

Improving the Business Value of Planning & Budgeting across the Enterprise.

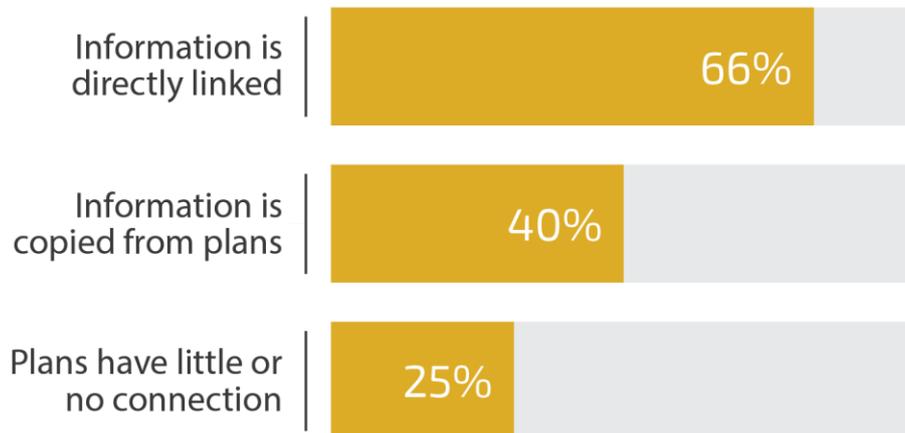
Enterprise Planning Reconsidered:

Collaborative enterprise planning is a methodology that connects all planning activities of a company's departments and business units, enabling them to share their plans and to plan collaboratively. This form of planning uses technology to rapidly assemble, analyse and report plans and budgets as well as compare results to these plans. Embracing collaborative enterprise planning delivers value.

Integrated Planning Works Better

Direct links facilitate planning processes

Planning processes work well or very well



Source: Ventana Research Next-Generation Business Planning Benchmark Research
© Ventana Research 2016; All Rights Reserved

Our Next-Generation Business Planning benchmark research finds that companies that directly link their plans get better results than those that don't: 66 percent said their planning processes work well or very well compared to 40 percent that aggregate the information by copying and pasting rather than linking and 25 percent that reported little or no connection between their plans.

Technology also allows business units to plan and review the “things” that matter to executives and managers – headcount, units produced and occupancy rates, for example – in parallel with essential fiscal concerns such as revenue, expenses and cash flow. Gathering all planning activities on a single dedicated platform breaks down silos that prevent effective collaboration and supports more rapid planning cycles that promote operational agility.

Improving the Business Value of Planning:

Customary corporate planning and budgeting practices developed over time within the limitations of available technologies. These limitations kept business planning within silos, with the result that the only feasible companywide plan was the budget, a financial plan. Although the budget is essential for financial management and control, it has limited value to corporate executives who are responsible for achieving a full range of business objectives such as maximizing market share and managing the business activities that will enable them to achieve those business objectives – for example, territory and quota planning for sales, new product introductions and supply chain management. Today, readily available technology can eliminate these constraints and give executives a more powerful tool for managing their business.

In the paper and adding machine era, the speed of computation and communication limited a plan's or budget's detail, the frequency of revisions and the degree to which reviews could isolate opportunities and issues in a company's performance. Planning was notoriously siloed, which made aligning strategy and tactics across an enterprise an ongoing challenge. For example, it was typical for manufacturing organizations to complain that they had no idea what promotions the marketing department had planned, leading to shortages of featured goods. Moreover, the difficulty of collecting and consolidating plan data resulted in a static budget that became increasingly irrelevant and the year progressed, limiting a company's agility in responding to change.

The advent of electronic spreadsheets in the 1980s and local area networks in the 1990s helped speed up calculations and communications but did not alter the process to any significant degree. Although spreadsheets enable companies to plan and budget at greater levels of detail, and revisions and reviews can be somewhat more frequent, desktop spreadsheets, too, severely limit the business value of corporate planning and budgeting.

Desktop spreadsheets are two-dimensional grids. Business, however, is multidimensional, involving dimensions such as sales territories, product families, customers and exchange rates in addition to time and money. Limited dimensionality forces enterprise-wide planning to focus on a common shared dimension – money. Operational planning is therefore siloed based on business function.

By contrast, collaborative enterprise planning is a high participation, action-oriented approach to planning built on frequent, short planning sprints.

Consolidating spreadsheets is a time-consuming chore: In our spreadsheet research, 64 percent of heavy users of spreadsheets said that it's usually or always difficult to combine them. This approach limits both the frequency with which plans can be revised and the back-and-forth dialog between executives and managers in working out a plan or budget. Once consolidated, it's difficult to "unscramble the omelet" and drill down into the underlying detail. It's therefore hard to discuss in detail what just happened and even more difficult to explore the impact of different scenarios and plans. Only 12 percent of research participants say they have all of the number they need to assess trade-offs.

By contrast, collaborative enterprise planning is a high participation, action-oriented approach to planning built on frequent, short planning sprints. Collaboration is essential to a well-managed process. Almost all (85%) companies that collaborate effectively or very effectively in planning said their process is managed well compared to just 11 percent of those that collaborate only somewhat effectively if at all.

Companies do a lot of planning. They plan sales, determine what products and services they will offer, what they will charge and what these will cost. They plan the headcount they'll need to run the business and how to organize distribution and their supply chain. They also produce a budget, which is a financial plan.

People and businesses plan to be successful. The process involves discussions about objectives and the resources and tactics needed to achieve them. Collaborative enterprise planning is an alternative to a static, silo-based approach. Planning – when it's done right – is the best way to get everyone onto the same page to ensure that the company is well organized and that it executes the plan in a way that's aligned with its strategy.

Collaborative enterprise planning enables organizations to enhance the accuracy of their plans because refinements are made at shorter intervals. Short planning cycles enable companies to achieve greater agility in responding to market or competitive changes. And because it's high-participation planning and not silo-based, companies can plan with greater accountability and coordination in their operations. This approach facilitates ongoing dialog about current conditions as well as changes in objectives and priorities that are driven by markets and the business climate. Because it focuses on business objectives and how to achieve them, this form of planning promotes a forward-looking mindset.

Collaborative enterprise planning enables organizations to enhance the accuracy of their plans because refinements are made at shorter intervals.

Collaborative enterprise planning is operationally focused; it enables managers to plan the resources they need to achieve their business objectives side-by-side with the budget necessary to fund these resources. This approach shifts the discussion between executives and budget owners away from abstract financial numbers and percentages to the things managers need to achieve their objectives. For example, managers create a headcount plan consistent with their business objectives and the system translates that into salary and benefit costs based on information provided by the human resources organization. This focuses budget discussions on business issues such as projected employee productivity, not just financials. As an added benefit, the HR department now

has data from each department and business unit to use in building a headcount and recruiting plan.

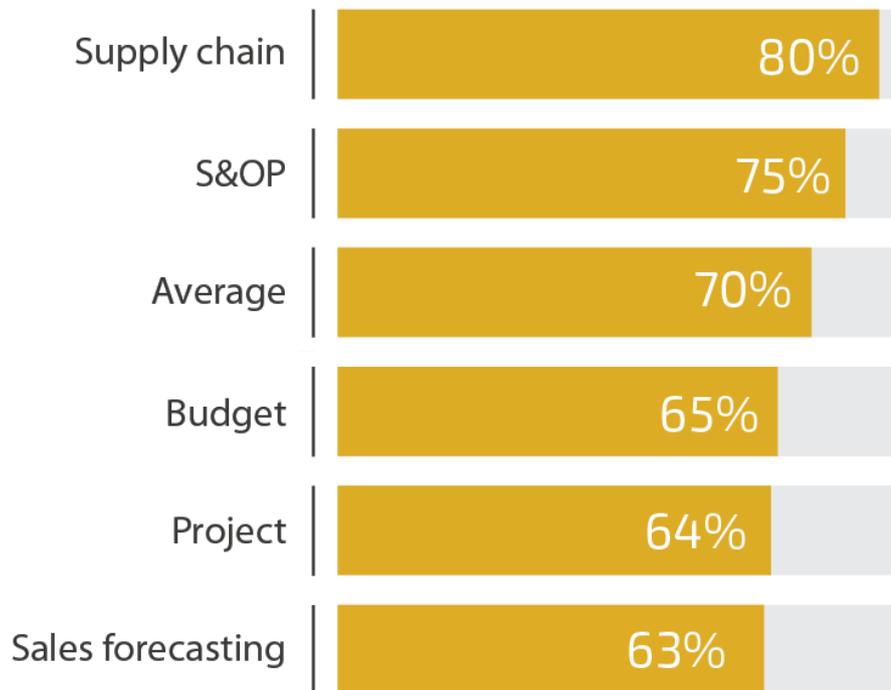
Because collaborative enterprise planning is built on operational as well as financial data, plans can be constructed around key performance metrics that combine both. For instance, a retailer's plan and budget can be assessed in terms of revenue per unit of shelf space and employee sales productivity. These sorts of hybrid metrics can be more valuable to managing a business than financial or operating metrics by themselves.

Technology Affects Result:

The technology companies use for planning and budgeting has a significant impact on the business value of planning. Our Next-Generation Business Planning research finds that most corporations use spreadsheets to support their planning processes. Two-thirds (65%) of companies said they use them for budgeting; almost as many (63%) use them for sales forecasting and 80 percent use them for supply chain planning.

Spreadsheets Dominate Planning Processes

Most planning functions use them



Source: Ventana Research Next-Generation
Business Planning Benchmark Research
© Ventana Research 2017; All Rights Reserved

Spreadsheets have inherent defects that make them a poor choice for collaborative, business-focused planning. They reinforce planning silos, making collaboration and coordination difficult. And they are two-dimensional grids. That's fine for accounting, but business is conducted in multiple dimensions, such as customers, channels, sales geographies, products, currency and time, to name the most common. Our spreadsheet research confirms that combining spreadsheets is also time-consuming, which lengthens planning cycles and limits agility. Almost half (47%) of those that reported using spreadsheets all the time said that combining them is always or usually time-consuming.

Technology to Support Useful Planning:

Organizing and orchestrating planning in a single system makes collaborative enterprise planning possible. Individual business units plan in a way that works best for them while making their planning data readily available to rest of the organization. Senior executives can see a consolidated summary of all business unit plans at the enterprise or business division level and when necessary can quickly drill down to see the details and better understand the numbers behind the numbers. They can have dashboards that provide alerts when issues and opportunities arise.

Collaborative enterprise planning uses technology to support a structured dialog. “Structured” here means that plans and objectives are quantified and therefore measurable to ensure they are aligned with a corporation’s strategy and goals. It’s a dialog because executives and managers can work together using planning data interactively as they discuss forecasts, budgets, plans and contingencies.

Technology also makes rapid planning and forecasting cycles feasible, allowing frequent revisions. Rapid cycles promote corporate agility as organizations can respond more quickly to changes in markets and competition. Collaborative enterprise planning also employs newer technologies such as natural language processing to simplify access to information for planning and reviewing.

Mobility is an essential capability for collaborative planning processes as mobile devices enable interactive planning and reviews and make it possible to look at planning-related information anywhere and anytime. This facilitates both a data-driven dialog about what just happened and an interactive discussion of what to do next.

Technology advances such as artificial intelligence (AI) and machine learning will play an expanding role in enterprise planning. AI can assist planners by providing guidance in creating or revising plans. By analyzing historical data, it can spot, for example, demand or expense patterns that are more nuanced than simple algorithms. It can assist in identifying relevant business drivers used in driver-based planning. In reviewing results, AI also can be used to suggest the next best action that the company can take.

Evolve to a More Effective Planning Process:

Collaborative enterprise planning and forecasting offers greater business value because it promotes close operational and strategic alignment between business groups. By bringing together operational and financial planning, it makes the process useful for senior executives who must manage the business and the bottom line. It provides senior leadership teams with a clear picture of a company's direction and a comprehensive understanding of the drivers of their company's performance. Using a dedicated planning application designed for collaborative enterprise planning can reduce planning cycle times. It can make planning easier for managers and translate these plans into more accurate and timely budgets.

Collaborative enterprise planning is designed to enhance senior executives' ability to maximize strategic alignment between corporate objectives and business units' plans. Because it can simultaneously plan "things" and financials, executives can set operational as well as financial key performance measures. In so doing, collaborative enterprise planning promotes a dialog that focuses on business as well as financial performance. By enabling rapid contingency planning at a detailed level, it shifts the emphasis in periodic reviews to creating action plans rather than a summary and analysis of what just happened. And because plans and budgets can be reformulated rapidly, it supports greater agility in responding to change.

Technology constraints once limited the business value of planning. Today, readily available technology can enable corporations to establish a more effective planning process.

About Ventana Research:

Ventana Research is the most authoritative and respected benchmark business technology research and advisory services firm. We provide insight and expert guidance on mainstream and disruptive technologies through a unique set of research-based offerings including benchmark research and technology evaluation assessments, education workshops and our research and advisory services, Ventana On-Demand. Our unparalleled understanding of the role of technology in optimizing business processes and performance and our best practices guidance are rooted in our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions in every industry. This benchmark research plus our market coverage and in-

depth knowledge of hundreds of technology providers means we can deliver education and expertise to our clients to increase the value they derive from technology investments while reducing time, cost and risk.

Ventana Research provides the most comprehensive analyst and research coverage in the industry; business and IT professionals worldwide are members of our community and benefit from Ventana Research's insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including [Twitter](#), [Facebook](#), and [LinkedIn](#).

To learn how Ventana Research advances the maturity of organizations' use of information and technology through benchmark research, education and advisory services, visit www.ventanaresearch.com.