Whitepaper:

Planning, Budgeting and Forecasting

Selection Guide

The goal of this guide is to help organizations take the first step toward improved budgeting, planning and forecasting. The guide outlines a systematic approach to software evaluation and selection that aligns best practices and leading- edge technology with planning activities.

Leading companies address planning obstacles directly and take steps to improve their processes. They take advantage of new technologies and employ well-established planning and forecasting best practices. When they do so, they are quickly rewarded with more accurate plans, more timely re-forecasts and more effective decision-making. Overall, these tools and practices save time, reduce errors, promote collaboration and foster a disciplined financial management culture that delivers true competitive advantage, often accompanied by a leading or stable market position.

Specifically, such companies are able to:

- Consistently deliver timely, reliable plans and forecasts, along with contingency plans.
- Analyze situations where performance begins to deviate from plans and promptly take corrective action.
- Strengthen the link between strategic objectives and operational and financial plans.
- Improve communication and collaboration among all contributors.
- Enhance strategic decision-making, enabling leaders to quickly identify, analyze and forecast the impact of changes as they occur.

Planning challenges and process problems

Corporate decision-makers often voice similar complaints about traditional planning, budgeting and forecasting.

- Low-value activities take up the greatest portion of time.
- Plans are quickly out of date.
- Forecasts and reports are too infrequent.
- Insight into causes is insufficient — and leads to shadow systems.
- Planning participation is too limited.
- Existing applications and spreadsheets are inflexible and do not support a dynamic environment.

Comprehensive scenario planning delivers at least three advantages:

- It enables an organization to avoid potential catastrophes altogether.
- It sensitizes management to what might occur and, as a result, can help

- management identify both problems and opportunities earlier than it might have, had it not conducted scenario planning.
- It spurs organizations to think through “what we would do if” and to create plans that can be rapidly implemented if a scenario actually comes to fruition.

Planning challenges

Over the last fifteen years or so, companies have devoted considerable resources to implementing enterprise resource planning (ERP) systems. Yet most planning is still performed using spreadsheets, electronic mail and countless staff hours — an inexpensive approach in software terms, but ever so costly in the long run because spreadsheets are not designed to effectively support organization-wide planning and forecasting processes. Some planning systems themselves can impede business responsiveness. Inhibitors are numerous:

- Business rules (formulas) are mixed with data and prone to corruption.
- Files must be exchanged frequently among users, but cross-company teams cannot work together easily.
- Presenting or analyzing data from different perspectives is difficult.
- Data aggregation is complicated and time-consuming.
- The business model is not represented well, if at all.
- Complex calculations, multidimensional analysis and reporting are impossible.

Align strategic and operating plans

Within the “excellent financial management equals excellent business management” culture, the ongoing alignment of strategic and operating plans is vital. Because of their responsibility to engage department managers in the planning process, finance professionals must clearly communicate corporate strategic plans to those who run the business from day to day. The importance of this type of alignment is demonstrated by the fact that 70 percent of CFOs are now taking a more prominent role in decision-making, beyond the traditional role of finance.

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Finance can help translate strategic goals into financial targets and in turn, into specific departmental plans and related revenue and expense drivers, such as headcount and equipment. By translating strategic goals into operational plans, and by tracking and measuring performance against plan, leading companies are better able to meet or exceed their objectives.

Start at the top— and at the bottom

An important ingredient of successful budgeting and forecasting is the ability to align top-down financial targets with bottom-up plans. Some companies establish top-down targets and then turn the annual budgeting process over to Finance along with a mandate to meet those numbers. Other companies require detailed bottom-up plans, and then plug in the total company numbers at the top so that the plan meets strategic targets. Neither of these approaches reflects a realistic commitment to planning excellence. Leading companies provide initial guidance from senior managements top-down perspective on strategic goals, objectives and expectations. Then, employees and line-of- business managers build a plan from the bottom up, indicating how they intend to meet the established goals. This process requires frequent iterations for the top-down and bottom-up activities to meet and reconcile.

The result is a plan that is supported by:

- Line of business managers because they helped create it and will be rewarded for meeting it.
- Senior management, because operational goals are aligned with strategic goals.
- Finance, because they added value to a productive, collaborative effort, rather than

Drive collaboration between functions

Not only should strategic and operating plans be aligned, but also plans that affect multiple functional areas should be coordinated. Best practices include the direct involvement of line-of-business managers along with a collaborative approach to planning and forecasting. The facilities department may need to plan for new headcount, equipment, warehouse space for product inventory and so on. Such collaborative planning can be accomplished through an iterative process that lets managers forecast and share alternative scenarios and contingency plans, which are essential, given today's economic uncertainties. Finance also plays a key role in facilitating the coordination of plans across the company and helps ensure that operational tactics are aligned with financial targets throughout the organization.

Rolling forecasts

A company that runs rolling forecasts is always looking forward to the immediate or near-term future. For such companies, business does not end on December 31 and restart on January 1. The forecast time frame should extend out two to eight quarters, depending on business volatility. Additionally, the forecast should reflect the input of all business units, not just Finance. Planning should be an ongoing process with frequent opportunities for managers to view the company's latest internal and external performance data. Contributors should be able to test new plans or alter existing plans based on new information coming from various sources, including other managers, monthly actuals, top-down target revisions, and leading market indicators such as customer inquiries, sales pipeline information and external market data. Finance should be able to quickly consolidate plan data from all areas of the company and distribute new information immediately. Such a process will facilitate more informed decision-making in such areas as pricing, product family, channel mix, capital allocations and organizational changes.

Manage content that you can act on — reduce what isn't

A focus on content that can be acted on in planning frees managers from unnecessary detail, enabling them to produce better plans. While supporting detail can provide an audit trail and insight into managers' thinking, more detail does not necessarily make a better plan. Managing material content requires attention to information that has real and significant impact on expenses, revenues, capital or cash flow.

Content management helps a company:

- Avoid false precision. A complex model might not be any more precise than a simpler model. More detail and intricate calculations can lure managers into the trap of thinking their plan is more accurate.

- Monitor volatile— not stable— accounts. Efforts are best spent on fluid expenses such as headcount and compensation.
- Aggregate accounts. A forecast does not need to reflect the same level of detail as that in the general ledger. Even if the general ledger has 15 different travel accounts, managers can often plan adequately using just one account.

Timeliness and reliability

Many companies have an inefficient and inflexible planning process at the center of which is t h e annual budget. Time- consuming distribution and consolidation processes practically guarantee that plan data will be out of date and irrelevant before it is even published — and plans based on stale data and assumptions are of little or no value. World-class organizations shorten their planning cycles by implementing the best practices described here. They also use technology to successfully manage budget consolidation and aggregations on demand. Technology is particularly effective in improving timeliness and reliability in plan consolidations. In particular, plan consolidation on demand eliminates the necessity of processing results manually and enables a smoother, more consistent, more accurate planning process. Variance reports delivered within two to four days after the period close allow managers to immediately evaluate their performance against plan and effectively adjust their business activities. At an operational level, this type of planning is less costly and produces more accurate results than the processes followed by most companies today. At a strategic level, timely and reliable financial plans provide more credible guidance to stakeholders and enable faster, better- informed business decisions.

Best-practices templates

The use of pre-built, best-practice templates or planning models can help organizations reduce implementation risk and accelerate time to business value. Best-practice templates for activities such as expense management, resource planning, capital planning, profitability analysis and integrated financial reporting are available from software vendors for a wide range of functional areas and industries. With best-practice templates, companies can build models faster and establish dynamic connections that keep strategic objectives, operational plans, people and initiatives in sync as business conditions change. Executives can quickly see the impact of changes in operational plans on corporate financials. Functional and business-unit managers can quickly adjust resource allocations to support corporate objectives. And corporate guidelines and policies are more consistently communicated and applied throughout the business.

Technology supports best practices

Leading companies have recognized that spreadsheet-based planning impedes implementation of planning and forecasting best practices. They have moved to solutions that address the full cycle of planning processes — analytics, modeling, contributing and reporting — on a common planning platform with lean infrastructure requirements, which enables them to plan and re-plan quickly, using the same or fewer resources.

Streamlining the planning process demands technological tools provide a faster, more flexible and adaptive approach. By using an on-demand, dedicated planning, budgeting and forecasting solution that is delivered over the web, organizations can readily implement best practices. When evaluating and selecting planning, budgeting and forecasting software, leading organizations look for solutions that meet these top-level requirements:

- Adaptive. The ability to rapidly change models based on input and prototypes from business units and to frequently re-forecast enables companies to respond to business changes as often as necessary.
- Timely. Information is always current because departmental users contribute directly to a central planning database. Consolidations and rollups are done automatically, so deadlines are met more easily.
- Integrated. Planning, analysis, workflow, and reporting reside on one common platform. Managers do not need to maintain “shadow” planning systems.
- Collaborative. Web-based, distributed planning enables participation anytime, anywhere with a secure connection.
- Led by Finance. Because the Finance office is responsible for planning process development, deployment, reporting and analysis, finance professionals have the best understanding of what is required in terms of software flexibility and ease-of- use, both in modeling and day-to-day activities.
- Efficient. Finance managers and department managers spend less time managing data and more time managing the business.
- Relevant. Customized views for users increase adoption and ownership. Formula capabilities enable modeling of all relevant business drivers.
- Accurate. Plans contain fewer errors because broken links, stale data, improper rollups and missing components are eliminated.

The evaluation of a vendor’s product features and support is a complex task. It requires evaluation of the software functionality, its value to the planning process and its ability to support planning best practices. There are also intangible factors such as vendor support, user community connections and commitment to customer success once the sale is complete.

The following matrix(s) will provide assistance during the evaluation process by relating best practices to product features. It also helps prioritize features and assess how well they relate to vendor offerings. MindStream Analytics offers a variety of services to assist in software selection and more, we are EPM-BI-Analytics experts with over a decade experience. Our team is comprised of financial and technical experts that can help your team make sense of it all, and chose a solution that’s right for your organization.

Planning Software Selection Matrix

Feature Category Scoring: 1=least important to 5=most important	Score	Importance/ Weight	Vendor X	Vendor Y	Vendor Z
Dynamic Planning Blended with Analytics					
On-demand (in-memory) what-if analysis					
Individualized analysis and plan prototypes shared with other planners					
Profitability analytics — linked to plan model — to optimize					
On-demand reporting					
Personalized workspace with customized views					
Integrated analysis through charting					
Align Strategy & Operational Plans					
Module application development					
Operational planning aligned with financial planning to improve decision-					
Supports comprehensive planning life cycle, from individual to group to enterprise and					
Model Business Drivers/Planning applications					
Guided modeling w/graphical interface					
Driver-based calculations					
Dimension separate from models					
Multi-cube development environment					
Ease of development by finance/business					
Manage Content					
Real-time workflow					
Defined user views					
Role-based security					
Web client					
Personal desktop client					
Microsoft Excel client					
Annotations support					
Supports Timely and Reliable Planning					
On-demand plan consolidation					
Automated data loads between transactional					
Certified connector to ERP					
Standard reporting					
Multi-dimensional analysis					
Dash boarding and score carding					

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Planning Software Selection Matrix

Feature Category Scoring: 1=least important to 5=most important	Score	Importance/ Weight	Vendor X	Vendor Y	Vendor Z
Distributed and connected planning modes					
Planning types for corporate input, hierarchical, and continuous					
Best Practices Templates (pre-built models)					
Capital expenditure planning					
Expense planning					
Integrated income statement, balance sheet,					
Profitability analysis					
Workforce planning					
Company Profile					
Quality of references					
Revenue					
Number of employees					
Number of customers					
Number of industry references					
Independent industry analyst ratings					
Implementation and support					
Implementation methodology					
Training options					
Support hours					
User communities					
Customer forums					
Online knowledge base					
Partner network support					
Vendor consulting					
Quality of documentation					
IT Infrastructure Support					
Database support					
LDAP support					
Single sign-on					
Portal support					
Open API					
Metadata support					
MDX support					
HTTPS support					
Total Score					

WE ARE MINDSTREAM ANAYLTICS

We believe in the power of connected data! MindStream Analytics is a leading consulting and manages services provider with over a decade of EPM-BI-Analytics experience. We understand the data supply chain - from where data begins to the many ways it can be consumed and flow throughout the organization. We see the power in connecting data using technology, *"We help you Win with Data."* You want to plan with data, sell with data, market with data, run your business with data, analyze with data, report with data, and to support all of this, you want to manage your data. MindStream Analytics is the partner to help with all that and more.

WE KNOW FINANCE. WE GET IT.

Advisory & Consulting
Defining your vision and turning it into a wining game plan.

Data Management
Leveraging your data for greater business value.

Cloud Solutions
Translating and implementing your business objectives into cloud technology solutions for competitive advantage.

Mobile Solutions
Information on the go -your information should be your constant companion, *we make that happen.*

Analytics
Bringing life to your data for deeper, faster insights.

Managed Services
Focus on your core competency while MindStream optimizes your investment

Solution Implementation
Your go to partner for data intensive, analytical solutions.

MindStream partners with many industry leaders.

IBM

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Savant

Dodeca

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For more information about how we can help you win with data, contact us at:

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