



# HIGH IMPACT PLANNING AND BUDGETING FOR HIGH GROWTH COMPANIES



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Planning and budgeting are vital to smart, fact-based business decision-making, but many finance teams are mired in time-consuming, inefficient processes, using basic tools that deliver questionable results.

For midmarket organisations experiencing or aiming for high growth, inadequate planning and budgeting processes can hinder performance in a competitive business environment where volatility is the norm. After all, forecasts and targets set months in advance do not take into account new challenges or fresh opportunities that arise.

In this white paper, we consider an approach to budgeting and planning that is based on best practices and leveraging the cloud. This approach is designed to deliver agility, giving finance team members the information and tools they need to play an active role in steering the business through the ups and downs that accelerated growth brings.

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## Chapter 1

# PLANNING AND BUDGETING TODAY

At many organisations, planning and budgeting take too long and devour resources. Finance teams spend too much time on administrative tasks relating to these processes—collecting, consolidating and reconciling data, for example—and are left with little time for analysis, strategy development and target setting. Accuracy can be patchy, results unreliable.

These are hardly new complaints. It's been over two decades, after all, since former General Electric boss Jack Welch described budgeting to Fortune magazine as “the bane of corporate America”<sup>1</sup>.

Yet few organisations today would even consider abandoning planning and budgeting completely. They are still seen as valuable exercises—and for good reason. Planning provides a statement of a leadership team's long-range goals and objectives, while budgeting lays out how resources will be allocated in the short to medium term, in order to achieve them. Combined, they provide a workforce and investors with a clear, quantitative expression of management expectations.

Inadequate tools and processes create confusion, however. Too many businesses continue to rely on spreadsheets, shared by email, as their primary planning and budgeting tool. And, as we have heard for over two decades, this is not ideal: a spreadsheet-based approach leaves too much scope for errors through version control issues, undetected data entry mistakes and hidden calculations and/or cells. These errors almost inevitably lead to misinterpretations and poor decision-making and yet, many companies still rely on spreadsheets.

At the same time, a spreadsheet-based approach also makes it extremely difficult, if not impossible, for organisations to respond correctly to changing business conditions. This is a big problem for high-growth organisations, which need to be ready to strike quickly when new opportunities are spotted, navigate new territories with confidence, innovate their way out of a competitive squeeze and steer successfully through unexpected turbulence.

<sup>1</sup> Fortune Magazine, “Jack Welch Lets Fly on Budgets, Bonuses, and Buddy Boards”, May 29, 1995

Planning and budgeting by spreadsheet hinders agility in a number of ways. It can be extremely time-consuming: if the process takes months, by the time a budget is approved, it may already be out of step with current business conditions. Aspects of it may even be obsolete. Once approved, plans and budgets are often considered by the business to be 'set in stone,' simply because making adjustments or tweaks, unless absolutely necessary, is too complicated or likely to lead to confusion. This could mean that a business continues to execute against a plan that was conceived for a different set of circumstances. Nor can such an approach be expected to scale as a business expands and grows in complexity, driving a need for more sophisticated analyses.

None of this reflects the world that modern businesses operate in today. It's a world where new innovations can quickly disrupt entire industries, where digital channels extend easily into new markets and where informed customers happily switch from brand to brand in search of the best offers.

In short, the problem doesn't lie in planning and budgeting per se. The real problem is that traditional approaches to planning and budgeting are no longer suited to the realities of today's business world.

High-growth organisations in fast-changing markets may be setting themselves up for failure if they continue to rely on them.

What might failure look like? Businesses will lack the insight to make effective decisions quickly. They may lose sales or fail to cut unnecessary costs. They will struggle to set expectations for their workforces and get the best from employees. They will be plagued by inaccurate financial projections, disappointing investors and deterring would-be investors. Fortunately, there is an approach to planning and budgeting that is faster, more accurate and beneficial for the business as a whole.

# FINDING A BETTER WAY

As we have seen, planning and budgeting are critical to business success, but a reliance on spreadsheets soon leads to problems. Even a ‘point’ software solution, designed to address the budgeting needs of smaller organisations, is likely to prove inadequate as a business grows, especially where it does not integrate closely with that company’s main finance system. Fragmented approaches such as these quickly become a hindrance, rather than a help.

In order to establish a robust platform for growth, businesses need an enterprise-class suite of planning and budgeting tools, based on centralised plans with an active connection to corporate financial data, providing a single version of the truth, robust workflows and a real-time view of performance.

Once, an enterprise-class system like this was out of reach for most midmarket companies, for reasons of cost and complexity. The cloud has changed that.

Today, for a growing number of midmarket organisations, planning and budgeting tools are a must-have, enabling them to maintain agility and responsiveness as they grow and encounter new challenges.

### **Increased collaboration**

Planning and budgeting should be company-wide processes but, all too often, they are simply seen as tiresome chores, imposed on line-of-business managers by the finance department. A cloud-based planning and budgeting system makes relevant data accessible, in real-time, to everyone who needs to see such information. Accessibility boosts participation and accountability, making it easier for finance to get meaningful input and engagement from operational managers. And increased collaboration promotes greater trust in these processes across the business as a whole.

### **Greater control**

With reduced reliance on manual data input and reconciliations, control is improved. Robust workflows that leverage best practices are built into the software, and that some processes are automated, reducing the need for human oversight and intervention. Workflow functionality also ensures that the progress of tasks such as budget reviews and approvals can be closely tracked. Being able to understand costs and profitability at varying levels of granularity—for example, brand, product, customer—guides confident and faster decision-making.

## Improved visibility

With a cloud-based planning and budgeting system, users are always able to see the very latest data, laid out in user-friendly dashboards, interactive analytics and richly formatted financial reports. Any changes made to plans in the system are instantaneously reflected in the content of the reports and dashboards, so the current business situation is always clear. With improved visibility comes the ability to drive accountability on key performance targets across the enterprise.

## Enhanced strategic execution

When planning goals are closely linked to short- and long-term financial plans, business decisions are more likely to be influenced by a better understanding of the direction in which an organisation should be heading. The connection between top-down expectations and bottom-up operational targets is more explicit and the two become more aligned.

## WHY CLOUD?

Financial planning and budgeting is the leading enterprise performance management (EPM) application adopted in the cloud by organisations today,<sup>2</sup> ahead of other EPM tools including workforce planning, sales planning, and forecasting and financial reporting.

Companies see the cloud as the best way to shift financial planning and budgeting away from cumbersome and error-prone spreadsheets to a truly enterprise-class approach, in order to improve these processes and the performance of the business as a whole.

The cloud offers a low barrier to entry, low total cost of ownership and rapid deployment, without the need to make upfront investments in hardware or software out of capital expenditure. Instead, customers pay for access over the internet to applications running on the cloud provider's own servers, via regular, predictable subscription payments made out of operational expenditure.

A steady stream of updates from that provider, included as part of the service, means that customers are always on the latest (and same) version of software, so their planning and budgeting processes reflect current best practice without the need for expensive upgrades.

The provider takes care of scalability and performance of applications and, because those applications can be accessed from any device, anywhere at any time with a web browser, users are always able to access them—from the office, at home or on the move. In this way, budgets get reviewed and approved more quickly and important decisions are always informed by the very latest data available.

<sup>2</sup> Oracle, "Enterprise Performance Management Cloud Trends Report for 2017", March 23, 2017

## Chapter 3

# STAYING AGILE, EVEN WHILE GROWING

Midmarket companies in high-growth mode have many priorities: expanding the workforce, establishing overseas outposts, investing in marketing, building out supply chains. Typically, deploying new software applications has not been high on the list. But there is a good case to be made that, without appropriate planning and budgeting software, a fast-growing company could be at risk of losing the agility that has made it successful in the first place.

After all, when customer demand fluctuates, costs rise and fall, and the competitive landscape changes regularly, managers need to be able to explore and understand the likely impact of changes on business performance. They could, of course, rely on intuition in order to guess what might happen—but human intuition, even when coupled with experience, is notoriously fallible.

**Modern planning and budgeting tools offer a range of features that replace intuition with credible, accurate forecasts.**

Take, for example, flexible modelling tools: these can enable companies to test various ‘what-if’ scenarios based on different

business assumptions, in order to determine the optimum response to a particular event or set of circumstances, within minutes.

For example, a company might ask what would be the impact of hiring five new sales executives in the next quarter. This would need to take into account the costs of hiring and training these new staff members, their likely contributions to revenues and the commissions they would earn as a result.

Likewise, rolling forecasts can help companies avoid the perils inherent in making static assumptions about business performance months ahead of time. These enable finance departments to revisit plans regularly and reforecast where necessary, based on new information.

More specifically, rolling forecasts support continuous planning for a set number of periods in advance. For example, if a company’s rolling forecast period stretches 12 months into the future, as each month ends, the numbers recorded that month will be used to add another month to the forecast. In this way, the forecast horizon continues to roll forwards, based on the most current data available.



Organisations that are effective at integrating financial and operational data, embedding analytics in every process and using advanced analytical techniques to predict future trends outrank their peers by 70% on measures of revenue and profit.<sup>3</sup>

By implementing cloud-based planning and budgeting applications, a company can quickly start to experience the benefits of best-practice approaches, which would be all but impossible to replicate using spreadsheets or point solutions. It benefits the Chief Financial Officer, to have a proactive versus reactive impact on business performance. It benefits members of the finance team, who spend less time on

monotonous admin tasks relating to planning and budgeting, and more on understanding and analysing business trends and drivers of performance. And it benefits the business as a whole, which becomes better able to meet demand, serve its customers and create new, compelling products and services—even in uncertain times—while still preserving hard-won operating efficiencies.

<sup>3</sup> IBM CFO Survey 2014

## Chapter 4

# ORACLE NETSUITE PLANNING AND BUDGETING CLOUD SERVICE (PBCS)

In October 2017, NetSuite announced the launch of Oracle NetSuite Planning and Budgeting Cloud Service (PBCS). This is a product with a solid track record and impressive pedigree: originally based on Hyperion/Essbase Planning, a long-time market leader in enterprise performance management (EPM), it was re-engineered for the cloud by Oracle in 2014 as part of the Oracle EPM Cloud suite and has become the leader in cloud planning and budgeting, with more than 2,500 customers worldwide.

Oracle NetSuite PBCS includes integration with NetSuite and features tools for operational expense planning, capital expense planning, personnel planning, revenue planning and financial statements, along with interactive dashboards and multi-currency support.

Integration with a company's wider ERP system is important because it allows the planning and budgeting solution to automatically import deadlines from integrated applications, including the General Ledger. This automated importing helps with data consistency and completeness, leading to accurate, reliable, error-free analysis.

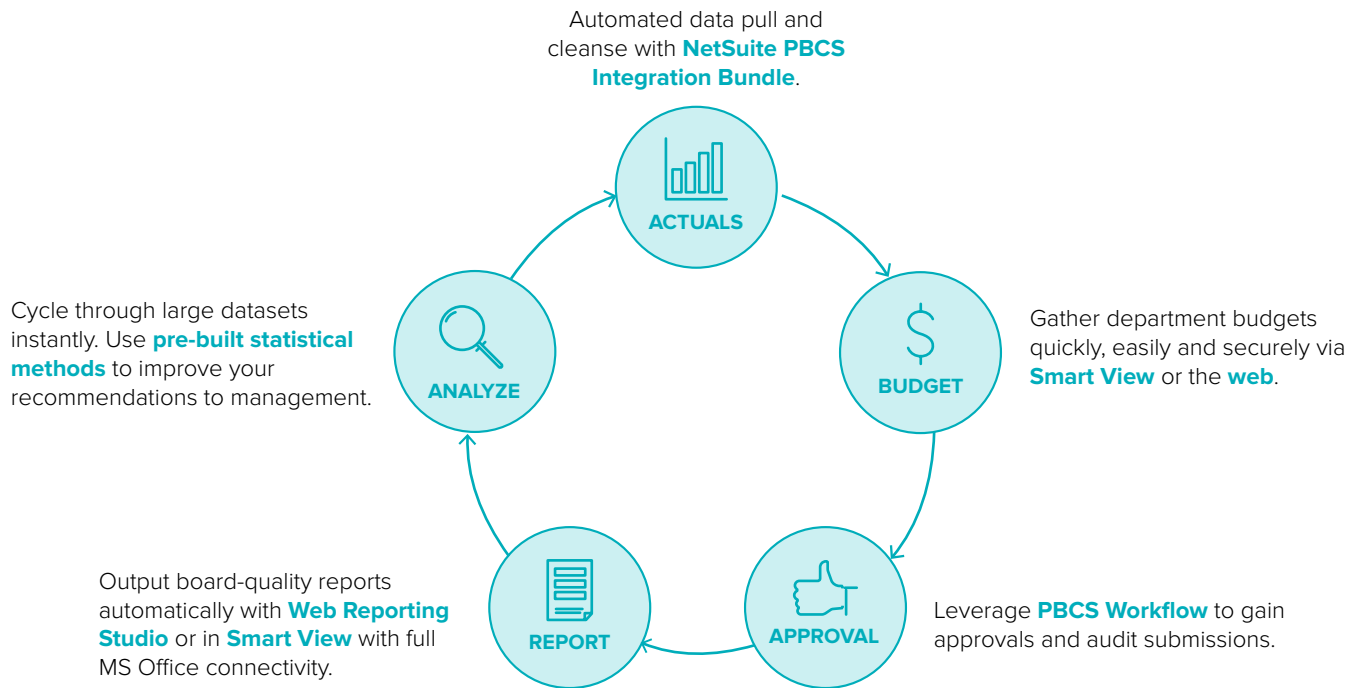
Ease of use is often a concern for companies deploying new applications. In addition to the

### Key features of Oracle NetSuite PBCS:

- Intuitive, role-based web and Microsoft Office interfaces.
- Flexible, driver-based 'what-if' modelling capabilities.
- Built-in financial intelligence and spreading logic.
- Built-in commentary and annotation capabilities.
- Flexible workflow and plan management capabilities.
- Robust reporting and ad-hoc analysis with formatting and charting support.
- Integration with NetSuite Financials.

web interface option, Oracle NetSuite PBCS incorporates seamless integration with the Microsoft Office suite of applications. This means that implementations can be set up so that Excel spreadsheets, for example, serve as the front-end for users as well as a simple and effective way to generate specific reports. In this way, users get more accurate data and they get it faster—but in a familiar format, one with which they are comfortable working.

# COMPLETE PLANNING PROCESS SOLUTION



# CONCLUSION

An organisations experiencing or aiming for high growth has very specific needs from planning and budgeting. At a very basic level, it needs these processes to be faster and less resource-intensive and to produce forecasts and targets that are fresh, relevant and actionable.

At a more sophisticated level, planning and budgeting helps organisations move forward with confidence—even in periods of uncertainty—by integrating plans, budgets and forecasts across individual functions and business units, and creating close links between strategy and operations.

The best way to achieve these benefits is via a cloud-based application that introduces best-practice planning and budgeting approaches with minimum upfront investment and deployment effort.

As key stakeholders in enterprise performance management at a company, it is imperative that members of the finance department have access to a planning and budgeting solution that enables them to make a real contribution to strategic discussions. Should the business spend more money on marketing a new product? Should it assign additional employees to a new project? Should it roll out a service in a new geography? And what might be the wider implications of each of these examples?

In short, a finance team that has streamlined its planning and budgeting processes is a finance team with more time to spend on providing the analysis and insight that the business needs to maintain high growth and achieve new levels of success.

For more information, please visit [www.netsuite.co.uk/pbcs](http://www.netsuite.co.uk/pbcs).

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