Agility in Planning, Budgeting and Forecasting (PBF)

Global Survey 2021

Insights from the FSN Modern Finance Forum on LinkedIn

FSN
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OneStream

Gary Simon
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Dear Colleague,

I am very excited to bring you the results of FSN's "Agility in Planning, Budgeting and Forecasting (PBF)" Survey 2021 which allows you to benchmark where your organization is on the 'agility dial' and more importantly provides clear pointers to improving the performance of the PBF process. None of this would have been possible without your participation and I would like to say a special thank you to the senior finance professionals from more than 500 companies around the globe who took the time to contribute their views.

It has been a challenging period for all of us, and FSN's research last year confirmed that the PBF process was the most disrupted of all of the core financial processes. In a nutshell, organizations found it extremely difficult to reforecast agilely in a period of stress and change. This prompted the question that forms the basis of this year's research, namely, "How can organizations improve the agility of their PBF process?"- not only in the face of a global crisis such as COVID, but also in response to 'normal' business change such as acquisitions, new business models, disruptive competitor activity and reorganizations.

The results of the benchmarking overall are extremely revealing. The benchmarks show that on the whole, we forecast more quickly that we did four years ago but that forecast accuracy has deteriorated. Only 43% of organizations can forecast revenue to within plus or minus 5% and 80% cannot forecast beyond a year. 52% are unable to look out further than 6 months.

In broad terms, the ability to quickly make minor changes to forecasts is achievable for most organizations but that agility does not extend to changes to hierarchies in business models and reports. It is this part of the process that was the undoing of forecasting at the peak of the pandemic and will remain a problem for those industries and sectors undergoing profound market change. So, what can we learn from the 5% of transformation leaders who have completely transformed their PBF process?

The survey confirms that transformation leaders outperform those companies that have not transformed in almost every measure. They forecast more quickly, more accurately and further into the future. But, this enhanced agility is made possible only because they have mastered their data, use more advanced analytical tools, have invested in a unified business model and leverage specialized PBF software in the cloud. They also place a premium on eliminating disconnected spreadsheets for data collection and reporting, although it is noteworthy that even transformation leaders struggle to eliminate the latter.

But what else can finance functions do to improve agility? This survey reminds us that businesses have to have the basics in place before they can make any impression on performance. Centralized business models shared across the business, probably in the cloud, enabling one trustworthy source of data is essential. None of this is achievable using disconnected spreadsheets and none of the advanced accounting techniques, such as rolling forecasts, zero based budgeting (ZBB) or scenario planning are realistically within grasp without this robust foundation.

For many years a debate has raged in the accounting profession about the value contributed by rolling forecasts, zero based budgeting and scenario planning. Each technique tends to have its own proponents, often preferring one technique over all the others. But FSN's research provides first-hand quantifiable proof that each technique contributes uniquely to the agility of the PBF process.

The good news is that all of the techniques improve all facets of the forecasting process with one minor exception. (As one would expect, ZBB does not enable organizations to forecast further into the future). If one was to single out one overriding characteristic of each technique then one would say that rolling forecasts enable a rapid response to change, ZBB leads to more accuracy, and scenario planning enables organizations to look much further out into the future.

So, the clear message is that all of these techniques are valuable, and none should be discounted. However, the research suggests a hierarchy of complexity and difficulty. So where should organizations start? Provided businesses have secured the foundation layer (data, cloud, specialized PBF software) we suggest that they should commence their journey with rolling forecasts, followed by ZBB and scenario planning.

We trust that you find the survey's conclusions set out in this document thought-provoking and interesting. But above all we hope that the contents of this report and benchmarks will inspire you to explore and discuss with your colleagues how you can make the PBF process more agile in your own organization.

Regards,

Gary Simon

Gary Simon
CEO FSN & Leader of the Modern Finance Forum

Executive Summary

Executive Summary

The COVID-19 pandemic has been a notoriously difficult period for every business. In this period of tumult, the role of planning, budgeting and forecasting is becoming even more pivotal to the success of a business, and those falling short of accuracy and insightfulness are adding to their burden. Producing accurate, far-sighted forecasts and being able to respond quickly to change within and outside an organization are invaluably agile skills, but not ones universally demonstrated. The *Agility in Planning, Budgeting and Forecasting* survey found some organizations fall well short of the basic competencies necessary to maintain an agile planning, budgeting and forecasting (PBF) process.

The survey finds that around two thirds of organizations manage to reforecast their earnings in under a week, but only 39% are able to do so within +/-5% accuracy, reflecting a decline from the 42% who were able to do so four years ago.

The picture deteriorates substantially when determining whether companies have agility in forecasting further into the future. 80% of companies are unable to forecast beyond a year, and over 50% cannot see out further than 6 months.

Companies are reasonably agile when making changes to the PBF process in times of flux, with around two-thirds able to quickly make minor changes to a cost line or business model. However, making more substantial changes to organisational hierarchies is proving more challenging.

Solutions

While agility is lacking in many areas, the survey finds that organizations that had made headway in transforming their PBF process are better equipped to handle change. Around a third of participants had made some efforts to transform PBF, although only 5% claim to have completely transformed the process. That said, those 5% are able to forecast quicker, more accurately and with greater foresight into the future than the transformation laggards. They are also able to manage their data better and used more advanced BPF tools.

The importance of data – its validity, trustworthiness and relevance – is widely recognized as a key component of agile planning, budgeting and forecasting. What is not as universally accepted is the importance of connecting with more users outside of the finance function. In addition, internal data sources are valued above external ones. However, including a variety of perspectives and data sources from across the spectrum is crucial to extracting the best insight from the PBF process.

Process power

Even as many organizations fall short of a truly agile planning, budgeting and forecasting process, there are others that improved their lot substantially by introducing process improvements. The survey found that rolling forecasts lend more agility than quarterly ones, zero-based budgeting improves outcomes ahead of more traditional budgeting methods, and companies that find time to implement scenario planning are much more agile than their competitors over the longer term.

Twelve-month rolling forecasts are used by between 19% and 25% of companies depending on size (larger organizations are more inclined towards this), and it helps with many aspects of agility. Reforecasting time improves, accuracy is positively affected and the ability to respond to organizational change is markedly better than companies that only reforecast quarterly. Rolling forecasts are difficult to implement using cumbersome spreadsheets, which is why the survey finds that those that choose to use this method are likely to have already invested in specialist PBF software in the cloud.

Meanwhile, companies committed to improving their budgeting outcomes are turning to other helpful methodologies including zero based budgeting (ZBB), and this is having a positive impact on agility. ZBB requires budget holders to 'start from zero' and justify their resource requirements at each budget setting. It is particularly pertinent in the context of profound business changes such as COVID-19. The survey shows that ZBB improves all round performance of the PBF process, particularly, in the area of forecast accuracy.

The survey finds that this foresight can be significantly improved when companies use scenario planning. This strategic method of analyzing alternative scenarios and their potential outcomes is a significant indicator of better future forecasting.

A mere 4% of organizations make sufficient time for effective scenario planning, although there has been a surge of interest in scenario planning since the pandemic swept away assumptions and forecasts with unprecedented speed and ferocity. The complexity of managing and running various scenarios means companies that are still wedded to spreadsheets will be severely limited in what they can achieve. Only those organizations that have mastered their data and deployed specialist tools are able to properly enjoy the benefits of scenario planning.

Scenario planners are faster, more accurate and can see out further into the future than companies which fail to make the time for scenario planning, and they are able to make changes to their systems and processes more quickly and agilely. They make use of a wider range of stakeholders from within and outside the company in order to produce the most effective plans, and they manage their data as a corporate asset which allows them to use cutting edge tools, artificial intelligence and machine learning to drive predictive analysis.

The improvements seen in companies that produce 12-month rolling forecasts, engage in zero based budgeting or make time for scenario planning are not mutually exclusive. The survey confirms that companies that utilize all these techniques and have transformed their PBF processes, (mastered their data sources and implemented specialist tools) significantly enhance their agility in all aspects of planning, budgeting and forecasting.

The pandemic still rages in many parts of the world. Even as a semblance of normality comes closer with the vaccine roll-out, the landscape of society and the businesses that service them has changed irrevocably. There are opportunities within this wider societal change, but organizations won't be able to take advantage of them unless they have a clear vision of their future, and for that they need supreme agility in planning, budgeting and forecasting.

OneStream Software Response

OneStream Software is proud to sponsor the 2021 Agility in Planning, Budgeting and Forecasting (PBF) global survey. The findings and results of the survey are consistent with what we are seeing in the market. Many mid-sized to large enterprises struggle to achieve efficiency and agility in their Planning, Budgeting and Forecasting (BPF) processes.

Current economic conditions are a stark reminder that organizations must be ready to respond to new market opportunities and threats more quickly than ever before. And while the increasing pace of change is putting more pressure on finance teams, many are taking steps to increase agility and improve decision making by innovating beyond static budgeting cycles. They are focusing on more agile forecasting methods such as rolling forecasting, zero-based budgeting and the detailed business drivers and operational plans that are leading indicators of financial performance.

Unfortunately, many finance teams still rely on disconnected, legacy corporate performance (CPM) applications and cloud-based point solutions to manage their budgeting, planning, forecasting and analysis processes which provide little ability to create leverage and scale for Finance teams. As the pace of market changes increases, and does so at an accelerated pace, Finance teams need to shift their focus from data gathering, reconciling data and managing key integration points to collaborating with line of business partners and providing better, faster insights to support decision-making.

WHAT IS AGILITY?

• The ability to move quickly and easily	=	The velocity (speed & direction) of the PBF process
• The ability to think quickly and clearly	=	The quality of analysis for decision-making
• A recognition that making changes is an important part of the job	=	How easy is it to change the PBF process under strain
Source: Cambridge dictionary		*What does this mean for business?*

Chapter 1

Where is Your Organization on the Agility Dial?

Where is your organization on the agility dial?

The ramifications for businesses from the global pandemic have ranged from catastrophic to opportunistic, with all shades in between. Many faced closures, furlough, customer losses and supply chain disruption and have had to navigate rapid changes internally and externally with little or no warning.

With visibility already severely compromised, organizations were often slow to respond, had difficulty understanding where the business was in the maelstrom and failed to plan, budget or forecast effectively. As the economic, social and political variables changed, companies needed to reforecast, sometimes weekly, with reasonable accuracy and with organizational precision. But many couldn't. FSN's *Future of Automation in the Finance Function* survey last year found pervasive pandemic disruption in planning, budgeting and forecasting (PBF), hamstrung by the twin impacts of a lack of automation and the vastly altered economic situation.

The unprecedented nature of the pandemic is not an excuse for inadequate planning, budgeting or forecasting, because organizations must be able to shift focus and respond to stressors in 'normal' times too. Competitor activity, disruptors in the market, organizational change or acquisitions and disposals all require agility in planning, budgeting and forecasting. This means companies must be able to budget and forecast quickly and accurately as well as being able to easily make changes to the PBF process when circumstances require.

This survey explores the depth of the issue, identifying the necessary drivers of agility and the ways organizations on the wrong side of the PBF agility curve can improve their response to change. The evidence shows, that while there is speed, PBF is not always accurate, fails to provide insight further into the future, and is only superficially efficient, failing to reflect complex change quickly.

Agility is benchmarked against 3 key areas:

- *Velocity*
- *Accuracy*
- *Ability to change the PBF process under strain*

Organizations can benchmark their own agility against three key stress tests:

Velocity*- The time to reforecast earnings and revenue should be under a week (speed), and organizations should be able to forecast a year ahead with confidence (direction).*

Accuracy*- Agile companies should be able to forecast earnings and revenues to within +/- 5%.*

Ability to change the PBF process under strain*- Companies should be able to make a minor change to their budget, and should be able to roll out that change to budget holders' templates, within half a day. Agile companies should also be able to make a simple change to their hierarchy in the same time-frame.*

So how did respondents to the survey compare on these headline agility benchmarks?

__66%__ of finance functions are able to reforecast within one week.

Two thirds demonstrate agile speed, reforecasting earnings in under a week, but the remaining third struggle to turn their forecasts around in that time and 6% take more than a month to reforecast.

Smaller organizations are considerably more able to reforecast earnings within a week, which may be down the smaller number of people involved in their processes, whereas large organizations are most at risk of an extended reforecasting process.

The bottlenecks in the process are clustered around the human interface, where data collection and budget reviews require input from people. Even as technology takes on many of the previously manual tasks, and data is increasingly recognized as a managed asset, survey respondents appear to spend a disproportionate amount of time collecting current year's data from budget holders as well as finalizing or signing off the budget.

The research finds that there is no correlation between the amount of time spent on the PBF process and the accuracy or ability to forecast further into the future. So while people issues are causing the bottlenecks, they aren't adding to its agility.

__Only 39%__ of finance functions are able to forecast earnings within +/-5% accuracy.

While speed is relatively dependable, accuracy is more elusive. Only 39% of senior finance executives are able to forecast earnings within a +/-5% margin of error. It seems that even companies that take longer to reforecast (more than a week) are still stymied by accuracy. 58% of those slow to reforecast are unable to do so within +/-5%.

FSN's *Future of Planning Budgeting and Forecasting* study in 2017 found that 42% were able to forecast earnings within +/- 5% accuracy. three years later that figure has fallen to 39%.

Organizations face a similar issue forecasting revenue with any accuracy as only 43% are able to forecast within +/- 5%. This represents another decline from the 44% which were accurate to within 5% four years ago.

The picture deteriorates substantially when determining whether companies have agility in forecasting further into the future. 80% of companies are unable to forecast beyond a year, and over 50% cannot even see out further than 6 months. Four years ago the situation was just as dire, with only 20% able to forecast beyond 12 months, and there has been little progress since then.

Corporate agility came to the fore during the pandemic when organizations needed to make simple changes quickly and accurately as the environment around them changed. For around two thirds of organizations this was relatively easy to do. 64% of respondents said they are able to make a minor change, for example, to a new cost line in their budget or forecast models, within half a day. And 68% said they could have that change reflected in budget holders' data entry template, reflecting the change within all of the reports, within the same time frame.

But that percentage falls to 34% when the change is one of organizational hierarchy. When a business needs to reflect a new entity, cost center or product, only a third can manage this within half a day, another third within 2 days and the rest at some point between 2 days and more than a week. The COVID-19 lock-downs forced many companies to contract or close down parts of their operation, but most were unable to reflect these in their forecasts as they happened.

80% of finance functions unable to look out more than a year.

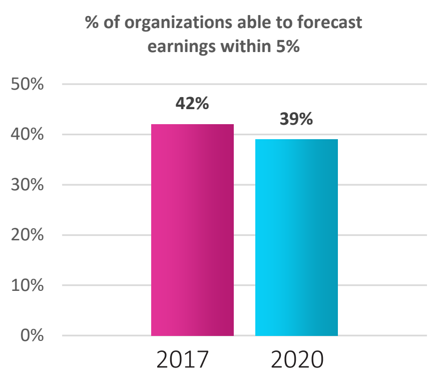
Without the agility to flex the content and participation in the budget process depending on need, organizations are not able to tap into the wider knowledge base across the business, especially drawing on input from outside the finance function. This is important because previous FSN research shows that involving people from different functional areas, who might be closer to the sharp end of the business, improves the richness of the forecasts.

Right now, most don't anyway. High budget participation (the percentage of employees that provide input into the budgeting and planning process) is only possible when the process is agile and adaptable. But a third of companies draw on just 1% of the workforce, 22% draw on 5%, and 16% draw on 10% of the people in the organization. Only 28% reach 25% to 50%, a level which incorporates a broad range of corporate inputs that likely improves depth of insight.

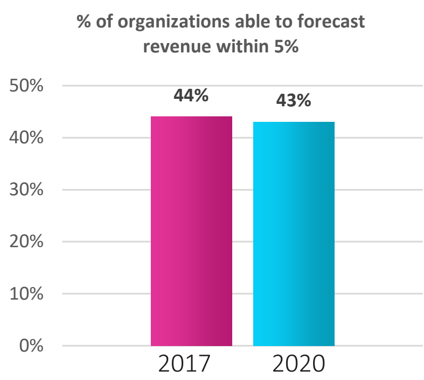
Simple quick changes to the budget lines and relatively speedy reforecasting are within the grasp of around two thirds of companies, but accuracy remains elusive for many more than that. Whether it is a combination of low participation, haste (speed is important but not at the cost of accuracy) or outdated processes, there is a long way to go to build truly agile planning, budgeting and forecasting.

FIGURE 1: THERE HAS BEEN NO PROGRESS IN SPEED AND DIRECTION SINCE 2017.

NO REAL PROGRESS IN ABILITY TO FORECAST BEYOND 12 MONTHS



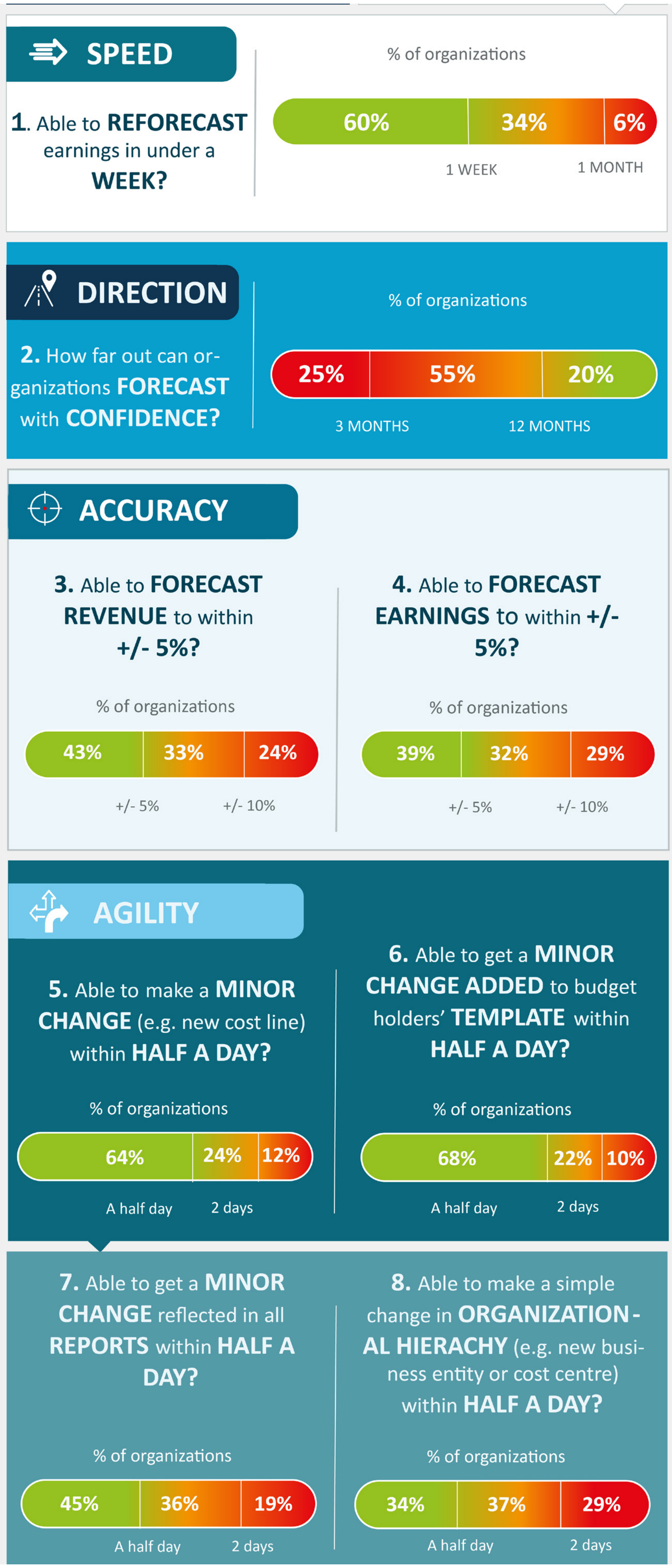
THERE HAS BEEN A DECREASE IN THE ACCURACY OF EARNINGS FORECASTING



THERE HAS BEEN A DECREASE IN THE ACCURACY OF REVENUE FORECASTING

FSN Stress Tests

HOW PREPARED IS CORPORATE FORECASTING FOR CHANGE?



OneStream Software Response

The increasing market volatility and disruption are forcing Finance teams to re-evaluate traditional planning cycles. Analyzing revenue, costs, cash flow and operational signals on a weekly or even daily basis is no longer just a vision — it's essential for navigating through rapidly changing business conditions. We anticipate this trend to continue as Finance teams place more emphasis on supporting daily and weekly decision-making that can impact period-end performance rather than focusing time and investment on longer-range forecasting.

The confluence of external challenges such as the recent pandemic and geopolitical forces continue to impact consumer demand and supply chains in ways that are not yet fully understood, making it increasingly challenging to achieving forecast accuracy.

We see Financial Signaling as a critical process to help Finance teams break through these challenges to help Finance teams proactively drive performance in this highly uncertain and complex environment. This requires having the ability to leverage the signals in weekly or even daily financial and operational data from Sales, Operations, HR, etc. to help organizations take action before month end.

Driving Financial Performance with Operational Analytics at BDO

"Providing daily data at their fingertips, executive-level dashboards are supported by deeper dives into specific financial focus areas".

- Lynn Calhoun CFO BDO

BDO is a U.S. professional services firm providing assurance, tax, and advisory services serving multi-national clients through a global network of over 80,000 people working out of 1,591 offices across 162 countries.

BDO had been using several Oracle Hyperion applications since 2009 to support their planning, reporting and analysis processes. Over time their deployment had grown to include three Hyperion Planning applications and nine Essbase reporting cubes spanning ledger data, contracts, employees, projects, demand and workforce reporting. This complex landscape of applications led to multiple versions of the truth, manual data movement, system stability and availability issues as the data volumes grew, and ongoing maintenance challenges.

The BDO team, led by CFO Lynn Calhoun, evaluated several alternatives and selected OneStream as their go-forward solution because it met three primary requirements: scalability, information delivery, and data integrity. OneStream offers a platform that would handle larger data volumes as BDO grows, and empowers key decision makers with accurate information, rich dashboarding and reporting capabilities. By combining multiple disparate data sets, OneStream creates "One Source of the Truth" for BDO.

The BDO team had several objectives in mind as they started their OneStream implementation. They wanted to replace their current Hyperion solutions with a unified CPM solution that is easier to administer, maintain and own while supporting simplified data flows.

They also wanted to streamline and improve the financial planning submission / collection process and enhance the reporting and analysis capabilities for FP&A users with deeper information and insights. From a financial close and reporting standpoint, they wanted to enhance the data and processes they were utilizing, and align their external, legal, management and FP&A reporting.

BDO leverages OneStream's Extensible Dimensionality® framework to address different levels of detail between budget / forecast collection and actuals reporting across Accounts, Cost Centers and Departments, providing additional granularity for reporting and planning across various lines of business — all in a single solution and unified data model.

BDO was one of the first customers to leverage OneStream's Financial Signaling capabilities to report and analyze on large volumes of daily transactional data, loading 10 million records nightly, which is transformed into 30 to 40 million rows of data through OneStream, and then made available for BDO's users via their interactive dashboards.

"We now have happy users who are able to absorb information the way they want with self-service reporting and dashboards," said Calhoun. "This includes a wide range of information, not just financial—including managing people and clients."

Chapter 2

Transformation Improves Agility

Transformation improves agility

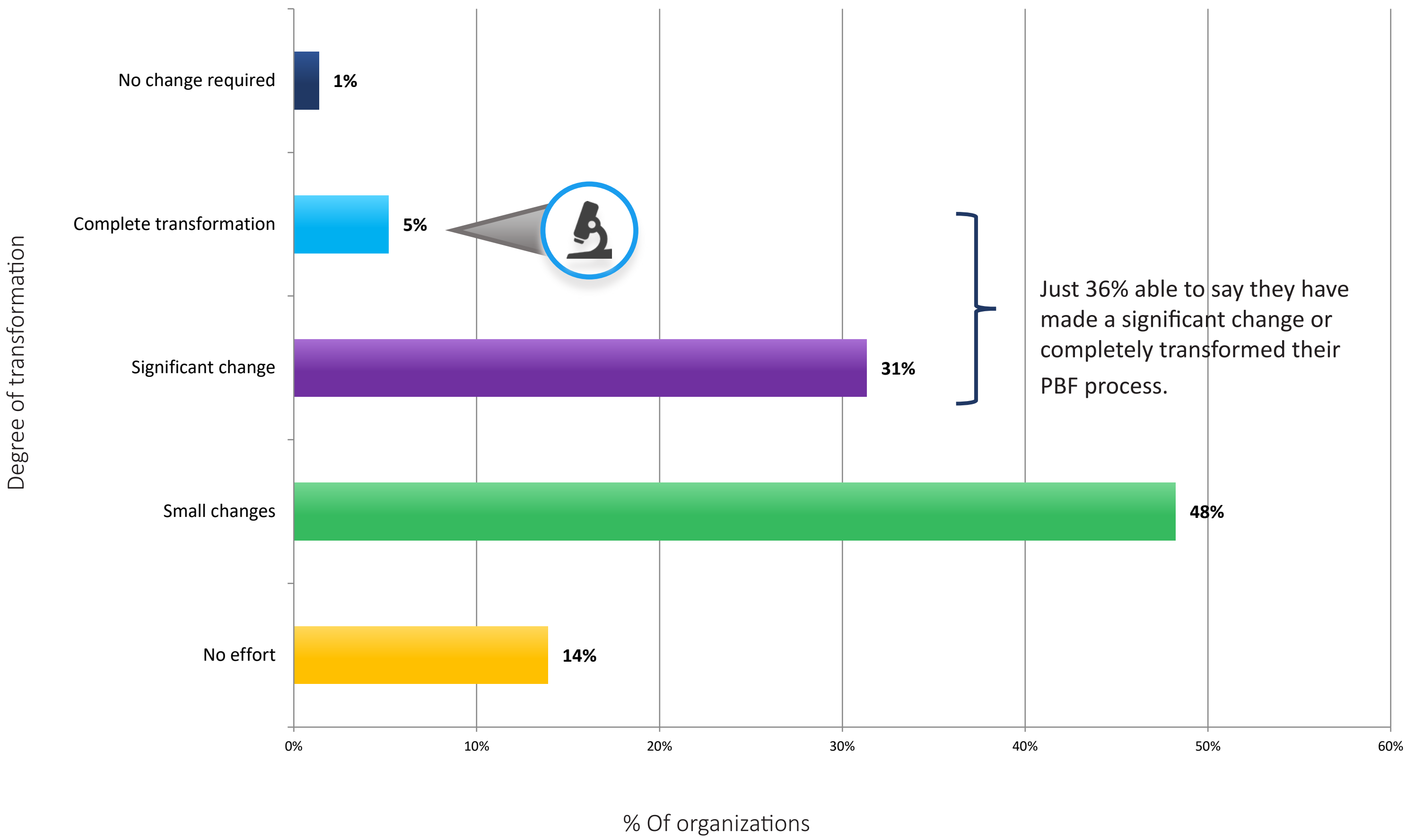
***Just 36%** of finance functions have made substantial or transformative changes over the last 3 years.*

Preparing for and managing change is a fundamental part of business success. This includes both the tectonic shifts in social and economic stability that occur during unexpected events like the financial crisis and COVID-19 pandemic, as well as the shifts that take place normally through the course of business, like changes in consumer demand, new business models, acquisitions or competitor disruption. Effective planning, budgeting and forecasting enables organizations to thrive in the face of change, although many businesses have not embraced change within the PBF process itself.

The majority of organizations have not made any major changes to their PBF processes in the last three years. Only 36% have made substantial or transformative changes during that period, with the remaining 64% either implementing minimal improvements or no change at all.

In looking to understand how transformation impacts on the agility of planning, budgeting and forecasting, the survey compared the 5% of companies that have enacted complete transformation of PBF with the 14% that have put no effort into it in the last three years. The results show a distinct difference in how each manage their data. Those that have achieved complete transformation are able to manage data as a corporate asset rather than being overwhelmed by disconnected spreadsheets with poor data governance.

FIGURE 2: DEGREE OF TRANSFORMATION ACHIEVED



With this ability to manage their data, they have made the move away from basic spreadsheets to more “advanced” spreadsheets (pivot tables) coupled with BI tools and “cutting edge tools” for data visualization, although truly “experimental tools” (Machine Learning and Artificial Intelligence) are still out of reach even for those that have completely transformed their process. Earlier FSN research from the *Innovation In the Finance Function* found that AI and Machine Learning are the preserve of just 14% of companies with more than 10,000 employees.

31% of transformation leaders able to forecast beyond 12 months, compared to just 11% of those who have yet to begin transformation.

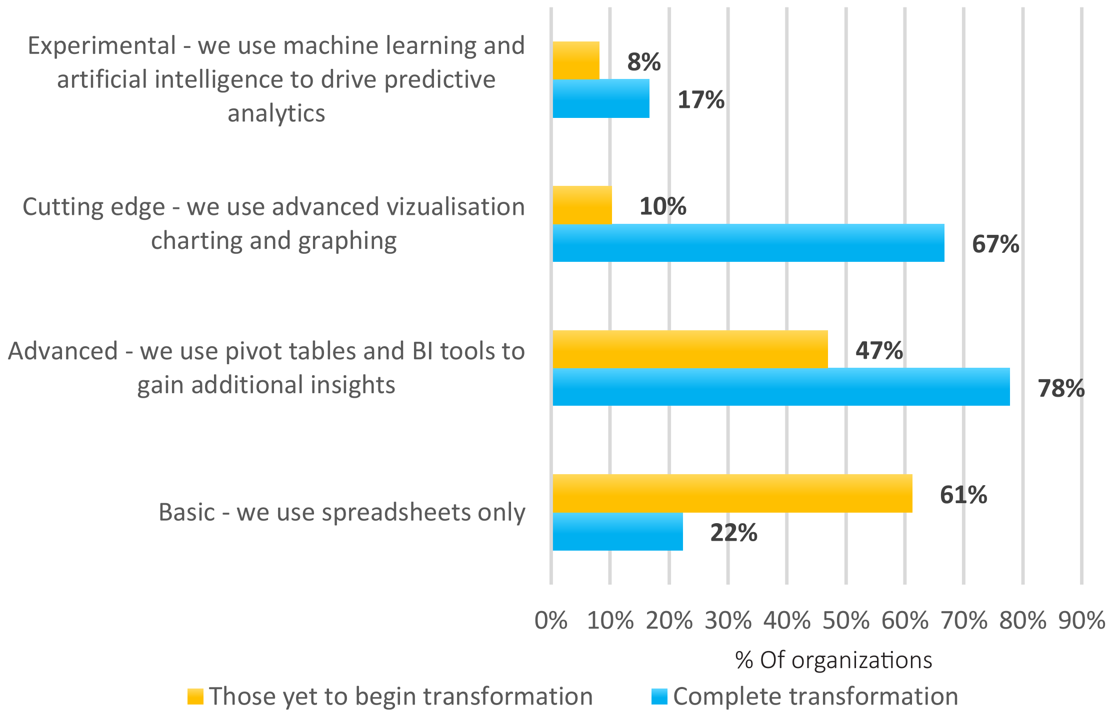
Verified, well-managed data is a clear priority for improving the agility of the PBF process, and transformation improves the speed of reforecasting, essentially halving the time it takes to reforecast earnings and revenue and allowing organizations to reforecast more frequently.

In comparison to the transformation laggards, transformation leaders are able to forecast further out on the time horizon, with 31% looking out 12 months and beyond, compared with just 11% for transformation laggards.

Transformation experts are turning their attention to unifying and standardizing the budget process and managing the process in the Cloud, which will ultimately add to their already robust PBF agility.

Foresight is a key component of PBF and being able to see beyond a few months is a must. Transformation programs improve the integrity or trustworthiness of data, improve analytic capabilities, and enable faster and more accurate forecasting further out into the future.

FIGURE 3: PERCENTAGE OF ORGANIZATIONS USING BASIC, ADVANCED, CUTTING EDGE AND EXPERIMENTAL TOOLS



OneStream Software Response

Forward-thinking FP&A teams are pushing the boundaries of budgeting, planning, and forecasting across every aspect of the organization. Strategic FP&A groups require the scale to see holistically across the organization but also require the flexibility and agility to investigate and drill down into detailed operational data. And, importantly, these FP&A teams no longer settle for legacy CPM tools and manual processes that once held them back. They are more likely to invest in intelligent CPM platforms that offer the scale to develop financial plans at the global enterprise level, but also provide the lines of business with the agility to plan at the level of detail they require to run their business —all within the same unified solution and user experience. We call this Intelligent Finance.

Intelligent Finance leaders are actively seeking opportunities to harness the recent innovations in compute power and advancements in data science, such as predictive analytics and machine learning (ML), to create intelligent planning processes, help their teams focus on collaborating with line of business partners and to find new ways to ask why and drive performance. Top use-cases include but are not limited to:

- Assist with target-setting for strategic planning, annual operating plans (AOPs) and rolling forecasting
- Create baseline predictive forecast scenarios for comparison with bottom-up forecasting from divisional Finance or Operational partners
- Adjust baseline predictive forecasts with known business changes, such as new customers or products, plant shutdowns, acquisitions, etc.

Driving Transformation and Agility at Van Oord

Van Oord is a Dutch family-owned company with over 150 years of experience as an international marine contractor. They are specialized in dredging, oil & gas infrastructure and offshore wind with annual turnover of around 2 billion euro and approximately 5,000 employees.

Van Oord operates with a complex structure that is constantly changing and increasingly disruptive. With a finance staff of around 250 people, 200 reporting entities and averaging 300 active projects across more than 50 countries, the sheer volume of data to manage was a challenge. On top of that, Van Oord deals with various local statutory, fiscal and reporting regulations.

Van Oord's CPM landscape consisted of Infor MPC for consolidation and Microsoft Excel for data processing, project cost control and reporting. The result was duplicate data entries and required manual eliminations. Van Oord was operating with multiple versions of the truth. "Reconciliation and data quality issues were ending up at business unit and group level for further investigation and solving," said Stephan Perrenet, Manager Group Reporting at Van Oord. "Equipment and project specifications were entered as free text, making aggregation and 'slice and dice' very difficult."

Van Oord set out to transform its finance function to become more lean, agile and future-proof to adapt to the constantly changing environment. They needed a solution that would easily integrate financial accounting, project cost control, project reporting and equipment reporting into a single, unified platform. So, they selected OneStream Software.

OneStream allowed for a phased implementation approach so that Van Oord could follow a realistic timeline focused on consolidation, forecasting, planning and reporting and project performance management.

"Working together with OneStream ensured the financial close and consolidation process is future-proof and data models accommodate the increasing demand for a higher level of detail while supporting high data quality and full audit trail possibilities on every level," said Perrenet. "OneStream helped design a safe migration path from the previous CPM and scattered Excel environment to the unified OneStream platform."

OneStream is one of the drivers in the finance transformation at Van Oord, and the company has already achieved the first benefits from having one unified data model within one single application. As a modern CPM solution that standardizes and automates critical finance processes, OneStream ensures a faster close and reliable management information.

Actuals and forecasting take place in one single process flow, which is uniform across all reporting entities. Guided workflows deliver a clear view on the progress of their reporting units during the close cycle, and confirmation rules contribute to data quality management. Project revenue and results are now available in a uniform way on reporting unit level and on consolidated levels in different organizational rollups. Project, equipment and department details are fully integrated and available for "slicing and dicing."

"Working together with OneStream ensured the financial close and consolidation process is future-proof and data models accommodate the increasing demand for a higher level of detail"

- Stephan Perrenet, Manager Group Reporting at Van Oord

Chapter 3

How Data Can Improve Forecasting Agility?

Investment in automation is misdirected

The accuracy of planning, budgeting and forecasting is critical to preparing businesses for their future and ensuring they are well-equipped to fulfill their potential. But as the research shows, there has been little improvement in accuracy over the last four years. In order to improve accuracy, organizations need to go to the source of the insight – the data they collect and the tools they use to analyze it.

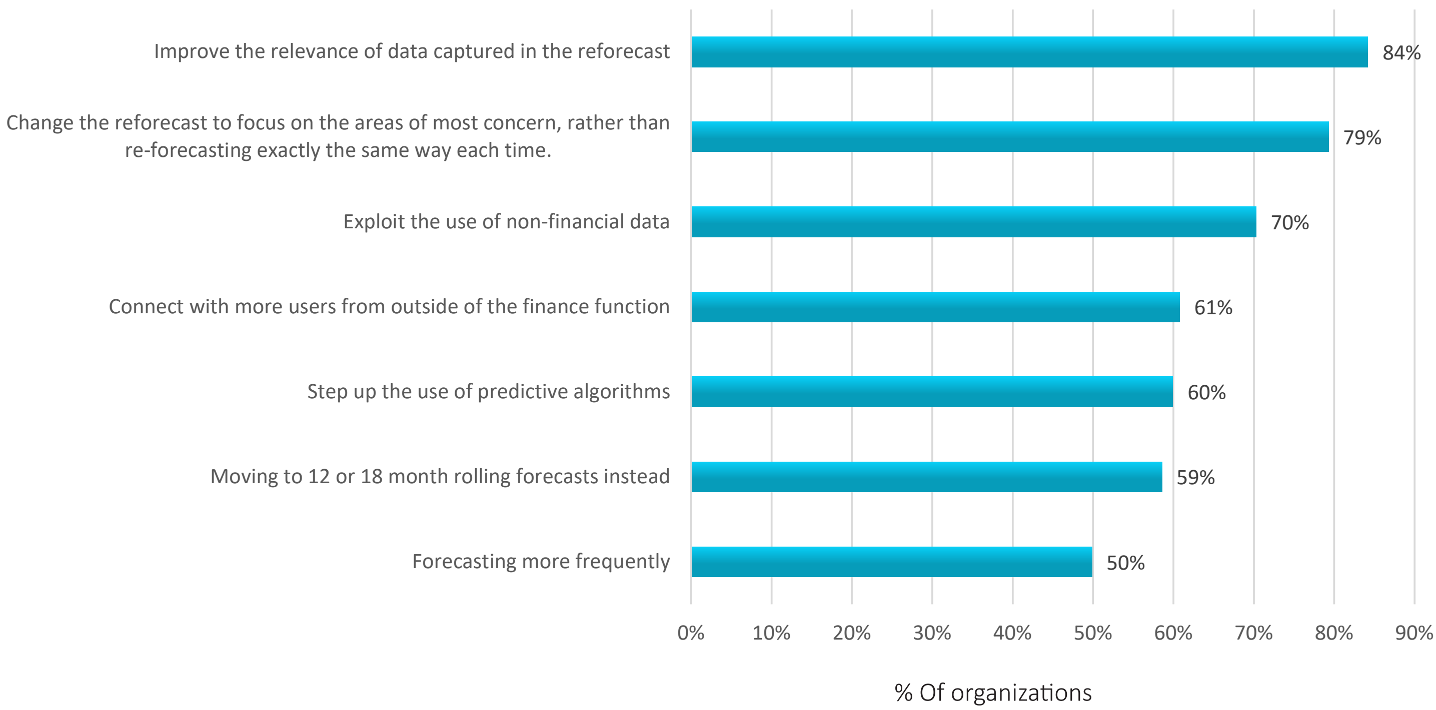
Data

The quality of data used determines the quality of forecasting outcomes, an important aspect of agility. Senior finance executives understand this, and 84% said that improving the relevance of data captured is the most fundamental area that needs to change in order to improve agility.

A further 70% consider that exploiting non-financial data would improve agility, while 59% would consider a move to rolling forecasts. But only half see the value of connecting with more users outside of the finance function. The other half are missing an important tool in their PBF arsenal because casting the net beyond the finance function, broadens the data pool which can increase forecast accuracy and the richness of insights.

Respondents are more inclined to look internally for new data sources, relying heavily on what they already know. But, identifying operational data outside the general ledger (83%), customer relationship data (65%) and other sources of non-financial data (76%) would lend an even more insightful and agile perspective to PBF.

FIGURE 4: HOW WOULD YOU IMPROVE THE AGILITY OF THE FORECASTING PROCESS?



***84%** of respondents said that improving the relevance of data captured is the most fundamental area that needs to change in order to improve agility.*

Disappointingly however, fewer finance executives consider that looking outside the organization adds insight and agility to the PBF process, although some recognize the value more than others. 63% see external data sources as a key PBF contributor, with 53% recognizing the value in customer web analytics and 37% turning to social media analytics to provide richer context for their planning, budgeting and forecasting.

It's perhaps unsurprising that external data takes a back seat to internal data, as on the continuum of necessity, the information within an organization tends to be mined first, yet many organizations aren't even doing that well enough. But the importance of external and non-financial data can't be overlooked. Previous FSN research has pointed very definitely towards the competitive advantage gained by using non-financial data, especially against more agile start-ups or rivals that are already using non-financial data for added insight.

The explosion of social media engagement is commonplace in consumers' day to day life, but organizations have been slow to recognize the value in these interactions. For example, some traders use social information arbitrage to spot new trends and buy into them before they take off, the sort of advantage that companies in competitive markets could use. That's not to say social media is the answer to the accuracy issue in PBF, but it's important for finance professionals to look outside their daily remit for data that will help improve their accuracy, and it could come from unusual places.

Tooling up

***54%** of respondents said they were looking to unify the budget model across the enterprise.*

As the data pool increases and becomes more diverse, so must the tools used to analyze the data. In the planning, budgeting and forecasting space, the right tools, like specialist software, are profoundly under-utilized. Almost two thirds of organizations do not take advantage of specialist PBF software, instead relying on spreadsheets.

Vocalizing their technology priorities, just over half of respondents said they were looking to unify their budget model across the enterprise, 49% wanted to remove standalone spreadsheets for reporting and 46% wanted to remove spreadsheet data entry.

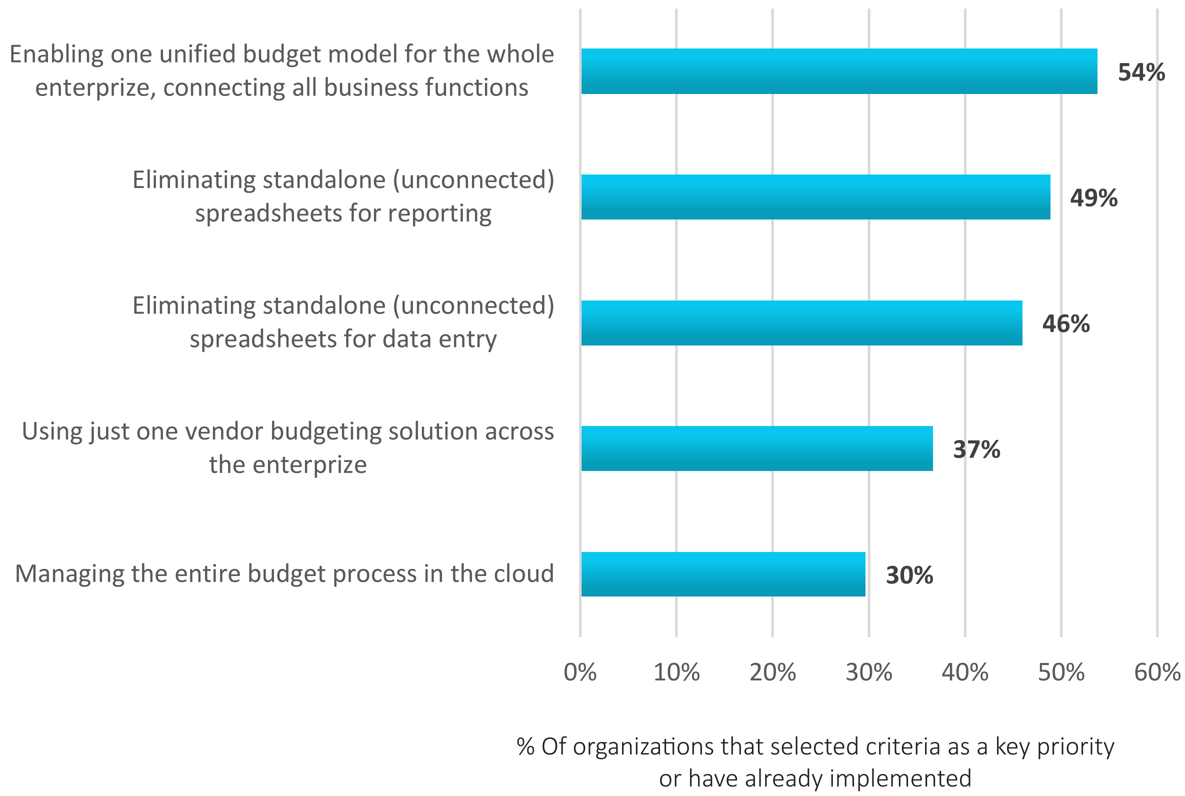
Meanwhile 37% would like to use just one vendor for budgeting solutions, whilst 30% would like to manage the entire process in the Cloud. Surprisingly, cloud applications are not yet seen as a unifying platform, capable of bringing data together for the whole organization in one place.

OneStream Software Response

Internally, high-quality, and accurate financial and non-financial data is critical to empower Finance teams and their business partners to develop insights and guide key decisions to drive performance. But as data volumes grow and organizations become more complex, financial data quality becomes difficult to manage and hard to control, adding risk and cost to already labor-intensive, inefficient processes. OneStream has a strong foundation in financial data quality that allows for unparalleled flexibility and transparency into the data loading and integration process. OneStream's financial data quality is not a module or separate product, it's built into the core of the OneStream platform — providing strict controls to deliver confidence and reliability in the quality of your data.

OneStream's technical enablers such as Extensible Dimensionality® and Data Blending allow for corporate reporting to remain in-tact while at the same time, enabling lines of business to expand the planning and analysis for operational relevance and granular, driver-based modeling for Sales, Supply-chain and HR plans within a unified data model and user experience.

FIGURE 5: WHAT ARE YOUR PRIORITIES FOR IMPROVING AGILITY THROUGH TECHNOLOGY?



Unifying Data to Drive Decision Making at Royo Group

Royo Group are now able to devote more time to analysis, understanding and execution

- Nicolás Salvador, CFO of Royo Group RGIB

Based in Valencia Spain, Royo Group is a European leader in the field of bathroom furniture and shower space in Spain, France, Italy, and Poland producing more than one million pieces of furniture every year.

A thriving global organization, Royo Group has expanded in recent years, both organically and through acquisitions. Having inherited multiple non-unified information systems, Royo Group has seen a dramatic increase in the complexity of their financial reporting and planning processes. Their reliance on Excel spreadsheets and legacy systems for consolidation, planning and reporting made it difficult to obtain information on demand from each of their entities.

There was also a significant need to implement a more detailed and unified planning process. Working through hundreds of spreadsheets required a lot of employee time and dedicated attention. Making a change to annual budget involved excessive manual effort and was subject to errors that were difficult to locate and manage.

Royo Group needed digital transformation in the Finance Department to support financial close, reporting, and planning processes with improved insight across multiple locations. By implementing a unified platform that provided immediate access to relevant information, employees across each entity could dedicate more time to value-added tasks.

Royo Group completed a thorough evaluation of cloud corporate performance management products from Tagetik, SAP, and Oracle, but needed a platform that provided more agility and scalability to support potential acquisitions. After two months of review, OneStream was selected to replace Royo's bulky spreadsheets and legacy systems to transform financial consolidation, planning and reporting processes as a single, unified solution that was easily accessible by multiple business units to streamline decision-making company-wide.

"We were looking to deepen the information gathered from our subsidiaries to the maximum detail, without imposing a rigid corporate model" said Nicolás Salvador, CFO of Royo Group RGIB. "The other products we evaluated did not have this level of detailed integration that we solved with the functionality of OneStream's Extensible Dimensionality®. We are now able to devote more time to analysis, understanding and execution," Nicolás added.

Chapter 4

Rolling Forecasts Imbue PBF With Agility

Rolling forecasts imbue PBF with agility

***Just 19%** of organizations use rolling forecasts.*

The frequency of planning and forecasting varies depending on the organization. Almost 8% only reforecast once a year, but 19% of organizations have moved to rolling forecasts – this increases to 25% in organizations with more than 10,000 employees. Meanwhile a quarter of organizations are limited to reforecasting four times a year. However, the difference in performance between organizations that reforecast quarterly and those that have adopted a 12-month rolling forecast is significant. FSN's research finds that rolling forecasts lead to greater agility in terms of speed and accuracy and enable companies to flex their budgets and forecasts more readily in response to organizational change. The most notable difference is around the ability to change the process, which strikes at the heart of agility.

Rolling forecasts are not a new phenomenon but uptake has been relatively slow and sparse. It's a technique that cannot readily be built, managed and maintained in spreadsheets. They require complex macros and considerable manual intervention, and this could explain why penetration of this technique is so low amongst the spreadsheet users that comprise the bulk of PBF applications. Conversely, specialist PBF solutions tend to have inbuilt 'financial intelligence' (rules, pre-built apps and shortcuts) that provide a very effective platform for rolling forecasts.

As one would expect, those using a more automated 12 month rolling forecast are able to reforecast quicker. 70% are able to reforecast in under a week vs 63% who only reforecast quarterly. And there is a small but significant improvement in the number of organizations that can forecast a year ahead (14% vs 12%).

Those using rolling forecasts outperform those reforecasting just 4x a year.

Rolling forecasts also improve accuracy. Almost half of rolling forecasters are able to accurately forecast earnings to within +/-5% vs 35% of those that forecast four times a year, and there is an improvement in revenue forecasting as well, although slightly less marked, 42% vs 38%.

While there is a notable improvement in speed and accuracy amongst organizations that use rolling forecasts, the progress is even more marked within the context of organizational change. Those using rolling forecasts are able to make changes far more quickly and easily when circumstances require. 71% can get a minor change (e.g. new cost line) added or taken out of a budget or forecast model within half a day vs 57% who are bound to quarterly forecasts. There is similar disparity in getting changes added to budget holders' data entry templates. 58% of those using rolling forecasts able to get the above change reflected in all reports within half a day, whereas only 38% of quarterly re-forecasters can do it within that time-frame. Finally, 41% can make a simple change to their reporting hierarchies in half day compared with 32%.

Rolling forecasts lend themselves to more sophisticated finance systems, and organizations that use them are more inclined to use specialist PBF software (53% use cloud software in some capacity, vs just 31% who do not use rolling forecasts). They're also less constrained by spreadsheets and are more likely have mastered their data, all of which enables a more agile planning, budgeting and forecasting process.

Organizations are more likely to be able to implement rolling forecasts when their systems are modern, and their data is well-managed. Then they can enjoy the substantial benefits that an agile planning, budgeting and forecasting process affords.

OneStream Software Response

While annual operating plans (AOPs) are the norm for most organizations to level-set expectations or anchor compensation targets, such plans do very little to help with resource allocations in a dynamic business. Working in a fast-paced, sophisticated organization isn't easy. Especially if you want to respond quickly to new opportunities and risks. So many factors can change – and change quickly. What factors? Customer wins or losses. External factors like changing oil prices, commodity prices or interest rates. Changing staffing needs or inventory levels. We see rolling forecasting as an opportunity for Finance leaders to help push their organization to think differently. To think longer term. And when done consistently, a rolling forecast process can eventually not only eliminate the need for an annual budget but also positively affect the DNA of an organization.

It's also important to focus on what the organization actually plans for - as static financial plans completed in isolation add little value to managers and don't drive the business. It's therefore critical to identify underlying business drivers such as new customer wins or losses, changes in commodity prices and new pricing to help translate how changes in the business impact the P&L, balance sheet and cash flow.

ROLLING FORECASTS IMBUE PBF WITH AGILITY

FSN Stress Tests

* % of organizations that meets the FSN stress test

FSN Stress Tests

	Rolling Forecasts*	Forecasting 4 x Year*
SPEED		
1. Able to reforecast earnings in under a week?	70%	63%
DIRECTION		
2. Able to forecast a year ahead with confidence?	14%	12%
ACCURACY		
3. Able to forecast revenue to within +/- 5%?	42%	38%
4. Able to forecast earnings to within +/- 5%?	49%	35%
AGILITY		
5. Able to make a minor change to the budget within half a day?	71%	57%
6. Able to roll out a minor change to budget holders' templates in half a day?	74%	59%
7. Able to reflect a minor change in all reports within half a day?	58%	38%
8. Able to make a simple change to a hierarchy in half a day?	41%	32%

Organizations that use rolling forecasts outperform in every way - especially in agility

Herbalife Implements a Unified and Intelligent Finance Platform

Headquartered in Los Angeles, CA, Herbalife Nutrition operates in ninety countries and had multiple legacy CPM products in place including Oracle Hyperion (HFM), Planning, FDM, Essbase and EPMA.

Managing data across several applications, the company had a very manual Excel-based process for modeling and reporting.

"We were integrating from many different applications, including Oracle ERP to multiple Oracle Hyperion applications, yet they were all behaving independently," said Vanita Thornton, Sr. Director Global Operational Accounting and Financial Systems at Herbalife Nutrition. These legacy systems were limited by dimensionality which hindered the company's ability to report on project-level detail. It was time for the company to make a choice—take on a major upgrade, move to the cloud, or start looking at alternative solutions. OneStream was ultimately selected because it best complimented the company's system requirements to have all solutions in one product.

The first phase of implementation included global consolidations for 80 markets, global expense planning, and people planning with direct integration with their Oracle Fusion HCM system. With 600 accounting and FP&A users globally, Herbalife Nutrition went live with 2.5 years of data conversion in just 10 months in a complete "rip and replace" of Hyperion Planning, Essbase and HFM. Three months later, they went live with a Transfer Profit solution. With OneStream, everything is now in one place for analysis. Cash flow reporting is automated, and the end users have access to reporting and analysis tools including the Excel add-in, dashboards, and Cube Views.

On the FP&A side, the company is using a driver-based rolling forecast to seed next year's budget by forecasting revenue and expenses. "Our new planning process using workflows helped to streamline how data was entered and calculated and to provide results quicker, with more transparency," said Neal Yeung, Director of Financial Systems FP&A at Herbalife Nutrition. "We are relying less on manual processes with direct integration of HR data. We're now able to go back to the source and consolidate information much quicker.
Comparing data across multiple forecasts and translating at different FX rates without a waiting period, has definitely improved our efficiencies."

OneStream provides users the ability to see project code results for revenue and costs – which they didn't have before in HFM. Now end users have more confidence in the data and are spending less time reconciling. This allows the company's IT team to concentrate on adding value, rather than troubleshooting issues. "From an IT side, the month-end close is much smoother," said Ajay Gaddam, Director Enterprise Application at Herbalife Nutrition. "The reliability of integrations is better, the system availability is higher, and we are no longer experiencing data loss."

With OneStream, everything is now in one place for analysis. Cash flow reporting is automated, and the end users have access to reporting and analysis tools including the Excel add-in, dashboards and Cube Views.

Chapter 5

Zero Based Budgeting is a Marker of Agility?

How data can improve forecasting agility?

The number of approaches to planning, budgeting and forecasting is growing as data becomes more widely available and new schools of thought around financial analysis expound. Conceptually zero-based budgeting (ZBB) isn't new, the development of the process has been attributed to Texas Instruments in the late 1960's and it has since found adoption in both the public and private sectors with well-known names such as Anheuser-Busch, Kraft Heinz, Tesco and Unilever claiming its use in all or parts of their businesses.

The problem with traditional budgeting is that it is performed in an incremental way, i.e., its starting point is to take the current budget and flex it a few percent for the coming year against high level business forecasts and plans. So the danger inherent in traditional budgeting is that the historic cost base becomes more or less fixed and left to languish year after year, regardless of whether the costs are effective or necessary to meet an organization's presumed level of activity. Furthermore, it is assumed that whilst the external environment in which the business operates will change and evolve, it will do so in a controlled and relatively predictable manner over manageable timescales that can be readily swept up in an incremental approach.

By contrast, ZBB takes a completely fresh approach so that nothing is taken for granted. Engrained assumptions are rigorously challenged by starting with a clean sheet of paper, building up a picture of what resources are required to conduct operations at a proposed level of business activity and each resource (and its related cost) must be justified from 'the ground up'. The COVID pandemic, and the upheaval it has caused, is a natural impetus for organizations to use ZBB to re-base their budgets in the light of profound business change.

Despite all of this, ZBB still has a minority following. This FSN study finds that only 13% of organizations use ZBB in all areas of the business, compared with 32% who don't use it at all. Additionally, it has proved more popular within smaller organizations with fewer than 5000 employees – perhaps because the effort of implementing ZBB is perceived to be less onerous in a smaller organization.

Just 13% *of organizations use zero based budgeting.*

However, FSN's research this year confirms that ZBB confers significant agility. 84% of zero-based budgeters can reforecast in under a week, compared with 51% of those who don't use the process. Earnings forecasting is accurate to +/-5% for 58% of ZBB companies, compared with 28% of ZBB holdouts. Revenue forecasting shows a similar trend of 60% vs 35% accuracy.

ZBB helps with the response to changing circumstances too. Those using the technique are able to make changes far more quickly and easily, including 62% who are able to get a minor change like a new cost line added or taken out of a budget or forecast model within half a day compared with 27% of those using traditional budgeting methods. The ratio is similar for getting that change into the budget holder's data entry template. Meanwhile 36% of ZBB users are able to get the change reflected in reports within half a day, versus just 13%, and 27% can reflect a change to the organizational hierarchy within half a day, versus 10%.

The nature of zero based budgeting and the need to be thorough and detailed in the budget process, lends itself to well-prepared companies committed to process improvement.

The only area ZBB users fail to improve on their traditional counterparts is in the ability to forecast further into the future, which is likely the case because ZBB is primarily concerned with recalibrating the budget rather than forecasting further into the distance.

The nature of zero-based budgeting and the need to be thorough and detailed in the budget process, lends itself to well-prepared companies committed to process improvement. Those using zero based budgeting are twice as likely to have invested in the PBF process. 40% have made significant investment in automating the PBF process in the last three years compared with just 21% of companies that don't use ZBB.

They are also more likely to consider themselves data masters (40% vs 27%) which is unsurprising since a ZBB initiative requires complete mastery of all of the data that is available in order to comprehensively and diligently build a budget model 'from scratch'.

Legacy systems are being replaced amid the relentless march of digitization; legacy budget processes should be moving in the same direction.

OneStream Software Response

In discussions with our customers, we see an evolution in how ZBB is actually being deployed. Instead of using ZBB for broad cost-cutting, many organizations are employing ZBB concepts to identify opportunities for allocating spend to high-value activities that align with top-level business goals. Additionally, instead of taking a dogmatic approach, many organizations are balancing their budgeting efforts and efficiency by selectively building ZBB into a hybrid framework. One popular method is to provide budget owners access to detailed historical spend to help seed new budgets by annualizing recent trend data, such as last 3 months of spend. This approach ensures that baseline budgets reflect more recent run-rates on spend. Budget owners can then adjust their baseline budgets up or down to reflect new expectations on organizational growth and change, such as adding new customers or products.

While ZBB is an attractive concept, many organizations struggle to deploy ZBB due to their reliance on outdated planning point-solutions and spreadsheets for budgeting planning, and forecasting. One common challenge organizations face when attempting zero-based budgeting is lack of data access. To align spend targets with organizational goals, budget owners require access and transparency into who spends what, and how much. Without seamless access to budget goals and historical spend, the burden is on Finance teams to navigate across fragmented systems or spreadsheets to stitch data together for basic analysis. OneStream's built-in financial data quality provides users with direct connection capabilities to disparate ERP systems and other sources of transactional data. This gives users unified access to the granular detail and self-service reporting and dashboards they require- when evaluating new budgets – without navigating fragmented systems and spreadsheets.

ZERO BASED BUDGETING (ZBB) IS A MARKER OF AGILITY

FSN Stress Tests

8 Tests

* % of organizations that met the FSN stress test

FSN Stress Tests	Use zero based budgeting*	Do not use zero based budgeting*
SPEED		
1. Able to reforecast earnings in under a week?	84%	51%
DIRECTION		
2. Able to forecast a year ahead with confidence?	7%	18%
ACCURACY		
3. Able to forecast revenue to within +/- 5%?	60%	35%
4. Able to forecast earnings to within +/- 5%?	58%	28%
AGILITY		
5. Able to make a minor change to the budget within half a day?	62%	27%
6. Able to roll out a minor change to budget holders' templates in half a day?	60%	23%
7. Able to reflect a minor change in all reports within half a day?	36%	13%
8. Able to make a simple change to a hierarchy in half a day?	27%	10%

Organizations that use ZBB are twice as likely to generate accurate forecasts

OneStream's Planning, Budgeting and Forecasting Enables ZBB

Within minutes, finance team members can slice and dice through the uploaded budgets and get insight into underlying data.

OneStream's unified, Intelligent Finance platform's advanced planning, budgeting & forecasting capabilities to enable organizations to address challenges presented by the current business environment of rapid change and complexity, including ZBB.

A global consumer appliance manufacturer is using ZBB to plan for marketing budgets at the business unit level based on an itemized detail of initiatives. With direct access to marketing spend transactions through OneStream, budget owners can work within their budget forms to analyze prior periods and drill down to capture details such as event spend by employee, guest speakers and venues. Within minutes, finance team members can slice and dice through the uploaded budgets and get insight into underlying data. They could never do this before because the underlying detail was not available in their point planning solution.

Similarly, a manufacturer of highly custom engineered products implemented ZBB with OneStream. While they do start each year's annual budget with zero spend, plant managers are provided spend details from their trailing 12 months for easy reference. Budget users can then drill into prior spend data for additional insights required to inform the new budget period.

Chapter 6

Scenario Planning Unattainable Without Specialist Software

Scenario Planning unattainable without specialist software

Only 4% *of organizations make the time for scenario planning.*

Scenario planning is a strategic method of analyzing alternative future scenarios and the outcomes and potential solutions for each sequence of events. Un-automated, it's a time-consuming exercise and practically worthless unless an organization can simultaneously model multiple scenarios, assumptions and variables – something that is hugely challenging if not impossible within the limitations of a spreadsheet. It's a key reason why the survey finds that 96% of organizations fail to make sufficient time for scenario planning.

But it is also clear from the results that for those that do make time, the benefits are comprehensive and substantial. The necessity for specialist tools means organizations are already some way along their data mastery journey, many draw on external sources for deeper insight, they deploy a unified budget and they outperform on all the agility stress tests.

The COVID-19 pandemic has prompted a surge in interest in scenario planning as executives look for better ways to plan for an uncertain future. In a recent McKinsey survey with CFOs of leading companies, 90 percent of respondents indicated using at least three scenarios to support their planning. "In pre-crisis times, scenario planning was often perceived as a stimulating, intellectual, and thought-provoking exercise—describing alternative future states and defining the best strategy for each one—but not one with a clear business impact. That notion has changed with the arrival of COVID-19," the report says.

It's not hard to see why. Scenario planners outshone their non-scenario-planning counterparts in all the FSN stress tests, including speed and direction of reforecasting, accuracy and ability to adjust and change as circumstances require.

FSN found that 77% of organizations that find the time to consider alternative scenarios can reforecast earnings within a week. This compares with 41% of finance executives that say they do not have the time for scenario planning. Almost double the number of scenario planners can forecast a year ahead.

Scenario planning also adds to the accuracy of forecasting, with 54% of scenario planners able to forecast to within +/- 5% of earnings and revenue, whereas only 36% and 41% respectively of non-scenario planners manage to forecast earnings and revenue with such accuracy.

Scenario planning sets up the ability to change in times of extreme flux. 83% of scenario planners are able to get a minor change, like a new cost line added or taken out of a budget or forecast model, in half a day versus just 58% for their less-prepared competitors. And 92% can get that minor change added to a budget holder's data entry template within half a day versus 65%. The ability to get a hierarchical change reflected in all reports within half a day, shows an even greater disparity between the scenario 'haves' and 'have-nots'.

Data Mastery

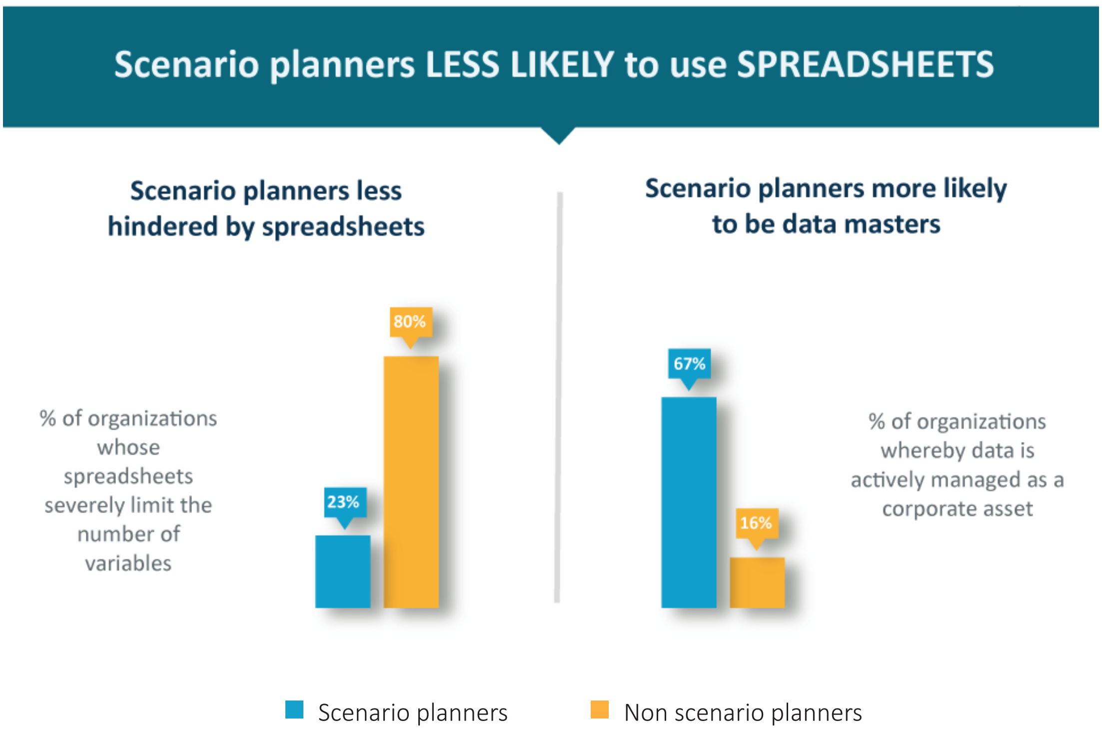
A scenario planner's relationship with data and how it is managed, speaks volumes about the benefits for those organizations. Those that use scenario planning are less reliant on spreadsheets and far more reliant on specialist tools. 42% use specialist cloud software in all their business units compared to just 5% of non-scenario planners. Only 23% say that spreadsheets severely limit the number of variables/assumptions that can be changed at any one time vs 80% that do not scenario plan.

***42%** of scenario planners use specialist cloud software in all their business units.*

Just 8% of scenario planners say they are "data overloaded", meaning they are overwhelmed by disconnected spreadsheets (and data governance is poor) vs 33% of non-scenario planners. Meanwhile 67% of scenario planners say that they are "data masters", meaning data is actively managed as a corporate asset and they have the tools and resources to work though scenarios to provide competitive edge and insight, compared to just 16% of non scenario planners.

This data mastery extends to analytic agility, with 67% of scenario planners using cutting edge advanced data visualization charting and graphing tools, and 42% already at the experimental phase, using machine learning and artificial intelligence to drive predictive analysis. This figure is just 14% and 5% respectively for organizations that don't have time for scenario planning.

FIGURE 6: SCENARIO PLANNERS MORE LIKELY TO HAVE MASTERED DATA



Engagement and processes

__23%__ of scenario planners have already undergone complete transformation of the PBF process.

The survey found other benefits of being a scenario planner too. They are more likely to engage with more stakeholders within and outside the organization, and they are more likely to look outside the business to consider risks and opportunities. This makes sense when organizations are considering much more varied potential future scenarios, which broadens their awareness of external influences, as well as the importance of including a wide range of inputs into planning, budgeting and forecasting.

The processes used by scenario planners lead to more efficient and effective use of their resources. They are more likely to limit their reforecasting to the areas of most concern, rather than running the entire forecast through the system (61% vs 27%), and are more likely to favor rolling forecasts (23% vs 11%) or use zero-based budgeting in all areas of their business (25% vs 10%).

Because of the time and resources required for scenario planning, the most likely to carry it out are companies that have already undergone complete PBF transformation. 23% of scenario planners had undertaken a complete transformation of their PBF processes, versus just 2% of finance professionals who do not have time for scenario planning. Meanwhile 67% have already deployed a unified budget across the enterprise, with one third utilizing cloud technology.

Ultimately scenario planners reduce dependence on spreadsheets and their much richer forecasting ability leads to improved agility in their planning, budgeting and forecasting. The overwhelming majority of organizations fail to find sufficient time to devote to scenario planning, but those that do are at a compelling advantage.

OneStream Software Response

When managing through uncertainty, scenario analysis enables Finance teams to quickly create various “what-if” scenarios without requiring a full bottom-up forecast. Scenario analysis is NOT the same as a full forecast submission, so it doesn’t require input from all the typical stakeholders from across the organization. Effective scenario analysis focuses on business drivers that span across the organization or key lines of business. Best practice is to focus on “big-ticket” business drivers that influence revenue and costs, such as product volumes or pricing. For example, if your organization is tied to construction activity, external drivers such as housing starts, or permit activity are likely good indicators of demand.

While scenario analyses focus on changes to key business drivers, effective scenario analyses “flex” each scenario to dynamically calculate the related impact across the P&L, balance sheet and cash flow statements. This approach gives Finance leaders visibility into the impact on COGS, gross margin %, EBITDA, EPS and cash flow, which are critical KPIs to understand when navigating through uncertainty. Finance teams should also be mindful not to create too many scenarios. By avoiding that, scenario analysis creates a limited, but realistic number of scenarios you can monitor and align to key decisions. The analysis provides a clear and actionable plan, but also one that you can easily pivot from if needed.

ONLY 4% OF ORGANIZATIONS ALLOW SUFFICIENT TIME FOR SCENARIO PLANNING

FSN Stress Tests

* % of organizations that meets the FSN stress test

FSN Stress Tests	Scenario planners*	Do not use scenario planning*
SPEED		
1. Able to reforecast earnings in under a week?	77%	41%
DIRECTION		
2. Able to forecast a year ahead with confidence?	31%	16%
ACCURACY		
3. Able to forecast revenue to within +/- 5%?	54%	41%
4. Able to forecast earnings to within +/- 5%?	54%	36%
AGILITY		
5. Able to make a minor change to the budget within half a day?	83%	58%
6. Able to roll out a minor change to budget holders’ templates in half a day?	92%	65%
7. Able to reflect a minor change in all reports within half a day?	67%	40%
8. Able to make a simple change to a hierarchy in half a day?	50%	30%

Scenario planners are twice as likley to be able to forecast a year ahead

OneStream customers navigating through the pandemic with a unified CPM platform.

'In this difficult time our investment in OneStream has proven to be more valuable than ever. We have one version of the truth and we are able to follow our cash flow'

– OneStream Customer.

The COVID-19 crisis has brought significant disruption and unexpected change to organizations across the world. Hundreds of OneStream's customers have cited the benefits they've experiencing by having a unified CPM platform already in place particularly around their ability to quickly pivot during the early days of the pandemic and leverage OneStream for scenario modeling and forecasting on a daily and weekly basis to model the impact of the disruption on their revenue, cost and cashflow. The platform is keeping their finance teams connected and productive while providing them the insights and agility needed to navigate their businesses through the crisis. Here are a few examples:

Scenario Analysis – a company in the aerospace industry that was hit hard by the disruption is using OneStream to evaluate multiple scenarios for the coming months, at quite a granular level of business detail. In the past this would have taken them weeks of Excel work.

Weekly Cash Flow Forecasting – the CFO of a diversified health, fire safety and fluid metering company told his finance team they needed to do weekly cash forecasting during the crisis. Rather than build a single-user model in Excel, team created a cash flow model in OneStream in about 4 days. They are looking at cash by each of the 60 business units, rolling up 13 week rolling forecast to manage liquidity and cash position.

Daily Sales and Working Capital Analysis - a Fortune 500 food and beverage is using OneStream Cloud to move beyond the month-end close and reporting process and is now loading and analyzing sales volume and working capital data, daily. As a result, through graphical dashboards, the CFO and finance team are now able to view 7, 14, 21 and 28-day trends vs. the prior year so they can spot key trends, update their forecasts and make better, faster decisions that can impact their business results.

Weekly Forecasting & Expanded Scenario Analysis - An Industrial Manufacturer of glass, automotive and building products are using OneStream to track their cash burn rate and make forward decisions. Without adding new functionality or purchasing anything additional they were able to increase forecasting from a monthly to a weekly process and added an additional 3 scenarios taking the total to 7 in their regular analysis.

Chapter 7

Rolling Forecasts, ZBB or Scenario Planning?

Rolling forecasts, ZBB or scenario planning?

Rolling forecasts, ZBB or scenario planning? Not mutually exclusive.

The need for agility in planning, budgeting and forecasting has been accentuated by the global pandemic, and the survey highlights several key techniques that can promote PBF success, namely zero-based budgeting, rolling forecasts and scenario planning. Each one has proved more agile than their polar opposites who use traditional budgeting methods, only reforecast quarterly or just have no time to undertake the complex process of scenario planning.

But they are not mutually exclusive, and each method contributes to agility in a different way, although there are certainly areas of overlap. For this reason, modern finance functions should be deploying all three techniques to extract the most flexibility from their PBF processes, because they offer different, complementary benefits which, together, provide a completely rounded view of the business. For example, organizations that deploy rolling forecasts are more responsive to change, whereas zero based budgeting is notable for improving forecast accuracy. Scenario planning is most notable for directional agility, i.e. for enabling organizations to see out further into the distance.

Scenario planners in particular are most likely to have done all the groundwork already, with robust cloud platforms, good data management, broad contributor base, modern PBF tools and an insightful cache of future scenarios.

Assuming that organizations have mastered their data and invested in specialized software in the cloud, what should they do next? Rolling forecasts mark a natural progression from four times a year reforecasting. This measure on its own will reward organizations with better performance across all of the FSN benchmarks. Scenario planning is the gold standard for PBF since it yields vast improvements across the board, but its most valued feature is improving the ability to see out further and allocate resources accordingly. ZBB arguably sits between the other techniques, enabling a much more accurate forecast.

OneStream Software Response

Finance functions at large, sophisticated organizations have evolved into their rightful place as strategic business partners to the CEO and line of business leaders. Today, modern finance teams are taking strategic partnerships to unprecedented levels. Modern finance is about developing and sharing insights—finding new ways to ask “why.” It’s about leveraging new technologies for analytics and visualization. It’s about developing new forecasting capabilities with predictive analytics and machine learning to help Sales, Marketing, Supply Chain and HR business partners make more informed decisions.

OneStream’s unified platform further streamlines planning and reporting, improves visibility into the business and increases alignment between finance and operations — all while drastically reducing the total cost of ownership. This next-generation Intelligent Finance platform is able to effectively bring together all aspects of PBF including Rolling Forecasts, ZBB and Scenario Planning to meet the needs of modern finance now and into the future.

<table>
<tr><th>FSN Stress Tests</th><th>Rolling Forecasts</th><th>Zero Based Budgeting</th><th>Scenario Planning</th></tr>
<tr><td colspan="4">SPEED</td></tr>
<tr><td>1. Able to re-forecast earnings under a week?</td><td colspan="3">All of these techniques ACCELERATE THE PROCESS</td></tr>
<tr><td colspan="4">DIRECTION</td></tr>
<tr><td>2. Able to forecast a year ahead with confidence?</td><td colspan="2">Just 4% of organizations dedicate enough time to Scenario Planning</td><td>Scenario Planning lets organizations LOOK OUT FURTHER</td></tr>
<tr><td colspan="4">ACCURACY</td></tr>
<tr><td>3. Able to forecast revenue within +/-5%?</td><td rowspan="2"></td><td rowspan="2">Zero Based Budgeting is most useful for DRIVING ACCURACY</td><td rowspan="2">Just 13% of organizations use Zero Based Budgeting in all areas of the business</td></tr>
<tr><td>4. Able to forecast earnings within +/-5%?</td></tr>
<tr><td colspan="4">AGILITY</td></tr>
<tr><td>5. Able to make a minor change within half a day?</td><td rowspan="4">Organizations that deploy Rolling Forecasts are MORE RESPONSIVE</td><td colspan="2" rowspan="4">Just 19% of organizations use Rolling Forecasts</td></tr>
<tr><td>6. Able to make a minor change to a budget holder's template within half a day?</td></tr>
<tr><td>7. Able to reflect a minor change in all reports within half a day?</td></tr>
<tr><td>8. Able to make a simple change to a hierachy in half a day?</td></tr>
</table>

"With OneStream we're catching things faster. We're digging in deeper. It's been really, really good."

- Ed Goodwin, VP Finance & Treasurer FRANK'S INTERNATIONAL

Progressive Planning, Budgeting and Forecasting Processes at Frank's International

Frank's International is an industry-leading global provider of highly engineered tubular services, tubular fabrication and specialty well construction and well intervention solutions to the oil and gas industry. They provide services to leading exploration and production companies in both offshore and onshore environments, with a focus on complex and technically demanding wells. With approximately $500M in revenue they are one of the largest global providers of tubular services to the oil and gas industry.

Frank's International was using legacy systems for financial reporting and budgeting. Planning was being done directly in the ledger, and ad hoc reporting was very limited. Having recently completed an IPO, the company realized it needed to reduce risk and implement new processes and systems, so they began evaluating corporate performance management (CPM) solutions.

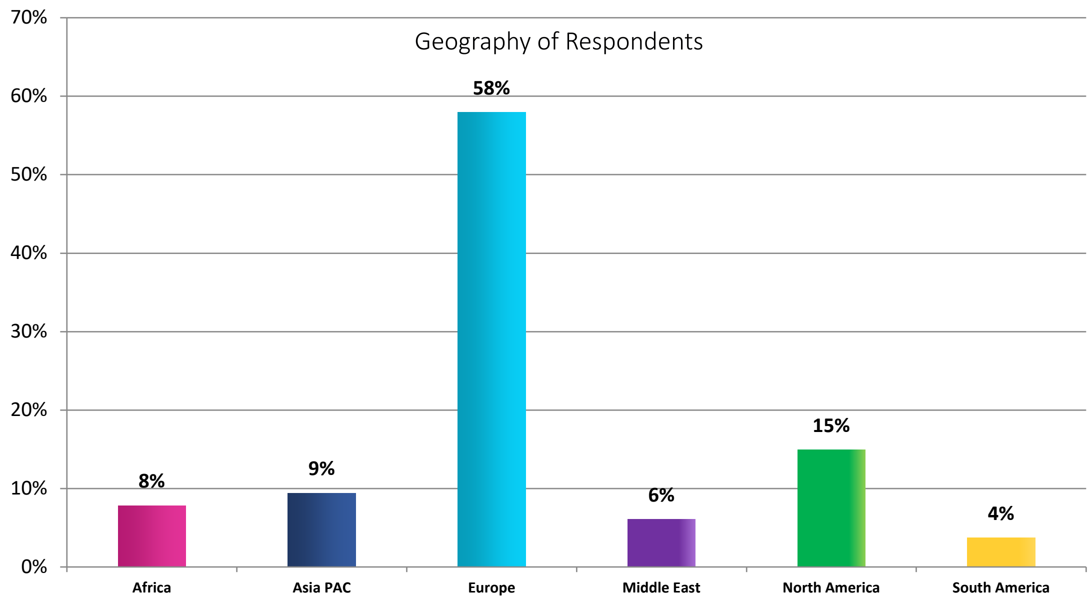
Immediately upon going live with OneStream, the Frank's team began working on planning and forecasting. Leveraging the financial model by inheriting and extending dimensions already in use for consolidation and reporting, they were able to deliver a barebones forecasting solution in 30 days. Then three months later they delivered the full planning solution, that included an 18-month rolling forecast. The planning solution had to accommodate the complexities of the company's business model. This included a large volume of intercompany activity, oil rig level gross margin detail, and a rolling-forecast horizon of 18 months, which crossed over year-end in every scenario.

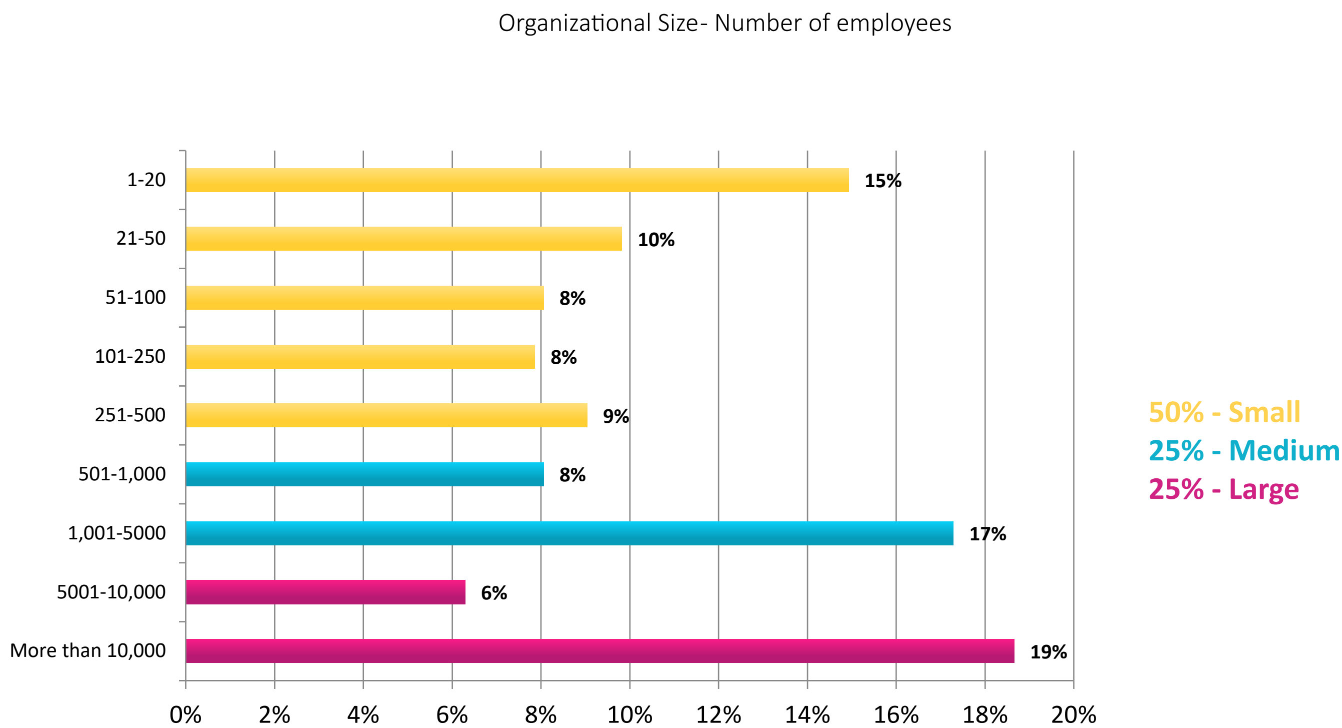
Methodology

Methodology

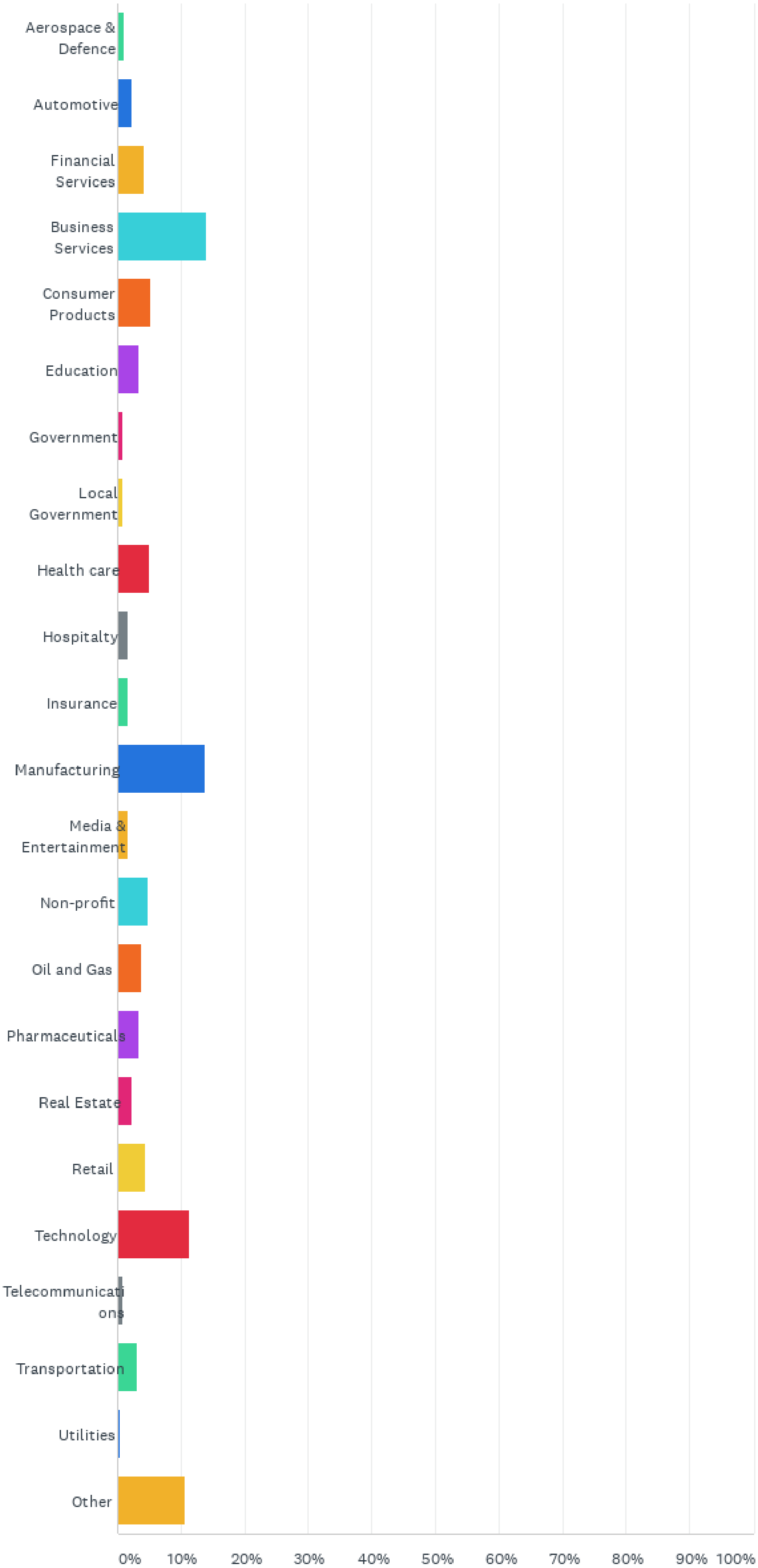
The survey drew responses from 509 international senior finance professionals from the FSN Modern Finance Forum on LinkedIn.

This survey covered finance professionals across 23 different industries. 84% of these professionals were considered to have senior job titles and above.





Industry of Respondents



About OneStream Software

OneStream Software provides a market-leading intelligent finance platform that reduces the complexity of financial operations. OneStream unleashes the power of finance by unifying corporate performance management (CPM) processes such as planning, financial close & consolidation, reporting and analytics through a single, extensible solution. We empower the enterprise with financial and operational insights to support faster and more informed decision-making. All in a cloud platform designed to continually evolve and scale with your organization.

OneStream is an independent software company backed by private equity investors KKR, D1 Capital Partners, Tiger Global and IGSB. With over 650 customers, 200 implementation partners and over 700 employees our primary mission is to deliver 100% customer success, which we've done successfully since our inception. To learn more visit To learn more visit www.onestreamsoftware.com

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OneStream

About FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 53,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

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