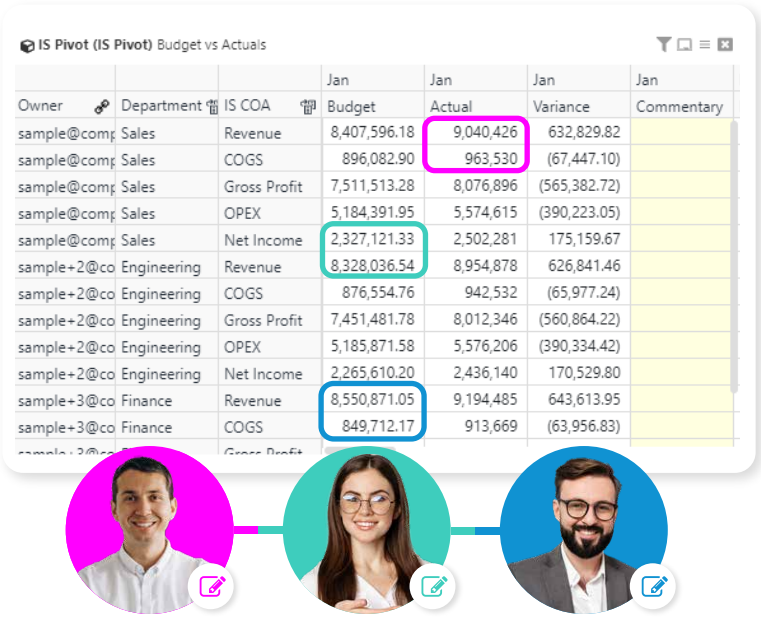
Intro

- Business modeling was once centralized and reserved for a few experts that were building balance sheets, income statements, or cash forecasts. Today's new business reality requires many more individuals within an organization to analyze, plan, and make data driven decision collaboratively.

The New Reality Planning must keep up with today's drivers	**Change is Accelerating** external & internal	**Data Volume is Exploding** everywhere & everyone	**Data Insight is Expected** better & faster

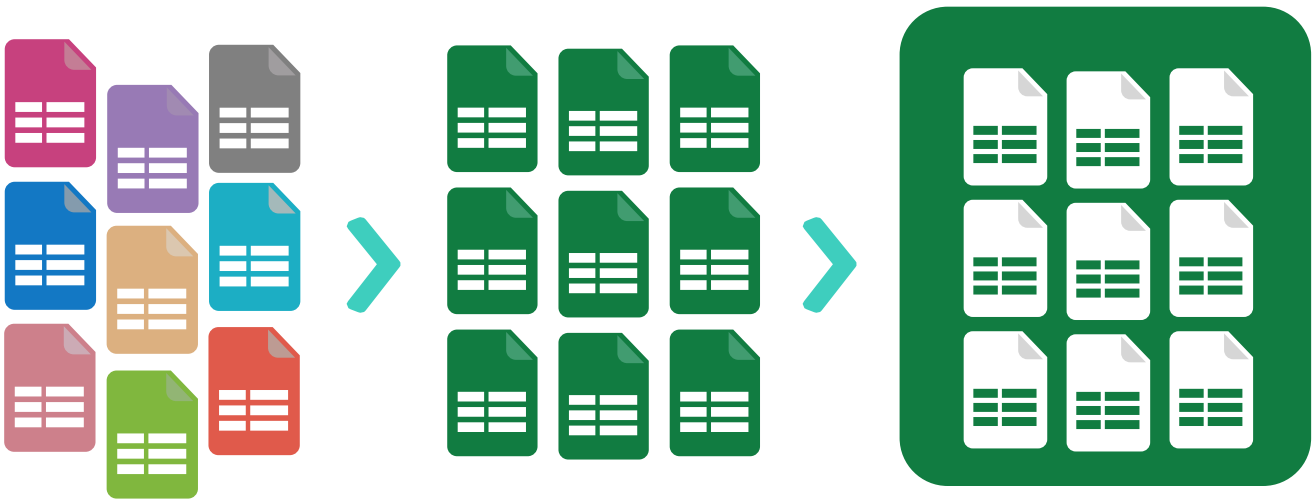
- Organizations are managing this new reality by adapting their modeling and planning processes in the following ways:
  - Make it Easy for Everyone to Participate
    - · Give access to tools
    - · Provide training
    - · Adapt processes
  - Collaborative Analysis Across Teams
    - · Implementing the communication processes and systems for sharing information
  - Boost Computational Performance
    - · Investing in the systems that can capture, normalize, and transform today's data volume and complexity into insights

- This guide provides an overview to help anyone create more meaningful and impactful models that help make faster, better decisions.



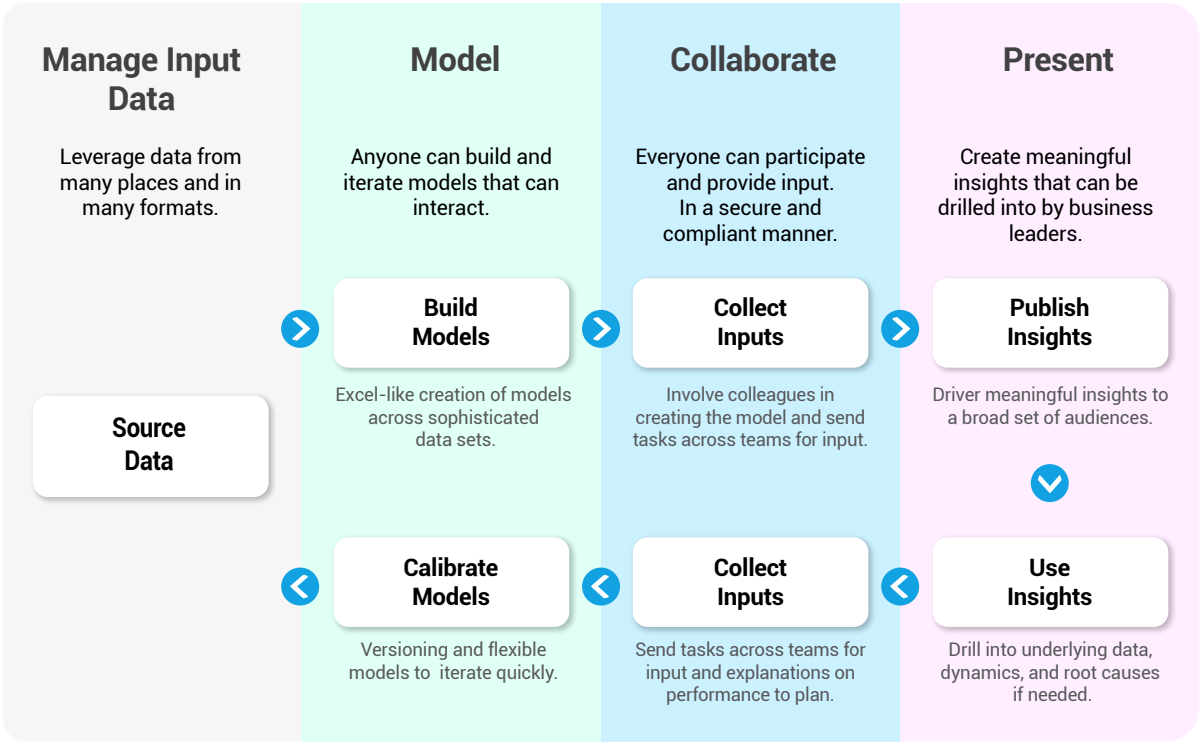
The Basics

- **Consistency & Standardization**
  - A model is a representation of a part of your business. That means your model should be consistent with the drivers of the business it represents to allow you and your audience to map your model to your business easily.
  - This consistency allows you and your team to relate your model to different parts and levels of your organization, allowing your model to be part of an interrelated group of models building towards an ever larger, and more accurate, representation of your business.
  - Standardize how you organize, label, and present information to create a model that can transform many inputs, connect different data sources, and generate meaningful insight.
- **Building Blocks**
  - Most models will require you to create a group of sub-models, or schedules, that feed into your final model in a systematic fashion. These are the building blocks for your final model. Organize these building blocks in a way that makes it easy for you, and others, to understand and work with them.



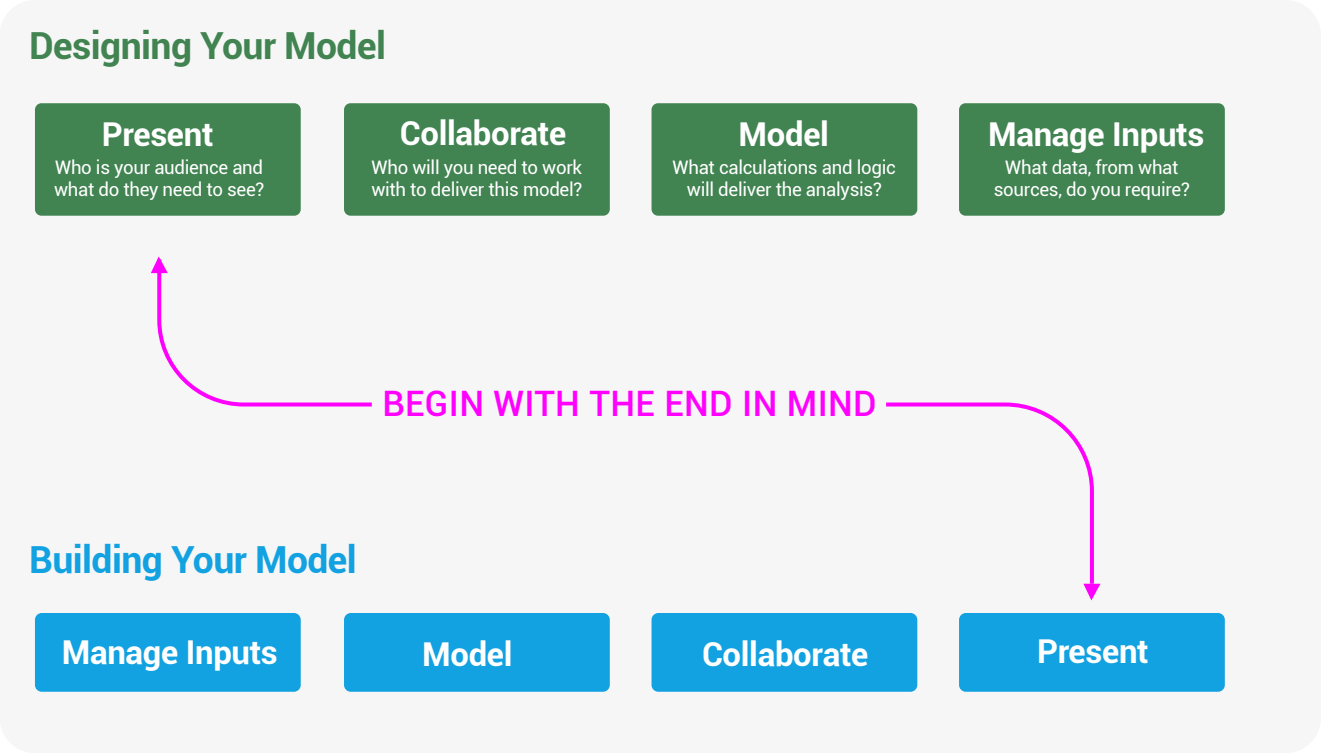
The Basics

- Level of Detail
  - Depending on the level of detail required, your model can vary considerably in complexity. Understand the required level of detail at the beginning of your project to ensure your output matches expectations.
  - Less may be more in helping individuals reach a conclusion and make a decision. On the other hand, without the specific details your entire analysis may be worthless.
- Iterative and Ongoing
  - Generally, models are not created for a one-time event. Models become part of ongoing business processes, support recurring decision making, and need to adapt to changing business requirements. That means you need to build a model that can be updated regularly and incorporate the evolving needs of your business and stakeholders.



The Design Phase

- Design Process
  - Start with the end in mind, not with the inputs that you have. It is critical that you know your audience, and what decisions and actions will be based upon your analysis. That should drive your inputs, process, and outputs.
  - In short, the process should look like this:
    - Dashboard, presentation, or insights to be delivered
    - Collaborative, real-time input required for your analysis
    - Modeling and calculations needed to get your outputs
    - Inputs needed to perform your modeling

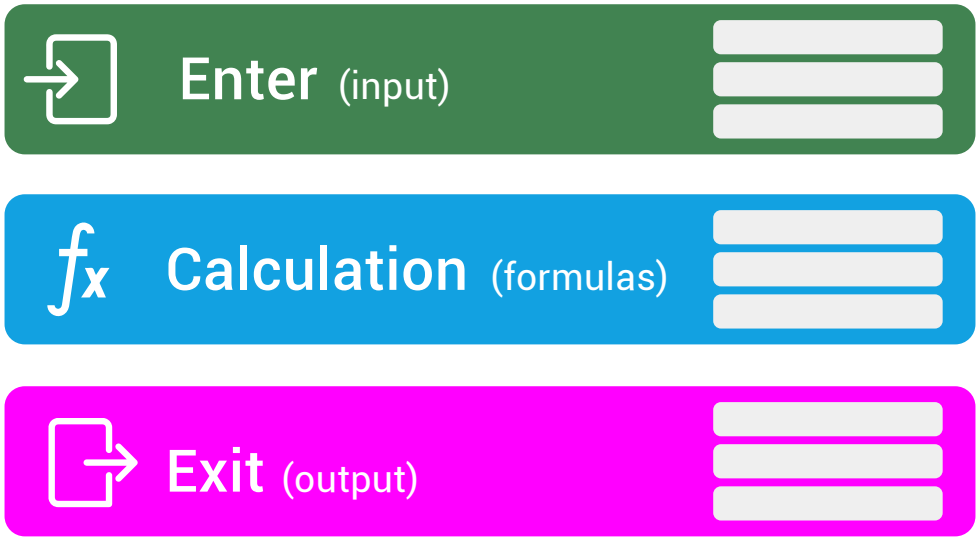


The Design Process

- Transparency in you Calculations
  - You will find that some of your audience will want to dive into your model to understands the details and algorithms. You will also find that collaboration with others across your organization may be required to build your model, or to access the data needed to create your model. In both these situations, it will be critical for you to show how you are building your model and how you are arriving at your conclusions.

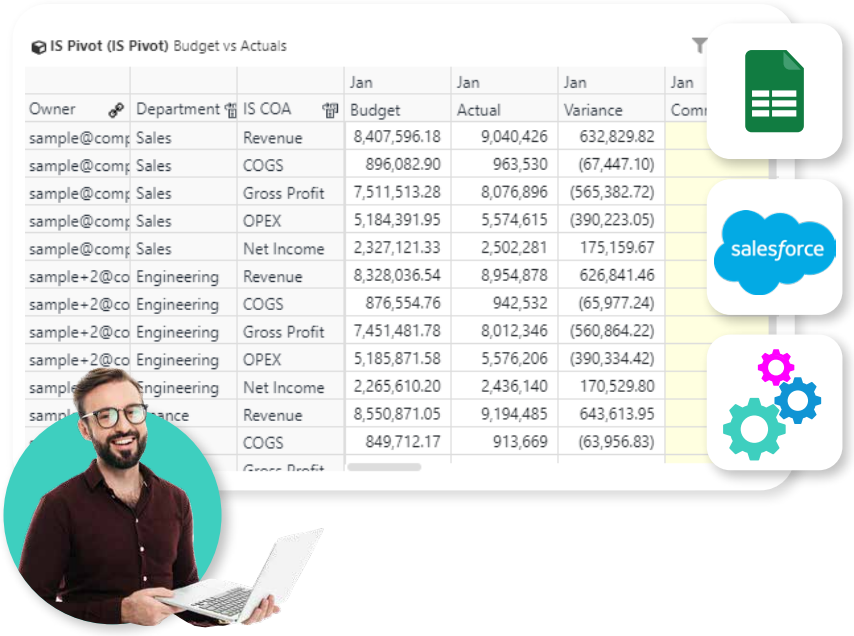
  - Maintain a simple and consistent structure when building your models. That will make it easy for others to understand your analysis. Focus on these three phases:

    1. **Enter** - this is where the input data is found
    2. **Calculation** - this is where data is manipulated by formulas and algorithms
    3. **Exit** - this is where you find your outputs



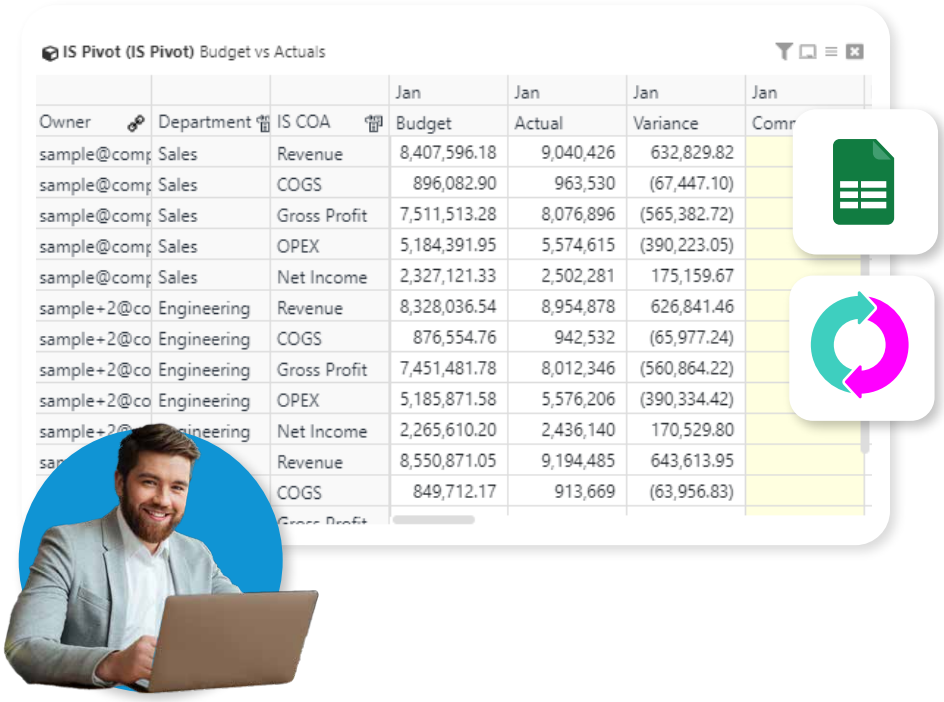
Managing Model Data

- Model Drivers
  - These are the operators of your model and will determine the output. It is critical that you understand these drivers in the following dimensions:
    - Importance: Not all drivers are created equal. Some may have a much more critical role than others in defining the output of our model.
    - Volatility: Some drivers may vary considerably across time periods, business units, or geographies.
    - Impact: While a change in one driver may have little impact on your model output, another driver may create tremendous changes in your output. It is important to isolate these high-impact drivers to manage and understand your analysis.
- Model Inputs
  - Input data is the substance that fuels your model. Keep the following in mind when working with input data, especially since input datasets can be quite large:
    - Organize inputs to make them easy to manage and update.
    - Enter inputs only once to avoid different versions of input data being used in the same model.
    - Avoid connecting input data to each other and creating dependencies that can pollute your model with bad input data.



Telling your Story

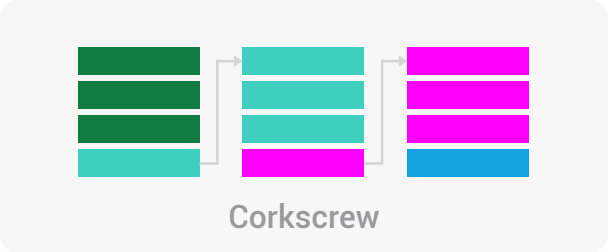
- The purpose of your model is to deliver meaningful insights to a decision making process. Your insights will only be meaningful if they can be consumed and internalized by the individuals involved in that process. Things to consider in presenting your analysis:
  - Presentation and medium Know your audience and make sure the information is presented appropriately and delivered in the best medium (spreadsheets, slides, documents).
  - Format and readability Format your insights to enhance the readability of the information.
  - Click down into details Focus on the insights, but be prepared to drill down in to details when needed.
  - Prioritize important parts Help your audience by making it easy to see the most important parts of your analysis.
  - Show inputs and drivers Have your model drivers and input data ready for your audience in case they need to drill into how the model arrived at its outputs.

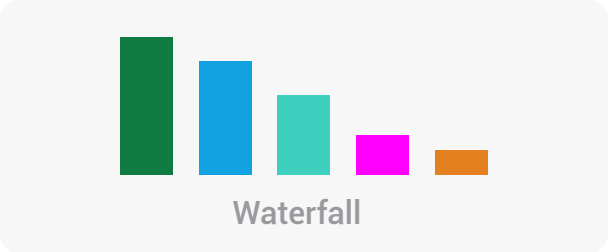


Tips & Tricks

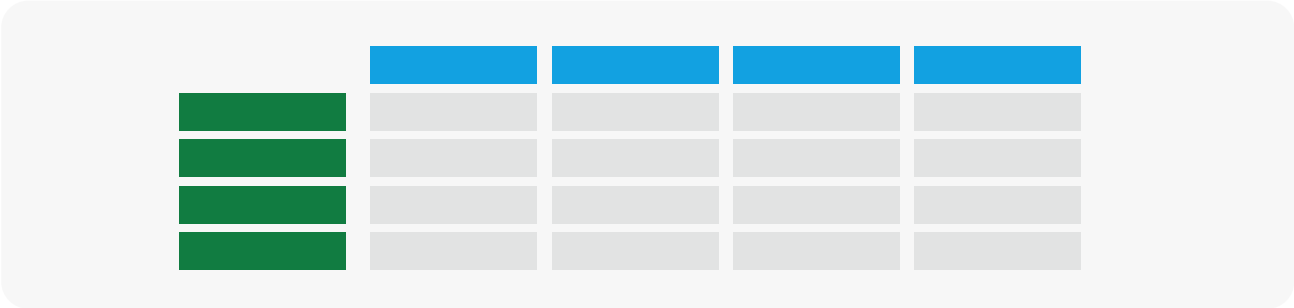
Organization & Structure

- **Stacking Schedules (not Tabs) with Aligned Columns**
  - Rather than putting your input tables, or schedules, in different tabs, keep them in one worksheet and stack them on top of each other with the appropriate columns aligned. This makes referencing easier.
- **Formations (Corkscrews, Waterfall)**
  - Use different types of formations to structure your data in a way that makes it easy for readers to understand your model. This can also help you in building your model and formulas.





- **Column & Row Consistency**
  - Consistency in your columns and rows can have tremendous impact in how you build your formulas allowing for data to flow from one area into another. Be smart, be consistent.
- **Row and Column Grouping**
  - Grouping is very helpful to easily expand or hide levels of detail in your model.



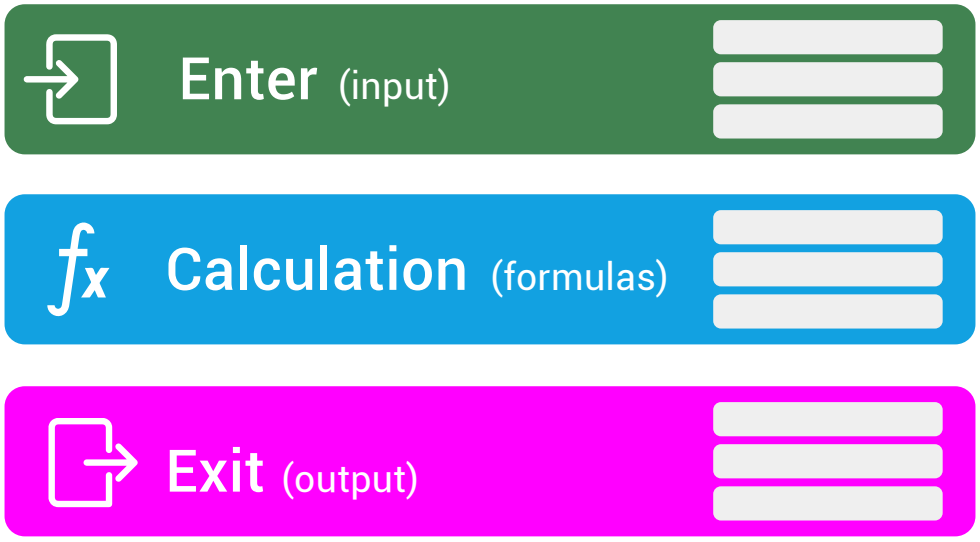
- **Periodicity**
  - Start by knowing the time periods required for your output. Build your model based on the appropriate level of granularity and stay consistent across your model.

Tips & Tricks

Transparency

- Break it Down
  - Rather than creating a few large steps, or complex formulas, opt for more smaller steps and shorter, clearer formulas. You will find that this not only helps you in managing your model, but also in giving visibility to your collaborators and audience.

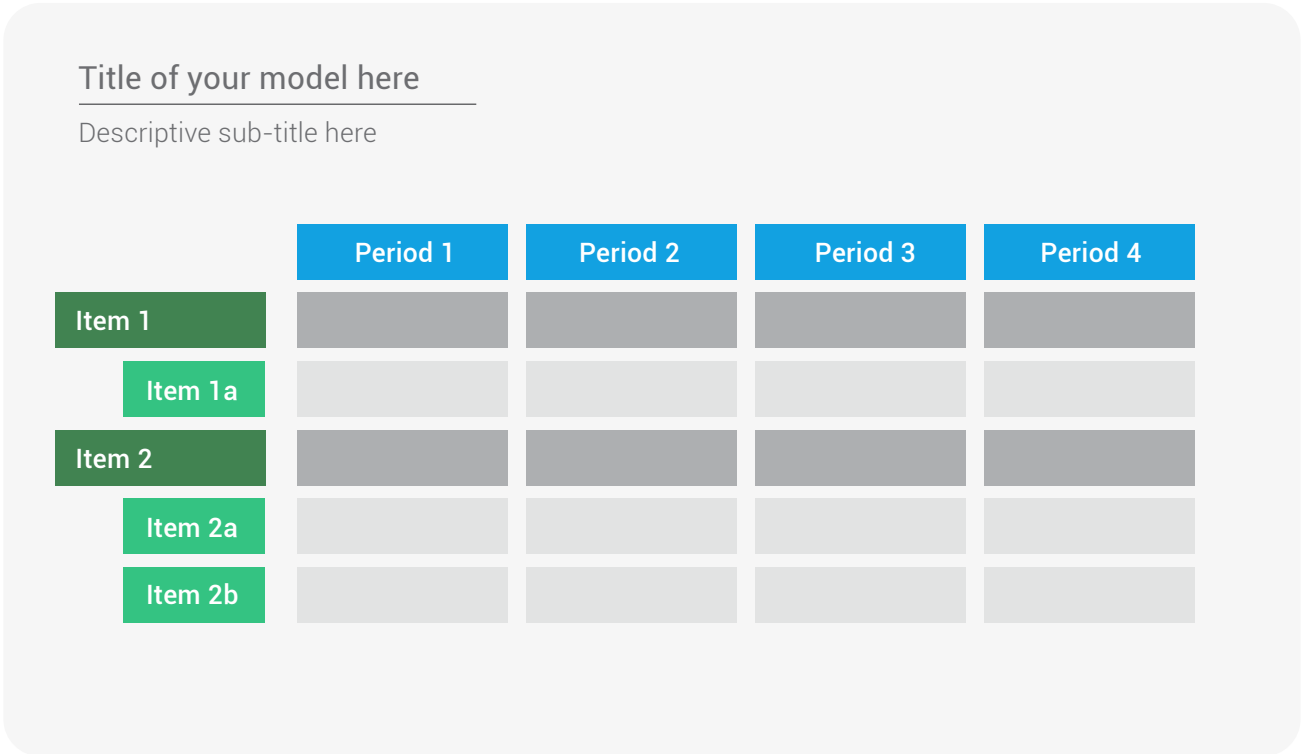
- Modularity & Schedules (Enter, Calculate, Exit)
  - Keep a consistent structure in mind when building your models:
    1. **Enter** - this is where the input data is found
    2. **Calculation** - this is where data is manipulated by formulas and algorithms
    3. **Exit** - this is where you find your outputs.



Tips & Tricks

Presentation

- Formatting
  - Do not underestimate the power of font size, color, and other options to present your information to your audience. Tell your story with style.
- Consistent Labeling
  - Make sure you use the same terms and names throughout your model to help you build your model, and help your audience understand your insights. This includes Titles which should have a descriptive naming convention.
- Freezing Panes
  - This is a simple way to help maintain context when working with large data sets.
- Marking Units
  - Help your audience focus on what's important by elimination distractions such as lack of clarity in units of measurement. Mark all data clearly and consistently.



Conclusion

- As making data driven decision making is expected, and required, in many business areas, it is imperative that more individuals are capable of building financial analysis models. By following some basic guidelines, creating effective models can be done by anyone with a deep understanding of the business, and knowledge of spreadsheet essentials.

- As business and financial modeling becomes more prevalent within companies, we have observed a cultural shift in the value placed upon driving the business and making decisions based on data across all areas of the organization.

- At Finicast, our mission is to provide easy to use solutions to share information, enrich planning, and accelerate decision making. Let's talk about how our planning and modeling platform can help your organization.

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