



The Future of Planning, Budgeting and Forecasting

Survey 2016

*Insights from the FSN
Modern Finance Forum
on LinkedIn*

FSN[®]
The Modern Finance Forum

IBM[®]

Executive Summary

Planning, budgeting and forecasting (PBF) is one of the only corners of finance where the future is as important as the present, and it plays a crucial role in underpinning the outlook and direction of the business. As the entire finance function goes through a seismic evolution, the planning, budgeting and forecasting role is also in a state of flux

The changes within PBF are evident. Technology has enabled more stakeholders to participate in the process, advanced software has expanded the complexity and scope of forecasts, and finance professionals are rebalancing their skills as the requirements of their job changes before them.

But the PBF journey is only just beginning. This survey identified several instances where the function has not reached its potential to contribute fully to the future of the business. For example, the benefits of non-financial data have been widely overlooked, dedicated FP&A capability is still in its infancy, cloud deployment has been patchy and larger more complex models are not necessarily delivering commensurately more benefit.



Non-financial data holds impressive latent potential

The survey revealed that the most pronounced shortcoming is in the dearth of non-financial data being used in planning, budgeting and forecasting, despite non-financial data being a crucial component of improved outcomes. By any measure, organizations that draw on this rich seam of corporate intelligence perform better, and generate more accurate, faster forecasts and plans. As a result, these plans are more widely appreciated and accepted within the business giving rise to higher levels of trust and confidence.

Yet despite the obvious benefits of leveraging non-financial data to provide a more well-rounded corporate view of the future, finance professionals put very little emphasis on it, preferring to focus on traditional “lagging” financial measures. Non-financial measures languish at the bottom of the CFO’s list of top 5 priorities for enhancing the planning process.

Figure 1: CFOs rank the importance of non-financial data capture as their lowest priority.



FP&A in the ascendency

One of the surprise findings of the survey was the markedly different perspectives of specialist FP&A professionals compared to their more 'generalist' colleagues in the finance function.

FP&A professionals see the need for specialisation so that finance professionals can make the fullest contribution to the strategic direction of their organisations. The survey detects a degree of frustration and, for example, FP&A professionals are seeking their own separate identity within their organization. They also firmly believe that the existing professional bodies are failing to provide the skills and resources needed for the future.

In broad terms FP&A professionals seem to be more tech-savvy and are more inclined to invest in technology than their contemporaries. They are also more likely to stretch the boundaries of business modelling by placing greater store by computer simulation and scenario planning – techniques which they believe can deliver deeper and more telling insights.

Cloud progress is very worthwhile but patchy

It seems that few organizations have reached what this report calls cloud "Utopia", i.e. implementing a single shared business model across the enterprise in the cloud, from a single vendor and with all relevant stakeholders connected. In the main, those that have migrated to the cloud appear to have replicated the limitations of the processes they had on-premise, with partial implementations in the cloud and different business models in different parts of the business.

Yet despite the incompleteness of implementation this report records tangible benefits to using cloud software, not least the speed, collaboration and complex data analysis possible to facilitate effective planning, budgeting and forecasting. But there is much more that can be achieved if cloud implementation is coupled with an in-depth overhaul of PBF processes and business modelling. This could truly transform the PBF process.

On the other hand, organisations that haven't yet started the cloud journey are struggling to improve their visibility. Over half of all organisations are unable to forecast beyond six months.

73% percent of organizations have reported a move to a culture of continuous planning over the last 3 years.

Continuous planning is on the rise

Growing business uncertainty coupled with an inability to look out much beyond a six-month time horizon raises considerable concerns for the accuracy and integrity of business planning. The only way around this is to reforecast more frequently and indeed 73% percent of organizations have reported a move to a culture of continuous planning over the last 3 years.

Organizations that have embraced this mode of working are seen to reforecast more quickly and accurately and are therefore in better position to respond to market change. They also tend to leverage non-financial data more effectively and involve more stakeholders.

Continuous planning is an increasingly important tool in the PBF arsenal, and organisations that haven't yet evolved their budget process from the traditional annual plan, run the risk of falling behind competitors with a more agile view of the future.

Technology is less of a limitation

Technology has enabled enormous strides in PBF which means it is now feasible to build much more granular and complex business models that involve a greater number of participants and stakeholders in the planning process. But adding stakeholders or producing bigger models doesn't always equate to better outcomes. Without the right stakeholders, the best use of data and a sophisticated approach to modelling, PBF practitioners achieve little better than their less inclusive counterparts. For example, 38% of businesses get within plus or minus 5% of forecasts whether they reported more stakeholder engagement or not. The key to better accuracy appears to be involving the 'right' stakeholders, yet almost 25% of businesses fail to engage with stakeholders outside of the finance function.

Planning, budgeting and forecasting has a substantial contribution to make to both the finance function and the executive function. With a shift in perspective and a boost to resources, the future will become much clearer.

IBM Solution

In an environment where heightened volatility, uncertainty and risk are part of the normal course of business, FP&A teams need to rethink, redesign and retool planning, analysis and forecasting to help the business drive profitable growth and adapt to risk. IBM solutions for planning, budgeting and forecasting enable FP&A professionals to measure and monitor performance through interactive, self-service dashboards and visualizations, examine root-causes with high-fidelity analysis of dimensionally rich data, evaluate trends and make predictions automatically from internal or external data, perform rapid what-if scenario modelling and create timely, reliable plans and forecasts. With agile planning and exploratory analytics solutions in the cloud or on-premises from IBM, thousands of companies world-wide are steering business performance with greater speed, agility and foresight.

25% of businesses fail to engage with stakeholders outside of the finance function.



Click [here](#) to download the full report.

The Future of Planning,
Budgeting and Forecasting

Survey 2016 Insights from the FSN
Modern Finance Forum
on LinkedIn

FSN
The Modern Finance Forum
© Copyright 2016 FSN Publishing Limited. All rights reserved.

IBM

ABOUT IBM

IBM analytic solutions for enterprise performance management deliver speed, agility and foresight to organizations of all sizes—from large-scale enterprises to small and midsize businesses. They help transform slow, disconnected processes into more dynamic, efficient and connected experiences. Finance, line-of-business and IT professionals alike can use IBM solutions to drive financial process efficiency, deliver stronger business foresight and steer business performance.

With flexible deployment options including cloud, on premises and hybrid, IBM enterprise performance management solutions enable organizations to:

- Replace rigid budgets with continuous planning and more frequent forecasting involving all the right participants.
- Create a dynamic, collaborative and reliable planning process across geographies, business units and functional silos to improve visibility into the impact of business drivers.
- Harness big data analytics to deliver deeper predictive insights and improve decision making.
- Track performance against corporate objectives to identify performance gaps and assess alternatives with “what-if” scenario modeling.
- Report with confidence to internal and external stakeholders.

Contact:

To request a call or to ask a question, go to www.ibm.com/analytics/contactus. An IBM representative will respond to your inquiry within two business days. For more information on IBM solutions, go to www.ibm.com/planning.



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 48,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk and www.fsnelite.com websites and regularly holds, networking dinners and events for its members.

Contact:

Gary Simon, CEO: gary.simon@fsn.co.uk

Michelle Fabian: michelle.fabian@fsn.co.uk

HQ Office in United Kingdom
Clarendon House
125, Shenley Road,
Borehamwood,
Herts, WD6 1AG

FSN[®]
The Modern Finance Forum

Switchboard: +44 (0)20 84452688

<https://fsnelite.com>

[The Modern Finance Forum LinkedIn](#)

<http://www.fsn.co.uk>

Disclaimer of Liability

© 2016 FSN Publishing Limited. All rights reserved. FSN is a registered trademark of FSN Publishing Limited (“FSN”). This publication may not be reproduced or distributed, in part or as a whole, in any form without FSN’s prior written permission. This report is exclusively for your personal use and cannot be shared outside your company, or via email, internet posting, social media or other external information storage & retrieval systems.

Whilst every attempt has been made to ensure that the information in this document is accurate and complete some typographical errors or technical inaccuracies may exist. This report is of a general nature and not intended to be specific to a particular set of circumstances. The report contains the views and opinions of FSN Publishing Limited and FSN Publishing Limited make no representations or warranties with respect to the accuracy or completeness of the contents of this report and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives, or written sales materials. FSN Publishing does not provide advisory services and no part of this research report should be construed or used as such. You should consult with a professional where appropriate. FSN Publishing Limited and the author shall not be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.