

## Financial Planning and Budgeting

Financial planning and budgeting lay the foundation for any effective business plan. Without a clear set of goals and objectives and a financial plan, which supports those goals, managing your day-to-day business is akin to driving your car while looking in the rear view mirror. Aberdeen's June 2007 *Intelligent CPM: Aligning Day-to-Day Decisions with Corporate Goals* report found that volatility in the market is driving 60% of companies to focus time and energy on performance related initiatives. The business climate is characterized by change and compounded by global influences spawning distributed environments and squeezed margins. In response, Best-in-Class companies focus on the future, tuning the planning process to improve efficiency as well as the accuracy of resulting budgets and forecasts.

### Business Context

Imagine it is the end of the fiscal year. Management is scrutinizing the past year's performance as well as planning for next year. Financial reporting provides a foundation for the future; business analytics, data integration, and what-if capabilities provide a window into the future. Strong analysis and financial reporting capabilities are the basic underpinnings of the planning and budgeting process, but more advanced capabilities such as score-carding and profitability modeling and optimization can make the difference between average and Best-in-Class performance.

From the end user's perspective, the key benefits are improving budget cycle time and budget accuracy by:

- Reducing budget cycle time through developing efficient work flows throughout the development and review cycle
- Improving budget accuracy with improved visibility of both the budgeting / forecasting process and the results
- Creating a more agile and dynamically responsive budgeting / forecasting system
- Anticipating cost fluctuations and controlling cost
- Increasing organizational buy-in by exposing more levels of the organization to the planning process

### Aberdeen's Hypothesis

Our hypothesis is that the predominant pressure driving companies to focus on their planning and budgeting capabilities is the need to reduce the time for budgeting and forecasting process, without sacrificing the accuracy of the budget. If companies want to overcome these two pressures, they must blend a combination of strategic actions and new technologies to:

### Research Preview

A Research Preview provides an advanced look at an upcoming study and the research hypothesis which will be explored based on prior research

### How to Participate in the Study

- ✓ If you engage in the financial planning and budgeting process within your company
- ✓ If you are a management consultant assisting clients in this process
- ✓ If you are a technology solution provider of financial planning and budgeting applications

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- Develop and automate budget and forecasting workflow processes that are agile enough to adapt (re-forecast) as the market changes
- Create "what if" scenarios and perform change analysis
- Track actual performance against budget / forecasting, complete with multi-dimensional reporting and appropriate drill-down to detail
- Collaborate throughout the enterprise, involving all necessary decision-makers for better visibility and accountability

**Table 1: Best-in-Class PACE Hypothesis**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Reduce the time for budgeting and forecasting process without sacrificing accuracy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop a planning / budgeting workflow process</li> <li>▪ Automate planning / budgeting process flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ability to re-forecast as market conditions change</li> <li>▪ Ability to track actual performance against budget / forecast</li> <li>▪ Capability to perform "what if" scenarios and change analysis</li> <li>▪ Collaboration is enterprise-wide, from the top-down and bottom-up</li> </ul>	<ul style="list-style-type: none"> <li>▪ Workflow automation</li> <li>▪ Performance management applications</li> <li>▪ Budgeting / forecasting applications</li> <li>▪ Financial reporting and consolidation</li> <li>▪ Query and reporting tools</li> <li>▪ Enterprise Business Intelligence (BI) platforms</li> <li>▪ Dashboard / scorecard tools</li> <li>▪ Secure integration of spreadsheets with applications</li> <li>▪ Event management (triggers / alerts)</li> <li>▪ Data cleansing and integration tools, ETL</li> </ul>

Source: Aberdeen Group, March 2008

The performance metrics, which will be used to determine Best-in-Class companies, include:

- Year-over-year budget cycle improvement: The percentage of change in budget cycle time year-over-year
- Forecast frequency: The frequency forecasting and re-forecasting can be performed
- Percentage of overall accuracy: The ratio of actual to budget, with 100% accuracy being the goal

### Case in Point

Take, for example, the case of a multi-billion dollar oil and gas corporation. Upstream operations involve exploration and mining. Downstream operations are oil refineries and distribution. The company's business is decentralized, but it is in the process of standardizing many of its corporate processes and rationalizing many of its enterprise applications. "But today, budgeting and forecasting is essentially Excel. We have hundreds of spreadsheets. How do you ever hope to roll them up? We are looking to replace this with a financial planning and performance management suite offered by our ERP vendor."

The company explored many different approaches to instilling discipline into the current chaos. Although it has multiple enterprise applications, its goal is not to consolidate to a single source of data. Instead it decided to use tools to front end those systems to allow a consolidated view. "We are moving away from copy tools such as ETL [Extract, Transform, Load]. Once you create multiple copies of the same data you introduce complexity and the need for synchronization. Instead we are looking for process controls, access controls and a consolidated view."

## Projected Outcome

Aberdeen's research methodology will include a quantitative survey, followed by qualitative interviews of mid-level to executive managers involved in the planning and budgeting process. We will investigate the tools and technology used to manage the process and the relative success of Best-in-Class, Industry Average, and Laggard companies. While typically an annual event, we will measure the agility with which companies are able to respond to changing conditions and use the strategies and actions of those we determine to be Best-in-Class to make recommendations for those who aspire to this level of performance.

## Solution Snapshot

Solution providers can range from financial applications (including ERP) to BI tools providers, to performance management suite vendors. Many descriptive categories are used interchangeably or with different connotations. The solution focus listed in Table 2 represents how these vendors portray their solutions.

**Table 2: Solution Landscape**

Company	Solution	Description
Actuate <a href="http://www.actuate.com">www.actuate.com</a>	Actuate Performancesoft Suite	Reporting, performance management, query, analytics
Adaptive Planning <a href="http://www.adaptiveplanning.com">www.adaptiveplanning.com</a>	Adaptive Planning Express, Corporate and Enterprise Editions	CPM (SaaS and on premise); budgeting, forecasting and financial reporting analysis, dashboards and reporting, modeling and data integration
Arcplan <a href="http://www.arcplan.com">www.arcplan.com</a>	arcplan Enterprise (Process-Driven Analytics) arcplan Analytic Services (extend arcplan Enterprise for a SOA environment)	Financial performance management, performance scorecards and dashboards, and operational performance management
Bitam <a href="http://www.bitam.com">www.bitam.com</a>	Bitam Artus, Bitam Ektos, Bitam Stratego, Bitam Advisor, Enterprise Analysis Server, Enterprise Highlights Server, Enterprise Forms Server, Bitam Papiro, Bitam G6	Enterprise performance management, business intelligence, strategic planning, financial planning
Board International <a href="http://www.board.com">www.board.com</a>	BOARD	Reporting, analysis, dashboard, scorecards, budgeting, planning, forecasting, ABC, profitability analysis, consolidation and statutory reporting

Company	Solution	Description
Centage <a href="http://www.centage.com">www.centage.com</a>	Budget Maestro	Financial planning, budgeting, forecasting, reporting and analysis, dashboard, payroll planning, capital asset planning, manufacturing module, inventory management, debt management
Clarity Systems <a href="http://www.claritysystems.com">www.claritysystems.com</a>	Clarity 6	Budgeting, forecasting, reporting, consolidations
Epicor <a href="http://www.epicor.com">www.epicor.com</a>	Enterprise, Vista, and Vantage	Dashboards, reporting, budgeting, forecasting, data warehouse, OLAP
Exact Software, Inc. <a href="http://www.exactsoftware.com">www.exactsoftware.com</a>	Longview Solutions	Consolidation, planning, budgeting, and forecasting; management reporting; BI platform
HostAnalytics <a href="http://www.hostanalytics.com">www.hostanalytics.com</a>	HostAnalytics BPM Software Suite (Host Budget, Host Forecaster, Host Consolidator, Host Scorecard, and Host Analyzer)	Budgeting and planning, revenue forecasting, financial consolidation, scorecarding and dashboarding, reporting and analysis
IBM <a href="http://www.ibm.com">www.ibm.com</a>	IBM Global Services, Cognos, Applix, etc.	Business performance management, financial management, budgeting, forecasting, planning, consolidating, analytics, business intelligence
Inca Planning Solutions <a href="http://www.incaplanningsolutions.com">www.incaplanningsolutions.com</a>	Inca Planning, Aztec Intelligence	Corporate budgeting, planning, forecasting, reporting, business intelligence and performance management
Infor <a href="http://www.infor.com">www.infor.com</a>	Infor Performance Management includes Business Process Applications (Forecasting, Planning, Consolidation, Budgeting), Analytics, BI Platform (including data warehouse)	Business performance management, forecasting, planning, consolidation, budgeting), analytics, BI platform (including data warehouse)
KCI Computing <a href="http://www.kcicorp.com">www.kcicorp.com</a>	CONTROL	Unified solution for the BPM continuum — planning, budgeting, modeling, forecasting, consolidations, multi-dimensional analysis, and reporting —with built in metadata and data integration capabilities
Lawson <a href="http://www.lawson.com">www.lawson.com</a>	Lawson Business Intelligence (LBI), Lawson Budgeting and Planning	Reporting, scorecarding and dashboards, alerts and notifications, and budgeting and planning
Oracle <a href="http://www.oracle.com">www.oracle.com</a>	Oracle CPM, Enterprise Performance Foundation, Peoplesoft EPM, Oracle BI Enterprise Edition, Oracle BI Applications, Oracle Real-Time Decisions, Oracle BAM, Oracle Data Integrator, Oracle and Peoplesoft Analytic Applications, Hyperion	BI platform, multi-source analytic applications, ad-hoc analysis and query, ETL, budgeting and planning, consolidation, profitability management

Company	Solution	Description
Prophix <a href="http://www.prophix.com">www.prophix.com</a>	Prophix Enterprise, Prophix Express	Reporting, budgeting, personnel planning, forecasting, business process management, financial consolidation, data integration technology
SAP <a href="http://www.sap.com">www.sap.com</a>	SAP Strategic Management (SSM), BPC (Budget Planning and Consolidation)	Consolidated financial reporting, planning, budgeting, forecasting, CPM, scorecards, risk management
SAS Institute <a href="http://www.sas.com">www.sas.com</a>	SAS Strategic Performance Management (SPM) and Activity-Based Management (ABM); Enterprise ETL Server, Enterprise Business Intelligence Server; SAS Analytics	Business Intelligence
Satori Group, Inc. <a href="http://www.satorigroupinc.com">www.satorigroupinc.com</a>	i-Performance Planning (proCube BI platform)	Business performance management, business intelligence, budgeting, forecasting, planning, analytics, dashboard

Source: Aberdeen Group, March 2008

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

Related Research	
<a href="#"><i>Intelligent Performance Management</i></a> ; June 2007 <a href="#"><i>The Order-to-Cash Cycle: Integrating Business Processes to Improve Operational Performance</i></a> ; March 2008	<a href="#"><i>Intelligent CPM: Aligning Day-to-Day Decisions with Corporate Goals</i></a> ; May 2007 <a href="#"><i>Smart Decisions: The Role of Key Performance Indicators</i></a> ; September, 2007
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