Planning, Budgeting and Forecasting
An eye on the future

A KPMG and ACCA Thought Leadership Report
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ABOUT THE RESEARCH

This global report is the first of three pieces of research that have been jointly commissioned by ACCA and KPMG to assess how the Enterprise Performance Management (EPM)* capability within Finance is providing the CFO with the appropriate people, processes and technology to support Planning, Budgeting and Forecasting.

The data used in the report is from a survey which was conducted between 17th April 2015 and 11th May 2015, and represents the view of over 900 Finance professionals from more than 50 countries. Whilst employees from organisations of all sizes participated in the survey, over 60 percent were from organisations with over 1,000 employees with annual turnover of at least $100m.

In addition, 30 percent of the respondents identified themselves as a Senior Finance Manager/Manager, 20 percent as newly qualified/experienced Accountant, 11 percent as Financial Controller, 7 percent as Director/Partner, 6 percent as CFO and the remaining 26 percent spread between a range of roles that included CEO, Internal Audit, Treasury Analyst and Consultant.

* EPM consists of Planning, Budgeting & Forecasting, Performance Reporting and Dimensional Profitability
THIS REPORT REPRESENTS THE VIEW OF OVER 900 FINANCE PROFESSIONALS FROM MORE THAN 50 COUNTRIES
INTRODUCTION

Our view is that Planning, Budgeting and Forecasting (PBF) sits within a performance management framework consisting of three components (the other two being Performance Reporting and Dimensional Profitability) where organisations can seamlessly link top-down, strategic targets to financial and operational forecasts and report performance against such targets.

The role of each element of planning, budgeting and forecasting is outlined below:

PLANNING

A top-down strategic plan that defines the strategic aims of the enterprise and high level activities required to achieve the goals of the organisation.

BUDGETING

A budget that enables resource allocation to be aligned to strategic goals and targets set across the entire organisation.

FORECASTING

A forecast that tracks the expected performance of the business, so that timely decisions can be taken to address shortfalls against target, or maximise an emerging opportunity.

A fully integrated performance management framework is essential to provide corporate visibility of the activities that directly deliver growth, and provide a clear framework for determining how to continuously allocate resources to support the strategy.
EXECUTIVE SUMMARY

Planning, Budgeting and Forecasting (PBF) should serve to support the business in understanding how its on-going activities contribute to delivering its future longer term strategy. It is a method for allocating scarce resources in-line with the strategic intent of the business and for planning actions to help it meet its strategic goals in response to changing circumstances.

Yet in the face of an increasingly challenging business environment, this study suggests current PBF process are flawed, and many enterprises continue to invest significant time in sub-optimal performance management processes which do not meet the strategic or operational needs of the business.

This study suggests there are three critical areas to focus on to improve the current PBF process and better align to a leading practice performance management framework:

1. CREATE THE RIGHT ORGANISATIONAL CULTURE AND WAYS OF WORKING

Ownership must remain within the business, with Finance being a facilitator of the process and one of a number of equally important inputs into it.

Traditional performance measures reinforce short-termism in organisations as they are rarely, if ever, aligned to strategic goals.

2. INTEGRATE THE PBF PROCESS, LEVERAGING HIGH QUALITY DATA

The PBF process and data is enterprise wide, impacting all areas of the business and the data governance should reflect this.

The process must embrace Big Data and be utilised to deliver the strategic goals.

3. DEPLOY EFFECTIVE AND SCALABLE TECHNOLOGY SOLUTIONS

Technology is moving from providing one-off static analysis to a more regular, quicker and dynamic enabler in the process.

Cloud solutions are enabling real-time reporting with continuous improvement embedded at a cheaper cost, which enables increased effectiveness and efficiency.
1 CREATE THE RIGHT ORGANISATIONAL CULTURE AND WAYS OF WORKING

Establishing the right organisation culture, including appropriate leadership tone at the top, is essential for the Planning, Budgeting & Forecasting (PBF) processes to flourish. The PBF process is one of the few enterprise activities that touches every part of the organisation. It connects information, processes and people across the business, and, if executed properly, is essential to drive better business decisions that can create competitive advantage and deliver sustainable long-term business value.

Yet too often, PBF process continue to operate as age-old established practices, imposed on the enterprise by the Finance function with little alignment to the reality of day-to-day business operations. With senior management setting the overall strategy and Finance typically setting budgets and shorter term targets, the process is often fragmented and isolated from the business. This often results in line management being held accountable to the output from a process into which they feel they have had little input. In this situation, the odds are stacked against the process producing plans, budgets and forecasts that have buy-in from Operations.

Clear decision-making authority across different elements of the PBF process is particularly relevant in complex multi-layered enterprises that are stretched across different geographies and operating divisions. This study suggests that Finance is easily considered to be the resource that currently spends most time on the PBF process (65 percent of respondents). However, grounded in the belief that the process should be done in partnership between Operations and Finance (77 percent of respondents felt that this should be the case), the proportion of respondents that believe Finance should continue to spend the most time on the PBF process drops to 50 percent, with the difference being apportioned to an increasing role for the CEO and Operations.

Clarity behind accountabilities and greater operational management involvement in the PBF process do not themselves guarantee success if executive leadership and the organisation do not buy-in to the concept or demonstrate the appropriate behaviours. Strong PBF process must be seen as an essential on-going and valuable activity that is critical to the performance of the organisation, requiring a high level of engagement across all operational units.

In this survey, however, 46 percent of respondents believe the current budget produces a politically agreed number from the top of the organisation, not aligned to the real business outlook or linked to bottom up operational reality.
2. INTEGRATE THE PBF PROCESS, LEVERAGING HIGH QUALITY DATA

3. DEPLOY EFFECTIVE AND SCALABLE TECHNOLOGY SOLUTIONS

Q2 Who spends most time on current and future PBF Process?

CURRENTLY SPEND THE MOST TIME ON THE PLANNING, BUDGETING, FORECASTING (PBF) PROCESS IN YOUR ORGANISATION

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<td>CEO</td>
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<tr>
<td>FINANCE</td>
<td>9%</td>
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<tr>
<td>OPERATIONS</td>
<td>12%</td>
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<td>OTHER</td>
<td>5%</td>
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<td>DON'T KNOW</td>
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WILL SPEND THE MOST TIME ON THE PBF PROCESS IN THE FUTURE

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<td>DON'T KNOW</td>
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THE CFO MUST TAKE A STARRING ROLE IN PLANNING, BUDGETING AND FORECASTING

John O’Mahony | Head of EPM, KPMG UK

How many famous chief financial officers can you name? I doubt they trip off the tongue like Buffett, Bezos or Blankfein, but perhaps it is now time to look beyond these CEOs and give the CFO more of a starring role. Our survey illustrates disagreement on who owns the planning, budgeting and forecasting (PBF) process and who should do so in the future.

Regardless of who you believe this must be – CFO or CEO – it is very unlikely that the CEO will personally facilitate PBF. CFOs therefore need to exercise sufficient control to ensure integrity behind the numbers that come out of the PBF process, to provide basic “hygiene”. How do they do that, while at the same time gaining traction as a strategic leader in the business?

To carve out a strategic role, CFOs need to have presence and strong influencing skills across the organisation, especially the C-suite. The survey suggests that CFOs are perhaps not as vocal as they could be, only 33 percent thought they were.

Organisations need genuinely forward-looking Finance leaders to phase out traditional, rigid point-in-time planning and forecasting practices, and deploy effective rolling forecasting with moving targets (that reflect real-time changes in external factors). They must be capable of recognising they cannot make empowered decisions on behalf of the company by using an obsolete, static budget created six to nine months earlier.

Along with that vision, the CFO needs the charisma and impact to lead - or at least facilitate -enterprise-wide change with Strategy or Operations. The fact that 77 percent of survey respondents believe PBF should be an enterprise-wide process is pleasing, but the respondents are predominantly from Finance roles. It is the rest of the organisation that needs convincing.

This will be a hard sell, given that senior managers tend to be rewarded handsomely on performance against budgets. This was echoed in the survey, revealing that almost half of respondents viewed the budget as a “politically agreed number”.

So what can CFOs do? At present, many are expected to demonstrate the value of transforming PBF upfront in order to gain the credibility with the CEO and board. Again, tricky. But if CFOs are not prepared to be resolute in championing a more enlightened and integrated approach to PBF, they risk being shut out of broader planning and strategy altogether.

This investment will pay off. Over the past few years CFOs have been proving they can be more than the ‘Chief Bean Counter’, with instances of direct promotion of CFOs to CEO positions steadily rising. Companies that have taken a more forward-looking approach to Finance have flourished.

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Advanced tools and data will not enable better PBF accuracy and efficiency if the culture remains embedded in the sort of old-fashioned thinking that is illustrated by 41 percent believing that the CEO currently ‘owns’ and has the final say on the PBF process within their organisation.

Another critical cultural challenge is the age-old problem of incentivisation. Too often organisations compensate employees based on exceeding the kind of set targets that fall out of the traditional planning process, creating a natural incentive to set low and easily achievable targets, as well as encouraging a drawn-out, time-consuming process of negotiation that does not add value to the organisation.

Targets with a one-year time horizon, generated from an annual budget, are rarely aligned with longer term strategic goals encapsulated in the planning process. Using the budget to generate short-term targets breeds a short-term culture which can incentivise undesirable behaviours in the business, whereby short-term gains are chosen over long-term value creation.

46 PERCENT OF RESPONDENTS BELIEVE THE CURRENT BUDGET PRODUCES A POLITICALLY-AGREED NUMBER NOT ALIGNED TO REAL BUSINESS OUTLOOK

ARE PEOPLE MISUNDERSTANDING THE ROLE OF THE BUDGETING AND FORECASTING PROCESSES?

Svilena Tzekova | Senior Manager, KPMG Financial Management

Back in 2013, I wrote an article declaring the imminent extinction of the corporate budget, making way for rolling forecasts. Two years on and through my client work and reflecting on this survey, I am starting to reconsider. Yes, both budgeting and forecasting have a role to play in helping a business deliver its promise to shareholders. However, the role of budgeting and forecasting seems to have meshed in the corporate mind, resulting in disproportionate effort, unclear accountability and unhelpful behaviour.

First of all we should articulate the distinction. A budget draws a static line in the sand, reflecting what an organisation thinks is achievable based on available knowledge and series of assumptions made a number of months before the start of the financial year. Sixty two percent of the survey’s respondents said this was the case in their organisation. By contrast, quarterly forecasts are a dynamic tool to bridge the performance gap in light of the actual market dynamics.

It is clear to me that in today’s unpredictable markets, quarterly forecasts give businesses far greater agility and flexibility necessary to thrive. I would question whether survey respondents are clear on this point and how they can use budgeting and forecasting – and the vast amount of data they generate – to the business’s advantage.

On the one hand, I am heartened to see 69 percent of those polled expect the traditional budgeting process to be transformed into rolling forecasting within five years (Q10). This resonates with my earlier thinking on the extinction of the budget. However, 66 percent also believe forecasting will become highly automated with little manual intervention.

This is where I think the role of forecasting as an enabler of decision making is lost upon respondents. Forecasts become just another report that our hugely automated systems throw at us, another set of figures to explain.

And as the survey highlighted, the budget process also has worrying flaws in many organisations. Half said they felt their budget was a politically-agreed number, used by individuals and teams to meet their own performance objectives. Few truly acknowledge the real purpose of the budgeting process.

So where does this leave us, and what is our role as Finance professionals? I believe it is the job of Finance to demonstrate the different roles and values that budgeting and forecasting processes can bring.

Finance can achieve this by the tone it sets at review meetings, by the rigour it deploys when reviewing the output and by challenging the assumptions made by the business. That will elevate Finance to being a true partner to the business, not just a back office function running a process.
KEY ACTIONS TO CREATE THE RIGHT ORGANISATIONAL CULTURE AND WAYS OF WORKING

FOCUS ON TOP-DOWN AND BOTTOM-UP
The CFO must continuously work across the enterprise to ensure senior executives do not politicise the budget process or agree figures autocratically.

BE CLEAR ON DECISION-MAKING
The ‘who does what’ in the PBF process is a critical challenge to get right, particularly in large enterprises with matrixed reporting lines.
Clear decision-making authorities and roles help avoid duplication and ensure appropriate relevant stakeholder buy-in.

MAKE THE BUSINESS ACCOUNTABLE
The PBF process must be owned by the business and supported by Finance to ensure integration and a genuine sense of ownership across the enterprise.

INCENTIVISE Appropriately
Executives should be incentivised for performance against targets that have been flexed to take account of external and internal changes in outlook rather than meeting planned, negotiated targets.
The true purpose of the PBF process is to support the enterprise strategy through planned initiatives, budgeted resource allocation and rolling forecasts to continuously test the extent to which changes in the environment are impacting the capacity of the business to meet objectives. Yet too often the PBF process are disjointed and discrete activities, seen as being driven by the Finance function without meaningful input from across the enterprise.

62 PERCENT OF RESPONDENTS AGREED THAT BUDGETS ARE SIMPLY A ‘POINT IN TIME’ VIEW AND DON’T REFLECT WHAT IS HAPPENING EXTERNALLY IN THE MARKET

To change the status quo organisations need to bring financial and operational planning closer together, creating a truly integrated business planning process rather than discrete, functional-based activities. This becomes even more imperative with the current demand for greater agility in planning, as well as quicker and more accurate decisions across the organisation.

Budgeting is one example where there is currently very little integration between Finance and other functions, resulting in output that has limited use for the enterprise. In this study 62 percent of respondents agreed that budgets are simply a ‘point in time’ view and don’t reflect what is happening externally in the market, and 56 percent agreed that at some point during the year, the budget ceased to be relevant. Yet over 1/3 of respondents suggested their enterprises were still not utilising rolling forecasts.

The true value of the PBF output fundamentally depends on the quality of its most important raw ingredient: data. However this study confirms that poor quality data continues to compromise the effectiveness of many planning, budgeting and forecasting processes.

The PBF process remains inefficient because organisations are not using the most relevant data for the enterprise. Finance functions continue to over-report against a proliferation of business indicators, few, if any, of which are genuine strategic Key Performance Indicators (KPIs). Since these KPIs will be aligned to business strategy, using them as a map to structure data will result in a data structure aligned to the value drivers of the business. That increases the likelihood that the organisation will be using data to enable effective decision-making.

Too many organisations continue to focus primarily on internal data at the core of the PBF process. Almost one third of respondents to this survey suggest external data was either not used in the forecasting process, or its application had limited use, yet 84 percent of respondents believe the incorporation of external data results in significant improvements to forecasting accuracy. The quality of data was identified as the key impediment to the use of external data in the planning process, and the prevalent barrier to the use of data analytics.

Technology is often seen as the solution to all data problems, however it only delivers if the right data is available at the right time at a sufficient level of quality. Automation of data analytics is often viewed as a way to achieve cost reductions within Enterprise Performance Management, just as it did with transactional Finance.

Q4 Increasing the extent to which forecasts incorporate external data would result in significant benefits in terms of forecasting accuracy

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<th>AGREE</th>
<th>STRONGLY AGREE</th>
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<tr>
<td>6%</td>
<td>16%</td>
<td>51%</td>
<td>33%</td>
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OVER 1/3 OF RESPONDENTS TO THE SURVEY WORK FOR ORGANISATIONS WHICH ARE STILL NOT USING ROLLING FORECASTS

OVER 2/3 OF RESPONDENTS AGREED THAT WITHIN 5 YEARS THE TRADITIONAL BUDGETING PROCESS WOULD BE TRANSFORMED INTO ROLLING FORECASTS

Q5 Which is the one biggest impediment to the effective and efficient use of external data in the planning process?

- Quality of the data (45%)
- Culture takes top-down decision regardless of what the data suggests (19%)
- Cost (9%)
- Data structures not compatible (8%)
- Volume of the data (6%)
- Perception that it has no benefit (5%)
- Technology landscape (5%)
- Don’t know (3%)
- Perception that it has no benefit (2%)

TODAY’S WINNERS ARE THOSE WITH THE MOST INSIGHTFUL GRASP OF THEIR DATA

Hayley Rocks | Senior Manager, KPMG Financial Management

The execution of business strategy through the PBF process is hampered by unreliable data. The challenges faced by organisations with regards to data quality is highlighted by the 45 percent of survey respondents who felt data quality was the single biggest impediment to the effective and efficient use of external data.

In my experience, poor quality data has resulted in Finance overriding numbers produced by Operations, and updating the business’s budgets and forecasts with projections based on intuition and experience. This kind of process produces a budget and forecast that the business does not feel they own.

I have seen previously-successful businesses fail as their environment becomes increasingly complex (through Big Data, global transactions, tax and regulatory change, for example). I believe this is because they continue to use poor quality data and, as a consequence, are making decisions based on insufficiently reliable information.

Companies will never make the game-changing decisions only using hard data. Senior executives should rightly value ‘unstructured data’ gained through conversation with peers, their own experience and in sampling the views of suppliers, consultants and customers. However, the opportunities presented by data and analytics will provide a competitive advantage to those who invest in it.

Of those surveyed, only 21 percent had PBF process that incorporated flexible data models that enable rapid analysis of changing variables. The changing and increasingly competitive business environment is creating new demands for the deployment of a planning process that is agile and can react to changing conditions.

For example, some big players in the Mining sector now have scenario models that feed changes in the price of a commodity into the PBF process. The ability to reduce copper production in one mine and ramp up coal output at another, in anticipation of price changes, will have optimised that company’s margin and given it a competitive advantage.

Data is the critical enabler of PBF. The added value that the business gets from a flexible, effective PBF process – one based on high-quality decision-making through solid data – makes the case for it clear. Finance can play a leading role in the change towards becoming a Data and Insight driven business.
However, the automation of analytics to provide performance insights requires organisations to take a much tougher journey, achieving a fundamental change of mindset on the way – to accept the idea that part of a traditionally manual strategic process can be automated.

At a time when organisations have more data than they have ever had before, both internal and external data quality is seen as the biggest impediment to the integration of external data and the use of data analytics in the PBF process.

Therefore, many organisations are missing out on the savings that can be achieved through automation of PBF and diminishing the potential competitive advantage and strategic importance of the PBF process. Where internal and external data are not effectively integrated into PBF, the result is that Big Data is seen as an impediment to an effective process rather than an opportunity.

The benefits of structuring and utilising more – and better – data sources are far-reaching. By structuring the data to align with strategic goals, organisations improve resource allocation and maximise the opportunity to achieve their strategy. Integrated external data improves forecast accuracy, supporting positive cashflow and asset utilisation.

The continued issue for organisations is proving the value of improved data against the combined cost of poor decision-making resulting from prevailing data structures and the cost of achieving successful transformation. The value of improved decision-making and allocation of resource is much more difficult for organisations to quantify than the short-term cost of achieving this. Meanwhile companies have been happier to invest in the automation of transactional finance because it provides more tangible results: reduced costs and a streamlined Finance organisation.

Q6: Which is the one biggest impediment to the effective and efficient use of data analytics in the planning process?

- Quality of the data: 31%
- Culture takes top-down decision regardless of what the data suggests: 17%
- Data structures not compatible: 13%
- Cost: 11%
- Volume of the data: 8%
- Perception that it has no benefit: 7%
- Don’t know: 5%

THE PLANNING BUDGETING AND FORECASTING PROCESS IS STILL TOO FINANCE CENTRIC

Nick Mountcastle | Director, KPMG Financial Management

Collaboration between Finance and the rest of the business is imperative in PBF. The fact that over three-quarters of our survey’s respondents agreed with this (Q1) was music to my ears. However, the reality within organisations is less harmonious. Evidently, Finance is still spending the most time on PBF and will be for a while yet. This responsibility needs to be shared with the business.

The PBF process presents one of few opportunities for organisations to reflect together on their market strategy and position, their challenges and opportunities. So it is a missed opportunity if only Finance carries this out in a darkened room, not least because Finance has long been positioned as scorekeepers by the business. Finance working alone on PBF will lead to a less accurate and credible reflection of the enterprise. That is not a welcome thought given investors’ aversions to surprises, especially profit warnings. Companies therefore need to reassure the market they can deliver on their promises.

I’m not saying Finance are incapable of adding value or accuracy to PBF. They already do. But the complexities of today’s markets – the speed of change, greater volatility and global nature – demands a more collaborative approach.

Lateral thinking from the business, including Strategy, Sales and Marketing, Procurement, and Manufacturing and Finance, must help produce more rounded budgets and forecasts.

All business areas are planning and forecasting to a greater or lesser extent every day. If Finance makes assumptions on their behalf, there is a good chance they will make more mistakes than a high-performing organisation can tolerate. There has been a missed investment opportunity in shared service centres, tools and processes within PBF. Organisations cannot afford to continue to under invest and lose value; now is the time to act.
KEY ACTIONS TO INTEGRATE THE PBF PROCESS LEVERAGING HIGH QUALITY DATA

ALIGN VALUE DRIVERS ON AN ENTERPRISE-WIDE BASIS
Review data structures and requirements to ensure the PBF process is built around data aligned to business value drivers which deliver the longer-term strategy.

AGREE CONSISTENT MEASURES OF SUCCESS
The enterprise needs to be clear on what constitutes success and failure when it comes to the planning, budgeting and forecasting process. Does meeting budget mean missed opportunity? How accurate is the forecasting process?

INSTIL BETTER DATA GOVERNANCE
Assign clear accountability for data across the enterprise and remove functional silo-based data ownership. This will drive clean, consistent and complete data around key identified processes and provide a ‘single version’ of the truth.

INCORPORATE EXTERNAL DATA WHERE APPROPRIATE
Data on consumer demand, supplier information, government or economic data, and competitor information are all key. They should be fed, live, into the PBF process to drive accuracy, reliability and flexible scenario modeling.

UTILISE ROLLING FORECASTS
Monthly rolling forecasts (aligned to the business’s operating model) provide more up to date understanding of likely enterprise performance against strategic targets. This focuses management attention on the future rather than the past, and enables quicker decision-making and resource reallocation where forecast deviates from target.
The Finance function continues to struggle in a fragmented business technology landscape. Many current technologies are not agile enough or sufficiently adaptable to changing business models and events to support an effective planning, budgeting and forecasting process, and many enterprises remain locked in a spreadsheet world.

The first challenge is making the case for investment. Whilst many (36 percent) see investment in planning tools as a strategic value adding imperative, 41 percent of respondents to this study have not yet invested in a specific planning application.

**41 PERCENT OF RESPONDENTS HAVE NOT YET INVESTED IN A SPECIFIC PLANNING APPLICATION OUTSIDE OF EXCEL**

The emergence of new companies within enterprise wide technology solutions in the PBF tools space is driving the cost of ownership down against a backdrop of traditional players dominating the market. Tools are becoming more adaptable and no longer require end-to-end installation. Instead multiple data types, sources and structures can be integrated across all functions, utilising new and more dynamic tools. There is greater capacity to collate, analyse, model and report using large volumes of structured and unstructured internal and external data. By having the tools to interrogate, extrapolate and report with different data sets, the organisation can become much more effective in its PBF process.

Investment in new PBF technologies should bring several benefits. The Finance function (and the wider enterprise) needs to better understand the opportunities presented by new planning, budgeting and forecasting tools coming to market; in order to drive an enterprise-wide collaborative approach to value creation and goal achievement.

As technology improves, enterprises will move away from the traditional approach of static reporting – i.e. describing what has happened against targets – and start to focus on accurate prediction of the future, with a resulting impact on organisational culture. Tools incorporating predictive and even prescriptive analytics will support the automation of this enhanced process.
Predictive analytics tools use data to predict opportunities factoring in risks in the interests of accuracy and more informed and timely decision-making. These tools have been available for many years, however they are not utilised by the vast majority of organisations to their full potential.

Prescriptive analytics tools go further to predict future opportunities and risks, and then prescribe a recommended action to take. The tools continue to learn by recording the action taken and the subsequent outcome of the action, to provide improved insight when a similar situation occurs.

However, this study suggests the application of analytical techniques and scenario modelling in the PBF process remains embryonic. Only a minority of respondents (21 percent) agreed that their current planning, budgeting and forecasting processes incorporated sufficiently flexible scenario modelling capabilities, and 13 percent suggested only basic sensitivity analysis was ever used.

**ONLY 21 PERCENT OF RESPONDENTS AGREED THAT THE PLANNING, BUDGETING AND FORECASTING PROCESS INCORPORATED SUFFICIENTLY FLEXIBLE DATA MODELLING CAPABILITIES**
New software tools also offer enhanced visibility of performance across the organisation. Through high visibility real-time dashboards, it’s easier to drive accountability on key performance targets across the enterprise. The tools can help deliver more controlled self-service budgeting and forecasting responsibilities into line operations, and everyone can view the core assumptions on which budgets and forecasts are based. Control is improved because less reliance is placed on manual reconciliations and data input, and core PBF process is managed more effectively, thanks to workflow and greater automation functionality. Looking to the future, two thirds of respondents suggested that forecasting would be highly automated, driven by enterprise-wide use of analytics software, with little manual intervention.

With growing interest in software-as-a-service solutions and a plethora of cloud-based and reasonably low-cost solutions, the opportunities to bring new technologies to improve processes are significant. Yet this study suggests newer technologies continue to be viewed with a degree of trepidation.

More than half of people surveyed did not know or disagreed that there are cloud solutions which can enable the PBF process end-to-end adequately. This is in contradiction to many technology experts that believe these technologies are the future for enterprise PBF tools.

60 percent either did not know or felt that cloud solutions were not secure enough to hold the information to use for planning, budgeting and forecasting processes. Due to the technologies being relatively new in terms of PBF transformations, it may only require a select few early adopters to embrace the cloud before it begins to transform the face of the PBF technology landscape across organisations in every market place.

Additionally, the research shows it is not necessarily only functionality which concerns people about cloud technology. 60 percent either did not know about cloud or felt it was not secure enough to hold information used for PBF. As processes span the enterprise and sensitive market data is used, this survey result shows how the security concern impacts the decision to adopt the cloud, even by those who know the benefits of additional functionality it can bring. This concern must be addressed if the predicted mass adoption of cloud solutions is to happen. Many seem to be waiting for a few forward-thinking companies to prove the benefits of cloud in PBF before the domino effect can occur.
OLD HABITS DIE HARD IN PLANNING TECHNOLOGY

Morris Treadway | EPM Centre of Excellence Lead, KPMG Global

While it might shock you that 41 percent of the survey’s respondents have not invested in proper planning technology (Q18), it is not a complete surprise to me. Planning – in its various forms – is an organisation-wide activity and as a consequence, many organisations find it difficult to identify a single executive owner. This can make getting the business’s approval for applications a challenge.

The tide is turning however. Over the past three to five years, we have seen significant innovation in PBF tools. These include dynamic Cloud solutions, device agnostic mobility enablement, and integration with real-time analytics and predictive models.

There has been a noticeable uptake of these solutions from many sectors and, as evident from the survey, the majority are seeing strategic benefits from doing so (Q8).

But we cannot ignore the fact that over a quarter of survey respondents are disappointed with their investment (Q7). At the risk of sounding presumptuous, I believe the technology itself is probably not the reason why.

I would be interested to know how many organisations change their planning processes and skills upon implementing these solutions.

Replicating historical and spreadsheet driven budgets in new dynamic tools adds to complexity and performance related issues. It limits the value an organisation derives from driver-based planning to improve forecasting accuracy, and it stops organisations feeling like they own and are accountable for plans and actions.

This latter point is critical. While PBF has traditionally been a Finance-owned process, if Business and Operational Planning is not integrated with the financial processes, then the result is a budget that no one believes or supports.

Effective PBF should help to execute and align business strategies across, and down, the enterprise. A company can only do this with buy in from Operations and other departments and without it, Finance will struggle to gain the insights and perspectives that it needs to align PBF with the goals and strategy of the whole firm. Seventy seven percent of survey respondents believe PBF should be done jointly between Operations and Finance. Yet it is hard to believe that most are doing this in practice Q7.

In my view, the common theme - or issue - here is culture. Unfortunately old habits tend to die hard in planning. I hope as more companies opt for new, innovative planning solutions, CFOs will realise that ‘cultural integration’ is the secret of successful implementation.
Finance has always been protective of its data. With good reason. Given the sensitivities surrounding financial results – both historic and forward looking – it has always guarded this information with a ring of steel. So the thought of putting this information into the Cloud can be viewed as somewhere between scary and downright reckless.

In my view, the idea that no financial data can ever be put into the Cloud is largely unwarranted. While “the Cloud” is a much-used phrase, it is hugely misunderstood. In reality, it should offer the same, if not more, security than some internal IT controls. And the fact that “our data is on someone else’s servers” is no different to it being hosted in a data centre run by a third-party provider.

It was little surprise that Cloud-related questions in this survey received so many “don’t knows”. Software vendors and businesses implementing technology are clearly not doing enough to inform companies about its benefits, nor allaying misconceptions and fears.

In my view, the Cloud is probably the single biggest advancement in PBF technology. Its low cost of ownership, managed upgrade paths, other IT efficiencies, and CAPEX friendly nature, are all winning pitches, but its real USP is accessibility. The monthly Opex fee, which includes business support, licencing and renewals, back-ups and upgrades is far more cost effective than longstanding PBF tools.

The ability to quickly deploy a real-time PBF process (not just technology) across the whole organisation can help Sales, HR and Operations collaborate better. It should also improve the quality of information (Q5) through a single process and greater ownership of the numbers.

While the survey shows Cloud adoption in Finance is still in its infancy, it has been encouraging to see that the market in Cloud-based planning tools is growing. Their lower cost of ownership has meant that middle-market companies, not just larger organisations, can now afford to deploy more efficient PBF process. There is now little excuse, and nothing to gain, from companies conducting their PBF activities using manual processes.

I expect the Cloud PBF market to continue to grow as more and more see the competitive advantage it offers.
KEY ACTIONS TO DEPLOY EFFECTIVE AND SCALABLE TECHNOLOGY SOLUTIONS

BE FAMILIAR WITH EVOLVING PBF TECHNOLOGY MARKET WHERE TANGIBLE BENEFITS CAN BE DELIVERED

With new entrants to market competing with traditional providers, software costs continue to fall and new functionalities continue to improve. The enterprise needs to continuously monitor the external marketplace.

UNDERSTAND TECHNOLOGY IS AN ENABLER, NOT A FIX

Technology enables a lot of benefits, such as providing an enterprise-wide reach and the automation of specific processes/reporting. Data integrity and underlying process issues must be addressed first.

BE CLEAR ON THE CASE FOR INVESTMENT

Organisations need to know if the business case is efficiency, effectiveness or both. The business case needs to enable benefits tracking e.g. maximising resource utilisation through better allocation; automation enabling cost reduction.

ACHIEVE COMPETITIVE ADVANTAGE

Organisations need to be able to react first to risks and opportunities in the market which can offer competitive advantage. Current tools enabling vast scenario modelling, predictive and prescriptive analytics are not currently utilised to their full potential.
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