CFO
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Adaptive Insights

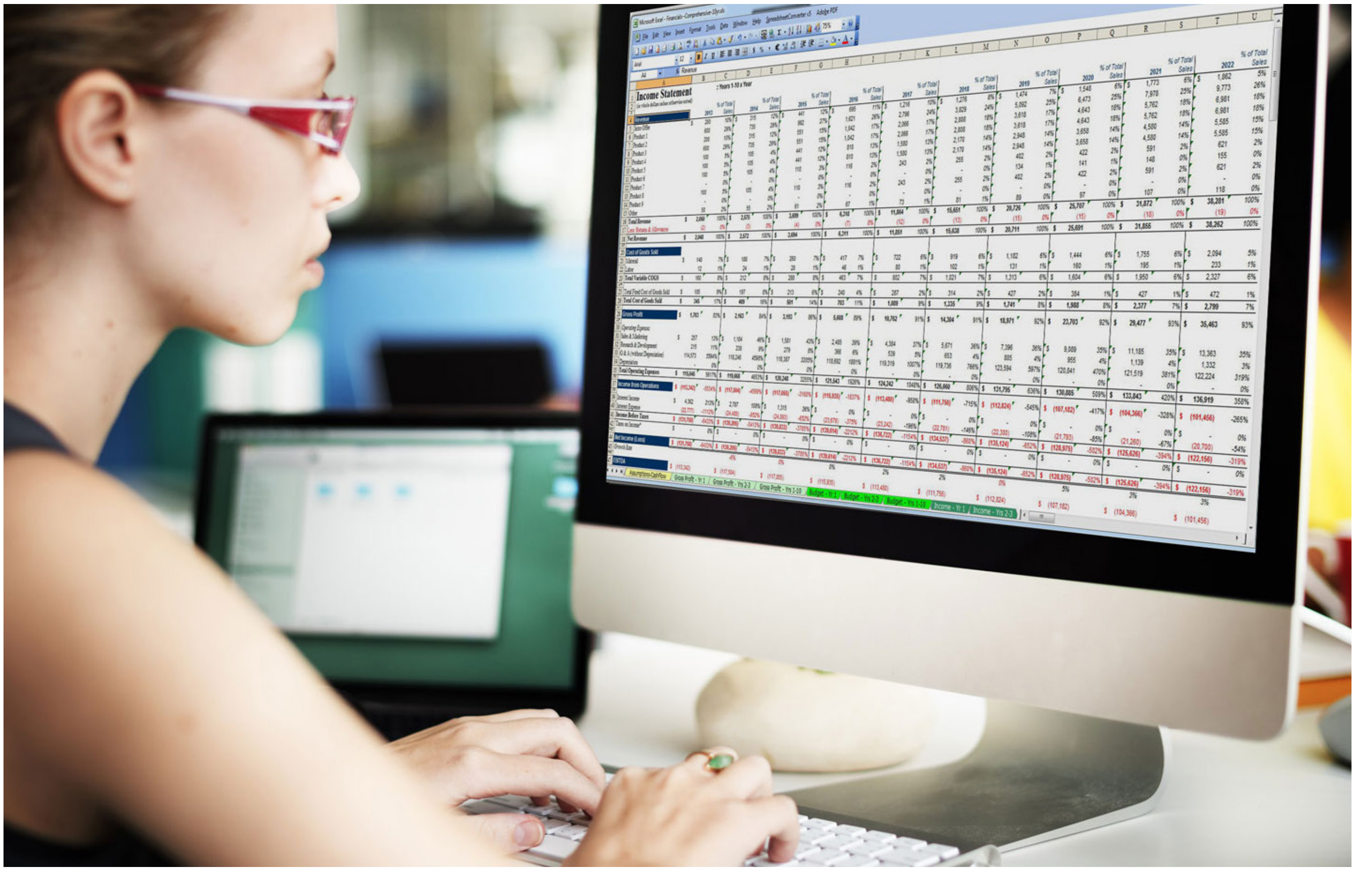
THE HIDDEN COSTS OF STATIC PLANNING THAT CFOs NEED TO KNOW NOW

The opportunity costs of obsolete planning processes are real and growing.

INTRODUCTION

As modern CFOs move beyond accounting to become business performance leaders, the awareness of missed opportunities caused by static planning processes has escalated. CFOs who fail to guide their companies with active planning processes are seeing negative impacts on their organizations' ability to capture profit and grow.

Reliance on spreadsheets and legacy on-premises applications constrain the organization to static planning. These legacy planning environments are inflexible and brittle, limit collaboration, and fail to deliver insights to drive decision making. Often, CFOs are not even aware of how manual processes such as the gathering and consolidating of data, repetitive,

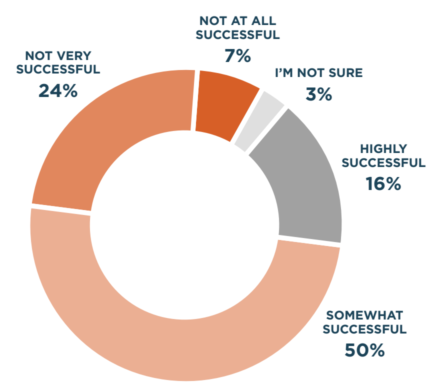


cumbersome email-based communication, and complex report creation put a drain on finance resources, one that keeps much of the finance team's time locked in low-value tasks. And while markets, revenue targets, and costs constantly move, static planning slows related planning and reporting and slows decision-making to a crawl—because leaders either don't have numbers they trust or don't have timely reporting and insights needed for decision making.

Opportunities to grow are exceedingly challenging in a highly competitive and increasingly global environment. Only 16% of respondents to a recent CFO Research survey characterized their corporate innovation efforts as highly successful. The success rate is low because getting the people, processes, and data all moving in the right direction can be difficult. To create value in all facets of the organization — sales, marketing, operations, and HR — everyone needs to be fully engaged with finance in the planning process.

A siloed, spreadsheet-based approach leaves workers in the dark and inclusive, business planning out of sight. Stakeholders don't know where

HOW WOULD YOU CHARACTERIZE YOUR COMPANY IN TERMS OF HOW SUCCESSFUL IT IS AT INNOVATION?



Source: The Finance Function's Role in Managing Innovation, *CFO Research* they are falling short, and they can't manage what they can't see. While static planning functions on a rigid schedule (e.g. monthly), business operations are incredibly fluid. No business leader should be forced to wait until the month-end report is generated to make a decision. Finance's inability to provide insights on a timely basis hampers good decision making across the organization.

However, visionary organizations are opening their eyes to a more effective and efficient way to plan — active planning. Companies that adopt an active planning process are better prepared for change, they can identify and strike at opportunities for growth, and they can operate more efficiently. Active planning is collaborative — so you can plan as a team. It's comprehensive with fully linked plans informed by insights from data and users. Lastly, it's continuous — so you can rapidly adapt to change. Instead of complex legacy applications and hordes of spreadsheets strewn across the organization, they leverage cloud-based planning solutions. Enterprise Performance Management (EPM) solutions that integrate planning with source ERP, CRM, HR, and payroll systems for transactional data offer a single version of the truth to foster a culture of planning built on trust and real-time data.

This eBook includes:

- The opportunity costs and challenges of static planning have recently become so great that companies are seeking alternatives to legacy on-premise systems and spreadsheets;

- How static planning can harm your company in the short term — by inordinately tying up resources and damaging credibility with errors — which in turn stifles long-term objectives of growth and productivity;

- Why a lack of collaboration between finance and business stakeholders hampers the move to results-driven planning and decision making, and dooming finance teams to support gut-based and reactive decision making; and

- How an active planning approach can unleash the true potential of the finance team and broader organization and engage all stakeholders in a culture of planning.

THE SLOW AND INEFFICIENT PROCESS OF PLANNING VIA STATIC PLANNING

It takes an average of 77 days to complete annual budgets — according to the *Association of Financial Professionals Benchmarking Survey* — an unacceptable time frame that is often caused by static planning processes.

Even with this long and unproductive cycle, there is still a huge reliance on spreadsheets for planning. Legacy, on-premises planning applications are so limited that the business planners eventually resort to spreadsheets to plan. In fact, seven in ten (71%) organizations depend on spreadsheets for collecting data across the majority of their businesses, according to the FSN Publishing's 2017 *The Future of Financial Reporting* survey.

In many organizations, the planning process involves distributing spreadsheets manually, usually by email, to various department leaders and having them fill in and return relevant information. This can be a recipe for disaster, as there is no version control, errors are easily introduced, and a lot of rekeying and massaging of data is required.

"You have highly skilled finance professionals who are spending 80% of their time gathering data, validating and reconciling data, and formatting data," said Maneesh Chhabra, Director, Value Engineering and Enterprise Marketing, Adaptive Insights, a recognized leader in cloud EPM. "It can take organizations weeks to pull together period end variance reports or do forecasts, and that is too long. Information isn't like fine wine. It doesn't get better with age."

Spreadsheets are not designed as collaborative tools, leaving many companies with "islands of planning," according to Sean Rollings, VP, Product Marketing, Adaptive Insights. "Everyone is doing things in their own way, using spreadsheets as a security blanket in the absence of collaborative, easy-to-use planning tools."

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HOW STATIC PLANNING IMPEDES PROGRESS

Static planning can hamper a company's ability to meet short-range objectives as well as impede advancement toward fulfilling long-term strategic goals.

Static planning consumes resources with tasks that are mundane and don't add value, which often drag down the basic processes of assembling a monthly, quarterly, or yearly plan. Planning should be strategic, but most view it as drudgery. Let's face it, few finance team members entering the profession relish the role of "data gatherer and spreadsheet jockey."

"In the short term, static planning ties up capacity in FP&A and other operational areas," Rollings said. "They aren't working on planning collaboratively and performing strategic analysis that will further the business, and that is a bad place for a planner or analyst to be."

In addition, Rollings noted that many companies rush to meet deadlines without proper analysis or quality control. "The challenge is that it takes so long to plan, that when things start to drag, there is a tendency to rush to get the report done before the end of the period, which increases error risk and can compromise quality and limit the strategic value to the organization."

Static planning can also have a swift and significant impact on shareholder value. "If you don't have accurate, actionable information about sales, then your inventory levels will be off," said Sanjay Sehgal, Principal, KPMG LLP. That puts a company in an immediate bind — either they are carrying too much inventory and unnecessarily locking up their capital, or they are missing sales due to a lack of product.

When you take an extended view of the harm that static planning can do to an organization, the picture gets even bleaker. Static planning leaves companies unable to adapt to changes in the marketplace and consumer demand, putting them far behind more agile competitors.

According to KPMG's *Planning, Budgets & Forecasting: An Eye on the Future* report, 62% of respondents agreed that budgets are simply a "point in time" view and don't reflect what is happening externally in the market. In addition, 56% agreed that at some point during the year, the budget ceased to be relevant.

"Product development takes a year or two, and static planning renders you unable to make decisions about the future," Sehgal said.

The inability to adapt to change makes it nearly impossible to move the business forward or enter a new market with agility. "When your planning process is rigid, you can't pivot or shift gears to respond to a competitor or capitalize on a new area of activity," Rollings said. "Because the planning process is slow, sluggish, and reactive, business leaders find out too late if they have overspent budget or are losing market share."

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THE PERILS OF GUT-BASED DECISION MAKING

By failing to provide complete, accurate and timely data, finance professionals are compelling executives to rely on their instincts to make critical business decisions. While knowledge of the industry and the company are critical components of planning for the future, relying solely on instincts to make decisions is not a sustainable approach.

"When people lose faith in the data and the planning and reporting is not timely and relevant, there is a tendency to discard everything and make decisions by instinct," Chhabra said.

"A spreadsheet-based approach is not a collaborative way of sharing information," said Brian Kalish, Principal and Founder, Kalish Consulting. "They can't be used to share knowledge that ultimately leads to better, faster, smarter decisions."

When they are wary of the value of the data and the process, department heads can be hesitant to get fully engaged, and finance will end up driving the planning process on its own. This is a poor way to run a business, experts note. "If you have a strictly finance-led planning exercise, there is a real opportunity cost as you don't have a good handle on emerging trends that are six months or a year out, because finance doesn't run the business units," KPMG's Sehgal noted.

The respondents to the KPMG survey overwhelmingly agree, with 77% of those surveyed agreeing that planning, budgeting, and forecasting processes must be a partnership-based approach driven jointly by the business and finance that takes into account enterprise-wide risks. When business leaders are using their gut feeling, rather than data, to drive their decisions, it makes it difficult for finance to fulfill its mandate to act as a strategic partner.

Without the buy-in and collaboration from business leaders, decision making is reactive and there is a tendency to make across-the-board adjustments when performance is falling behind the plan, which is not a smart way to operate. "Without timely and granular insights into business performance, you end up using blunt tools to make changes, rather than surgical adjustments to the business with the precision of a scalpel," Chhabra said.

Therefore, it is no surprise that most CFOs feel that their team lacks the time and insights to engage and collaborate with the business stakeholders effectively. **In other words, static planning keeps finance's role tactical.**

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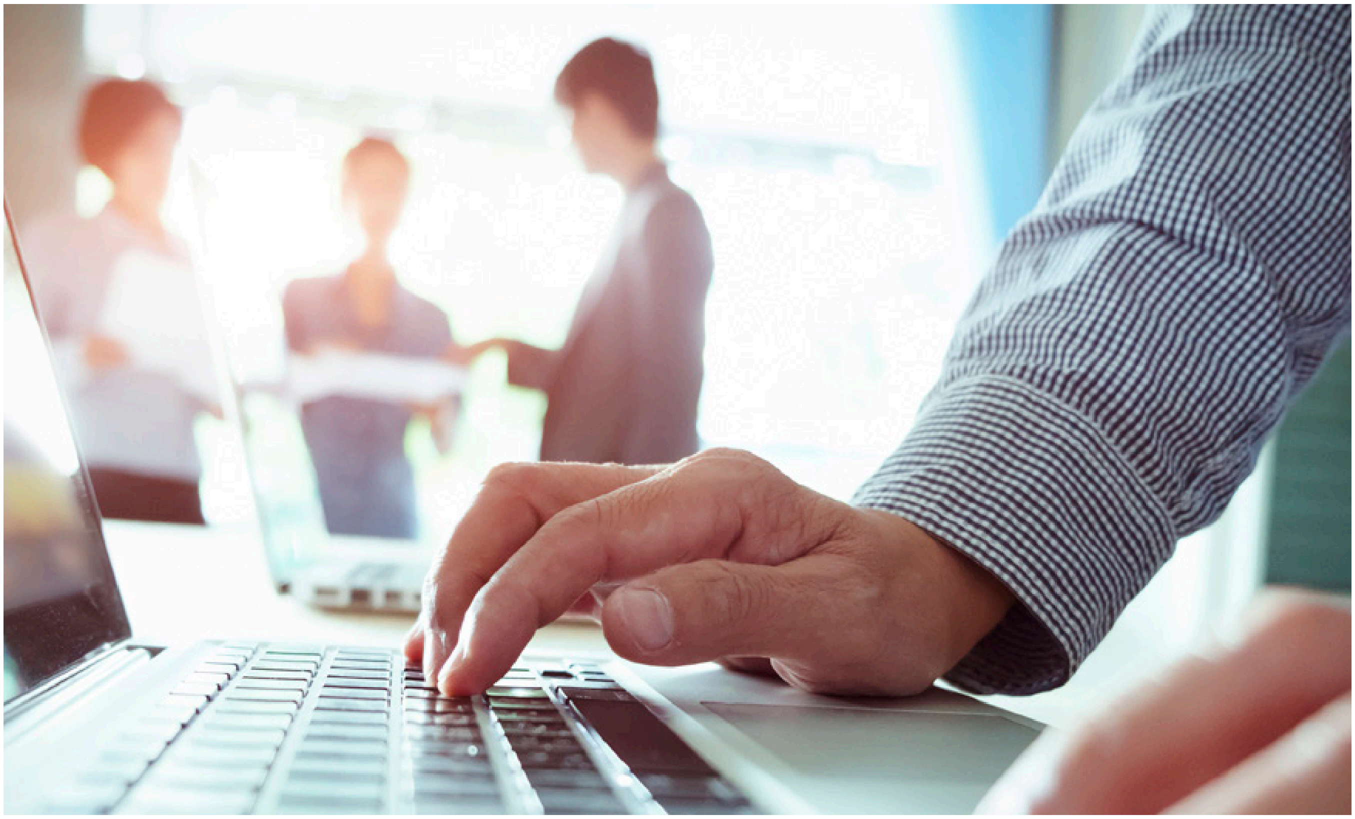
CONCLUSION: THE FUTURE OF PLANNING IS ACTIVE

Progressive finance organizations are recognizing that static planning will no longer suffice in a real-time, data-centric business environment. The days of building elaborate spreadsheets to forecast the business trajectory — only to put them away until the next planning cycle — are fading quickly, at least at companies that want to remain competitive.

A new active planning model is emerging, centered around cloud-based tools to build accurate planning models faster, reduce errors, foster



collaboration, and drive better decision-making. As a result, stakeholders are gaining greater trust in the data as they are more involved in the planning process and can track performance to the plan in real-time.

Leading finance organizations are using active planning to:

- Free up finance's time and capacity from low value-added work of data collection, validation and formatting
- Improve the accuracy and integrity of finance and accounting data, plans and reports
- Accelerate cycles times for critical finance processes like month-end close, operational reporting, planning and what-if analysis
- Enhance collaboration with business stakeholders

In short, these finance organizations are now leading with insights to drive business decisions and in the process elevating the role of finance to be more strategic.

Active planning requires a cultural shift, experts noted, but the rewards make it worth the effort. “It can be difficult to get people to move from the comfort of their familiar spreadsheets to cloud-based collaborative planning tools, but the change has to be led from the top,” Kalish said.

The key to successfully transitioning to an active planning model is thoughtful change management, where all parties understand the value of centralized planning tools and how they can contribute. “Everyone takes ownership and knows how they are expected to add value,” Adaptive Insights’ Rollings said. “The ability to do innovative planning and analytics and performance measurement will engage more people — including sales, marketing, operations, and HR — in the process of planning, moving away from the static models of the past.”

The true payoff of active planning is realized when everyone is working together on a continuously updated plan that incorporates fresh, valuable, and trusted data.

Key takeaways from this eBook include:

While spreadsheets and legacy on premises planning applications are familiar tools for the finance team, they aren’t necessarily the most effective methods for implementing a dynamic planning model that requires input from stakeholders across the organization.

- A static approach to planning hampers companies on many levels. Spreadsheet-based planning ties up valuable resources by asking them to gather, consolidate, and verify data, leaving little time for the data support and analysis.
- When business leaders become wary of the data or frustrated with a slow planning process, they will resort to instinct-based decision making, which can put the company at risk.
- A cloud-based active planning solution will support the collaboration, control, and real-time insights needed to compete in today’s fast-paced business climate.

ABOUT THE SPONSOR

Adaptive Insights is a recognized leader in cloud corporate performance management (CPM).

The company differentiates with easy, powerful, and fast software that empowers thousands of customers globally to drive business success. Finance teams use the Adaptive Suite to collaboratively plan and model, easily access real-time analytics, streamline financial reporting, and accelerate financial consolidation.

Adaptive Insights continues to be recognized for its leadership, innovation, and customer satisfaction. The company was named the best financial management solution of 2017 in the SIIA CODiE Awards and appeared on the *Forbes* 2017 Cloud 100 list, the definitive ranking of the world's top private cloud companies.

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