# BUILDING BUSINESS RESILIENCE: MERGING FINANCE AND OPERATIONS PLANNING

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The topic of business resilience has stolen the spotlight amidst the economic downturn affecting the world in 2020. Strong companies that have invested in Best-in-Class financial strategies and tools to develop resilience and agility are not only surviving — they are prospering. This report investigates the phases of building business resilience along with key operational capabilities that are helping companies regain stability, grow amidst uncertainty, and contribute to solidifying a resilient economy.

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### What is Business Resilience?

Companies around the globe are facing a new reality filled with economic volatility and business uncertainty. While some industries are impacted more than others, the next several business cycles will favor those organizations that have built up a measure of resilience and agility across their core areas.

Business resilience, meaning the ability to quickly and inexpensively react to business, industry, or financial change without major disruption, is a top concern for companies. In fact, Aberdeen's latest survey focused on performance amid uncertainty revealed that business resilience is one of the most prevalent pressures driving approaches to finance and ERP (see sidebar). Despite its importance, only 57% of companies feel prepared to address the sudden, widespread disruption of normal business operations. Organizations have recognized the need for agility and resilience, but the missing piece of the puzzle is how to achieve it.

To determine the best course of action for developing resiliency initiatives, we must first understand how companies are surviving, recovering, and even prospering in the wake of the pandemic. From there, we analyze the actions of Best-in-Class companies, including their customer-centric initiatives and synchronous planning of finance and operations, to arrive at the conclusion that companies must have a strong base to resist the effects of external disruptions and take advantage of future opportunities.

The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- **Best-in-Class**

  Top 20% of respondents based on performance

- **Industry Average**

  Middle 50% of respondents based on performance

- **Laggard**

  Bottom 30% of respondents based on performance

### Top Pressures Driving Approaches to Finance and ERP

- Changing customer needs: **24.2%**
- Lack of collaboration externally with customers and / or suppliers: **23.7%**
- Inability to quickly and inexpensively react to business, industry, or financial change without major disruption: **23.7%**

*% of respondents*

## A Benchmark of Performance Amid Uncertainty

To understand how businesses are coping with the downturn, Aberdeen launched a benchmark survey focused on performance amid uncertainty. Through this study of 1,976 respondents, Aberdeen investigated the strategies and tactics employed by today's most resilient companies and the tangible outcomes these successful organizations are seeing.

One of the most influential data points from the survey showed that companies are still investing in technology. Despite cuts on spending for hiring, services, and salaries, 77% of all companies are continuing or increasing their technology spend (see sidebar). Prioritizing technology spend is common as companies begin to see the value in systems that promote business resilience and agility.

The study also revealed that, although the transition to a substantial remote workforce has been difficult for most companies, 70% of employees are satisfied with their remote work environment (see sidebar). The top two challenges of working from home cited by respondents were the inability to communicate and collaborate in-person and personal interruptions (family members, pets, etc.).

An alarming statistic rising out of the study was that there has been a 14% decrease in revenue on average (see sidebar), indicating that many companies are struggling. When asked about specific decreases in customer demand and wages, finance and ERP professionals responded with drastic statistics (Table 1).

**Across all companies:**

**14%** decrease in revenue on average

**39%** of companies expect to see a decrease in hiring for full-time employees

**70%** of employees who are working from home are satisfied with their remote work environment

**77%** of companies are continuing or increasing their technology spend

**Table 1: Business Impact According to Finance and ERP Professionals**

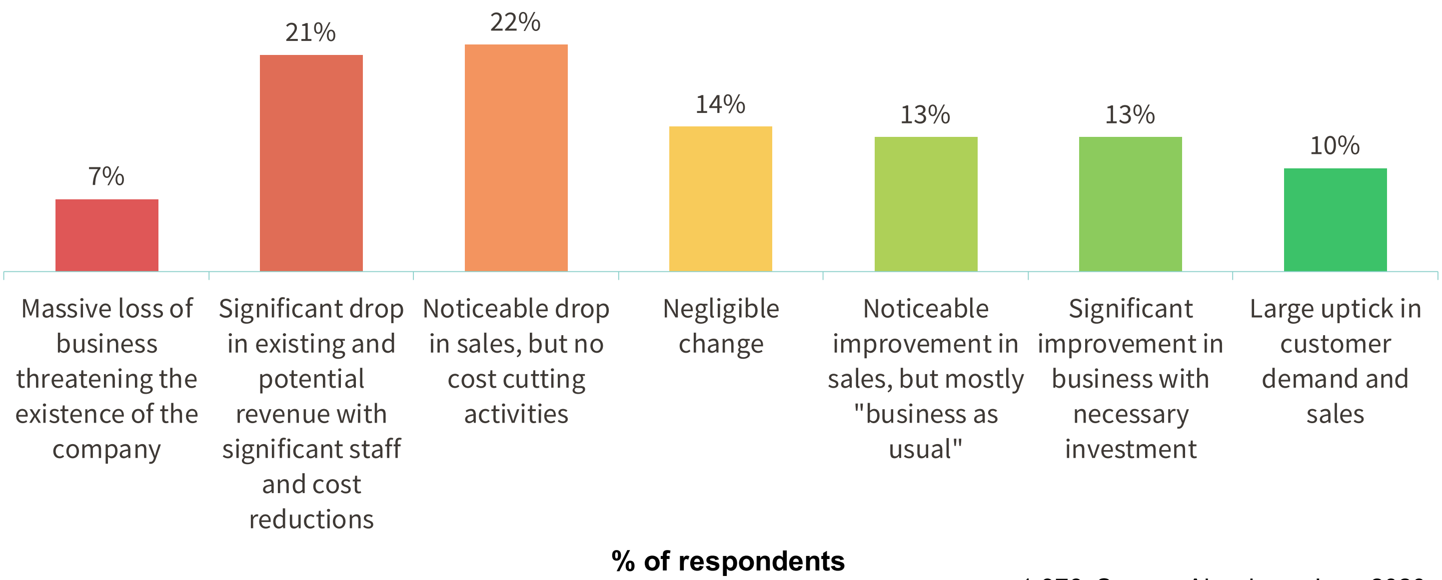
| Metric | Average Percent Change |
|---|---|
| % of revenue loss due to customer demand fall off | -36% |
| % of expected permanent revenue loss for the next year | -30% |
| % decrease in headcount (layoffs) | -27% |
| % cut in salaries - permanent | -27% |
| % cut in hourly wages - permanent | -26% |
| % cut in salaries - temporary | -34% |
| % cut in hourly wages - temporary | -29% |

These decreases highlight the steep hill all companies need to climb to return the economy to its long-run equilibrium point. Before businesses can begin to thrive once more, they first must survive and recover.

### The Three Phases of Business Resilience

Aberdeen proposes that there are three phases to building business resilience: survive, recover, and prosper. After the most recent economic downturn, there are companies in all three phases (Figure 1).

**Figure 1: Economic Impact of the Recent Disruption**




n = 1,976, Source: Aberdeen, June 2020

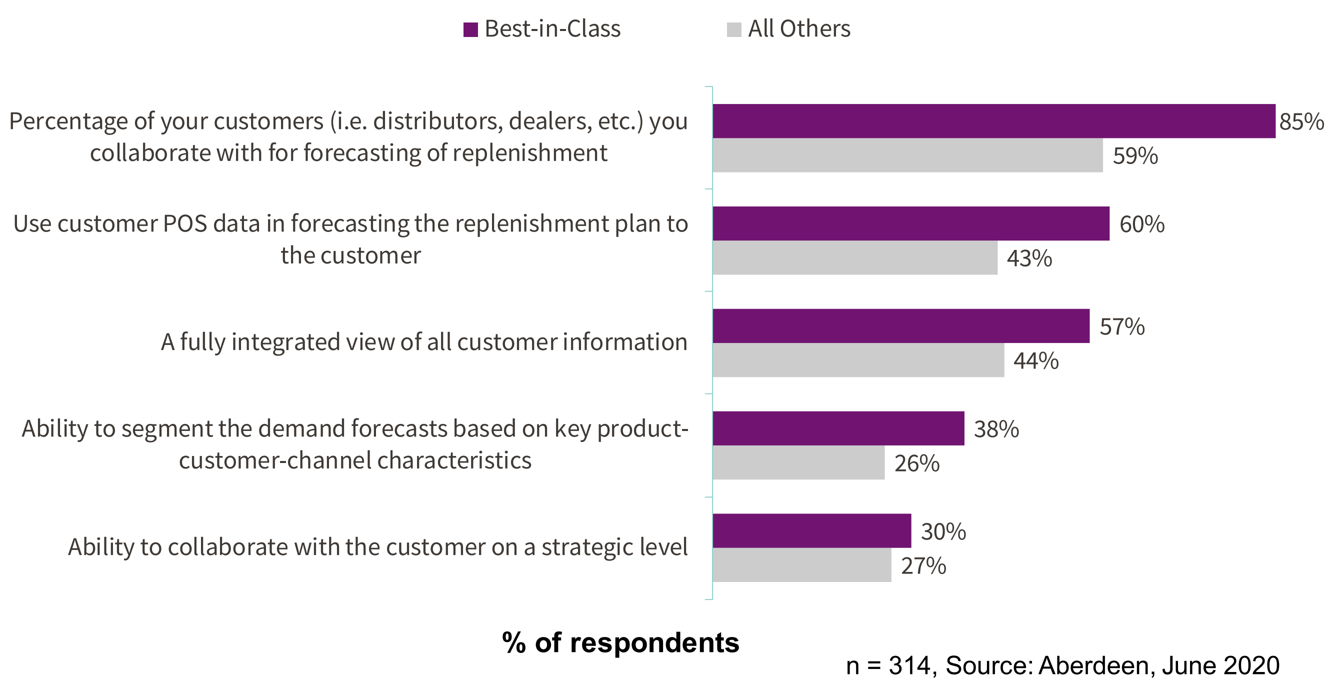
The 7% of companies indicating they are experiencing a massive loss of business threatening the existence of the company are in survival mode — doing everything they can to keep the lights on and do what is necessary to survive as a business. The successful 23% of companies that are seeing a significant improvement or large uptick in demand and sales are in the prosper phase — preparing for growth and even further adapting beyond resilience. The ability to adapt to future changes goes hand-in-hand with business resilience; companies can withstand disruptions as much as is necessary, but they are unable to grow if they don't adapt to their new environment and take advantage of profitable opportunities.

The second phase, recover, is where most businesses are today, spanning from a significant drop in existing and potential revenue to "business as usual." These companies are fixing and repairing the areas of the business that are struggling. They must respond with the processes and technologies they have in place or incorporate new strategies to address surprises and begin to build business resilience.

## Recovery Starts with the Customer

The recovery process can be daunting, and many businesses don't know where to begin. Aligning with the actions of Best-in-Class companies, recovery starts with the customer (Figure 2). Strong collaboration capabilities and customer relationships helps organizations determine how economic shifts are affecting their customers and alert them to any potential loss of business.

**Figure 2: Best-in-Class Customer Capabilities**




n = 314, Source: Aberdeen, June 2020

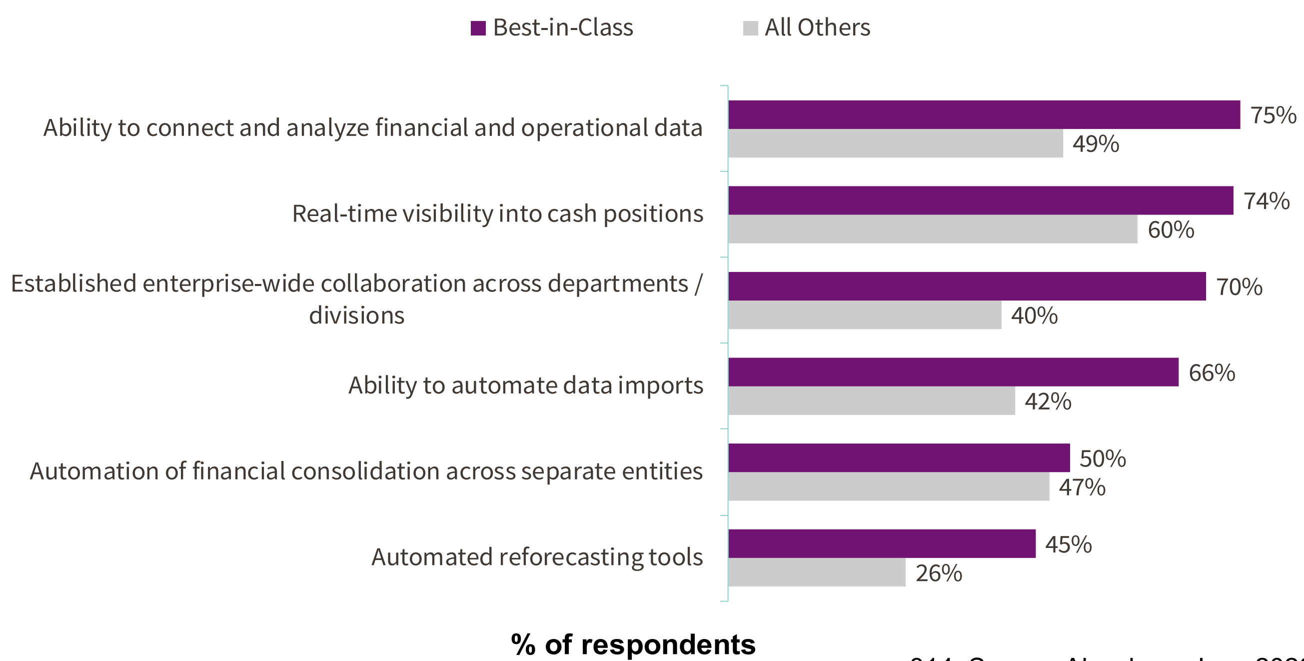
Best-in-Class companies not only have comprehensive replenishment plans and full visibility into customer data — they collaborate with the customer on a strategic level. Collaborating strategically to validate and verify the expected demand allows companies to monitor and adapt. As part of the collaboration, sales leaders can determine what, if any, channel or demand shifts might have occurred through the customers.

An internal, 360-degree view of the customer to detect changes is more critical than ever. ERP systems that provide real-time insights help companies keep a pulse on their customers and anticipate their needs — improving relationships and reducing pain points. Maintaining your customer base during times of disruption is a primary characteristic of resilient companies.

### Advance Recovery Processes by Connecting Finance and Planning Operations

Moving on from the customer, companies should look toward improving their finance and operations planning along the road to recovery. The Best-in-Class are more likely to have strong financial capabilities that have aided them in being resilient throughout the most recent economic downturn (Figure 3).

**Figure 3: Best-in-Class Finance Capabilities**




n = 314, Source: Aberdeen, June 2020

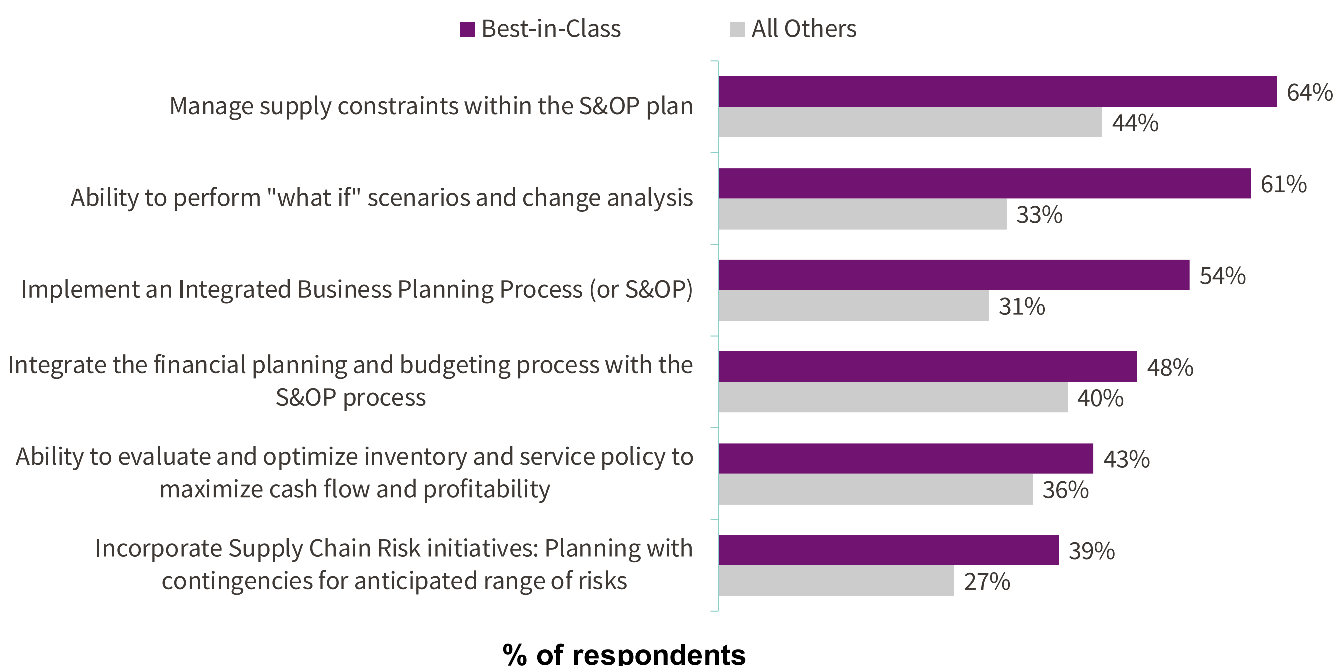
Cash is critical for review in the recovery stage. Real-time visibility into cash positions allows companies to monitor and respond to any dramatic changes in cash flow. Keeping a close eye on cash allows financial leaders to determine the funds available for immediate use and strategically distribute money to optimize programs that contribute to resilience.

In addition to cash capabilities, implementing automation across processes supports resilience and efficiency by augmenting the workforce and preparing employees to respond to future changes. Automated data imports, financial consolidation, and reforecasting will keep financial departments running smoothly even as they reconfigure models to respond to economic changes.

The most common capability across all Best-in-Class companies is the ability to connect and analyze financial and operational data. This is crucial in times of economic uncertainty, because decisions and performance related to operations should be based off financial data. A unified strategy that connects the financial plan the operations plan provides a holistic view of the financial impact and the best path forward.

The importance of synchronous planning of these two divisions is reinforced by key planning strategies of the Best-in-Class. Integrating the financial planning and budgeting process with the sales and operations (S&OP) process is one of the top Best-in-Class planning capabilities (Figure 4).

**Figure 4: Best-in-Class Planning Capabilities**




n = 154, Source: Aberdeen, June 2020

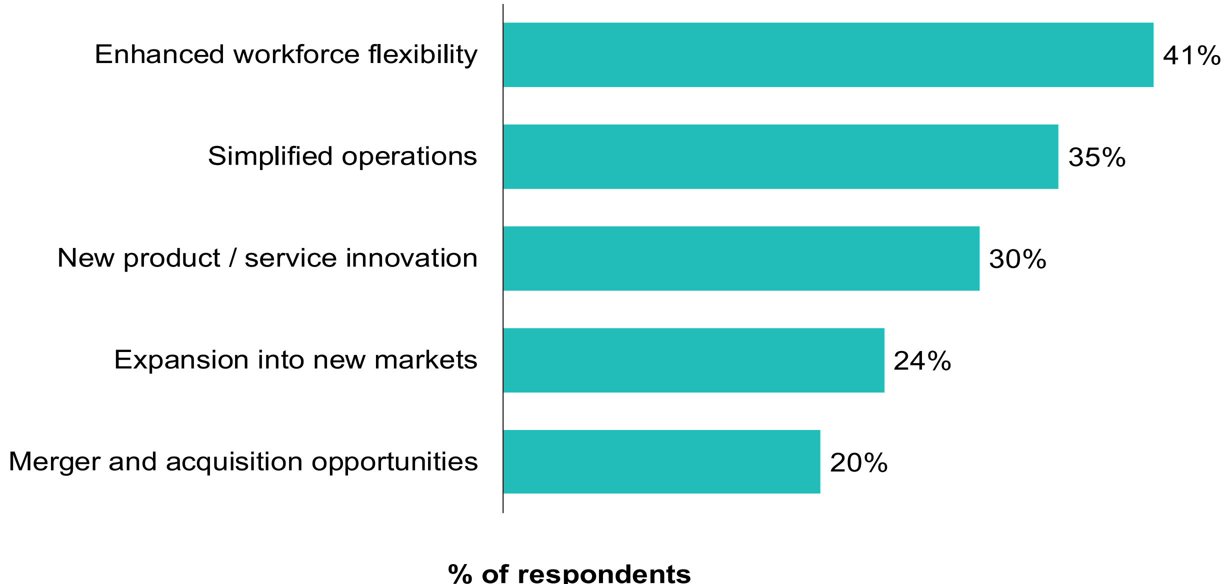
Best-in-Class companies are more likely to expand their S&OP plan to include other planning processes, especially in the supply chain, which is inherently vulnerable to external disruptions (i.e., borders closing, uncertainty obtaining raw materials, logistics bottlenecks). Managing supply constraints within S&OP planning provides financial leaders with greater supply chain visibility, which allows them to respond quickly and more effectively to changes. Predictive and prescriptive analytics helps companies assess “what if” scenarios and prepare to meet financial expectations. Incorporating these analytical capabilities opens the door for complex modelling and tactful, data-driven decisions.

Integrating capital expenditure capabilities into S&OP is another significant driver for business agility. Having systems in place for capital planning makes a significant impact on cash projections because of the big-ticket nature. Companies save significant sums of money just by starting negotiations early for restructuring deals, scheduling interest payments, and cancelling or paying damages.

### Prosper with New Opportunities

As companies transition from recovery into the prosper phase, there are many opportunities for development. New products, markets, and business models are only some of the benefits of establishing a strong base for future growth (Figure 5).

**Figure 5: Future Opportunities**




n = 1,976, Source: Aberdeen, June 2020

Economic disruptions provide opportunities for companies to speed up their digital transformation efforts. Enhanced workforce flexibility is the number one advantage companies anticipate in the wake of the COVID-19 pandemic. This is because businesses were forced to magnify their cloud, IT help desk, and unified communications capabilities to support a remote workforce. Similarly, many retailers have designed innovative digital and contactless payment services to ensure the safety of their customers. Even though many companies are still struggling, volatility and uncertainty are a breeding ground for positive change.

As finance and ERP teams move forward, there are many capabilities they should implement to increase preparedness and maintain stability while their business is prospering. Greater cash-flow visibility, virtual environments, digitization, and transition to the Cloud are some of the most common goals and strategies these teams are utilizing (see sidebar). Systems that allow companies to scale adjustments based on projections across the company will improve responsiveness and effectiveness.

### Critical Tactics for Finance and ERP Teams to Prepare for Future Disruptions

- Common platform for virtual meetings: **34%**
- Increase financial visibility into cash flow projections: **31%**
- Adopt virtual office wherever possible: **23.7%**
- Digital conversion on all transactions: **23.7%**
- Move to the Cloud to support data and network requirements: **23.7%**

*% of ERP and finance professionals*

### Key Takeaways

Developing resilience takes time and planning, and incorporating Best-in-Class strategies into resilience initiatives helps businesses efficiently get back on their feet. When reflecting on these strategies and their impact across the enterprise, there are three ideas to keep in mind:

- **Business resilience is critical for success amidst economic uncertainty.** The impact of the most recent economic downturn has been catastrophic for some companies. Adopting capabilities that promote business resilience will better prepare companies for changes in the future.
- **Establishing resilience starts with the customer.** Strategizing with customers to determine the potential for change is a preemptive method for handing disruptions. Best-in-Class companies are more likely to have a 360-degree view of the customer, allowing them to respond to customer needs and changes in demand more effectively.
- **Synchronous planning with finance and operations builds a strong base for future growth.** Unified plans that combine both finance and operations prepare organizations for valuable opportunities such as new products, new business models, and mergers and acquisitions. Equipping finance and ERP teams with

systems that promote the concurrency of finance and operations can be a game-changer.

Companies should not stop at simply developing resilient qualities — they need to have systems and automated processes in place to adapt to changes. Readying the workforce to respond effectively to “what if” scenarios makes resilient companies even more successful and ultimately results in a resilient economy.

## Related Research

- Managing to Build a More Resilient Business; June 2020
- Business Planning is Key to Optimizing the Workforce and the Firm; February 2020
- Financial Services: Making Informed Decisions with Improved Transparency; May 2019

### About Aberdeen

Since 1988, Aberdeen has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen is headquartered in Waltham, Massachusetts, USA.



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