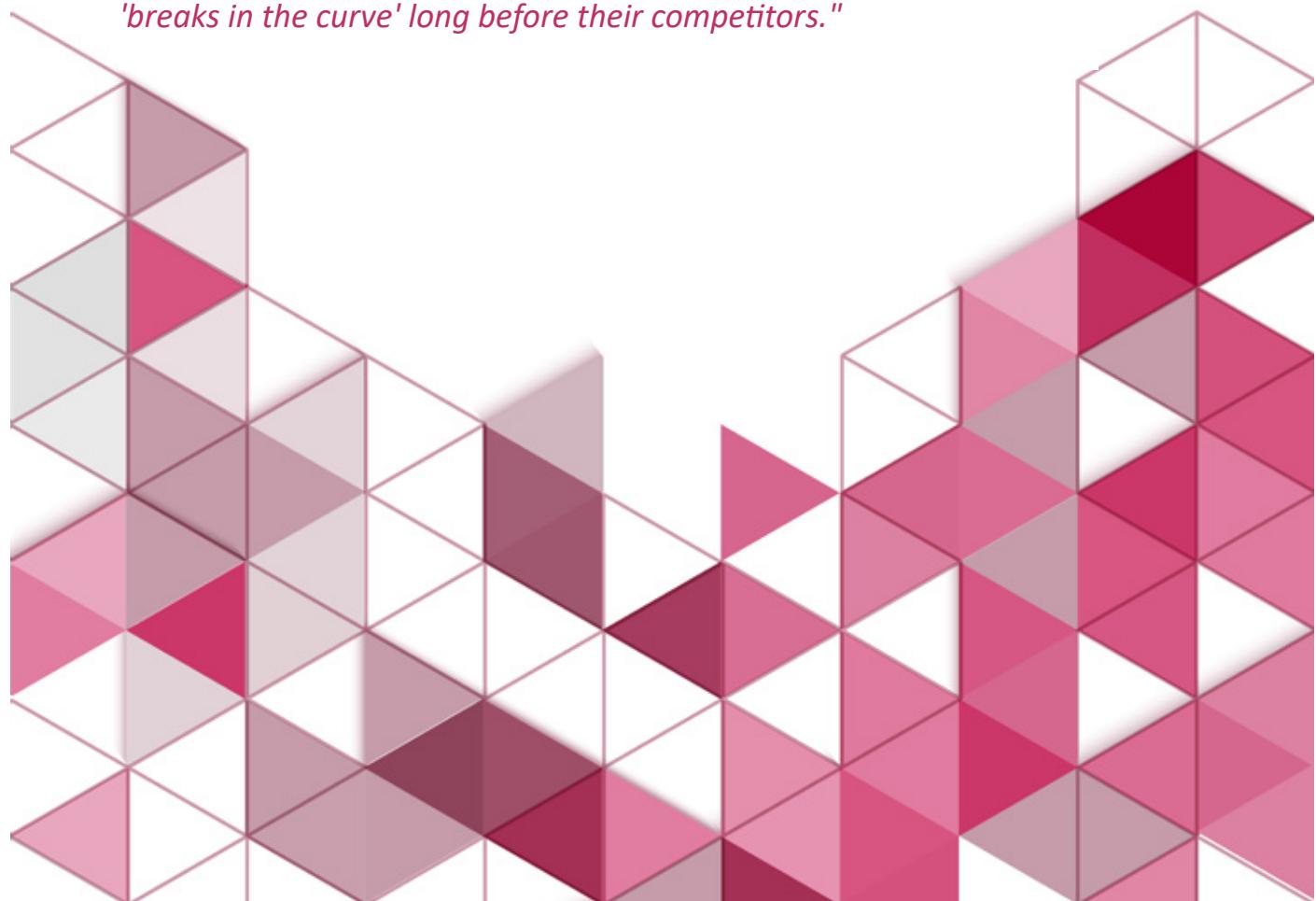


CFOs Who Ignore Continuous Planning May be Putting Their Business at Risk

"Rolling forecasts enable managers to see trends, patterns, and 'breaks in the curve' long before their competitors."



CFOs Who Ignore Continuous Planning May be Putting Their Business at Risk

73% of survey
respondents have reported a
move to continuous planning

The central plank of the planning, budgeting and forecasting cycle has historically been the annual budget. Preparations can start several months before it is due, data is sourced, forecasts are submitted and after intensive negotiations and discussions a budget is agreed, frequently forming the basis on which bonuses are paid and strategic decisions are made.

Unfortunately this process is entirely out-dated. Organizations, sectors and markets move increasingly quickly, and no sooner has the budget been agreed, than it is no longer relevant because the assumptions on which it is based have changed. Making decisions based on stale information can put businesses at risk of competitive pressure and the failure to respond timely to market changes.

To be fair, many CFOs are all too aware that annual budgets are archaic and ineffective in a competitive market, but not everyone has managed to evolve their planning, budgeting and forecasting programmes into something more effective.

Continuous Planning is the process of reforecasting a given time period on a regular or an adhoc basis in response to a significant economic or political event

It starts with the recognition that budgets or forecasts developed with the most up-to-date information will invariably provide the most accurate picture of the future. This means shortening the time between budget preparation and approval, and the climax of this approach is being able to budget, plan or forecast almost immediately, whenever assumptions or data changes.

Continuous planning is increasingly important in a volatile market. Over half of executives surveyed said their company could forecast no further than six months into the future. To alleviate this short-sightedness, companies are turning to continuous planning. 73% of respondents agreed or strongly agreed that they now have more of a culture of continuous planning.

Continuous planning improves agility and accuracy

The organizations that strongly agreed (16.7%) are one and a half times more likely to be able to reforecast within one week, and are almost four times more likely to be able to respond more quickly to market change.

The move to continuous planning also improves accuracy, with organizations being almost twice as likely to be able to forecast within 5% of earnings compared with companies that remain wedded to static forecasts.

Clear visibility from continuous planning also means organizations are three times more likely to report that the business as a whole has more confidence in the planning process.

Significantly, organizations which implement a continuous planning process are almost twice as likely to engage more stakeholders in the process and two times as likely to make more use of non-financial data.

It makes sense that when a company looks to improve their visibility they do so by including in their models and forecasts more of the data that they need to plan accurately. Non-financial data has already been shown to be crucial to the accuracy and horizon of the forecasting process, and organizations that have moved towards continuous planning are more likely to have recognised this. This implies they are further along the journey to future-proofing their planning, budgeting and forecasting process. Despite non-financial data use being the lowest ranked priority on the survey list, organizations that use continuous data have recognised the limitations of annual budgeting and the advantages of incorporating non-financial data into these rolling forecasts.



ABLE TO REFORECAST MORE
QUICKLY

1.5x

organizations that have moved to continuous planning are 1.5 times more likely to be able to reforecast within 1 week



ABLE TO RESPOND MORE
QUICKLY TO MARKET CHANGE

4x

organizations that have moved to continuous planning are 4 times as likely to be able to respond quickly to market change.



**ABLE TO FORECAST WITH
MORE ACCURACY**

1.7X

organizations that have moved to continuous planning are almost twice as likely to be able to forecast earnings between +/- 0-5%

With the added granularity of non-financial data, continuous planners are almost twice as likely to agree that they can now produce much larger and more complex models, with better visibility of the process for all users.

The annual budgeting process is slowly becoming obsolete, as organizations recognise the limitations of developing strategies based on out-of-date assumptions. But implementing a truly effective continuous planning process requires buy-in from all business functions, not just the finance core. If an organization is going to overhaul their planning and budgeting process, they must broaden the inputs to include non-financial data. This brings an accuracy and agility to forecasting that will adequately prepare organisations for their fast-paced future.

IBM Solution

With IBM solutions, FP&A teams create more timely, reliable driver-based, rolling forecasts to complement annual planning cycles with more regular business reviews that enable managers to see trends, patterns, and “breaks in the curve” long before their competitors, and thus make better informed decisions regarding products and markets. FP&A teams manage through continuous planning cycles, making rolling forecasts the primary management tool, and reporting on key metrics daily and weekly

CASE STUDY 4: IBM TM1 Speeds Up Time to Re-Forecast

With over 100 Microsoft Excel based cost centers, CAPEX and OPEX plans, managing labor and capital planning was a time consuming annual process that would not allow the company to move away from annual planning models to rolling-forecasts. In addition, the workflow approval process for new capital expenditures was tedious, and the tracking of existing assets was overly complicated. After deploying IBM TM1, the Finance team was able to increase the tempo of reporting and analysis, improving decision support and saving approximately 32 hours per month in forecast preparation time. – *California-based manufacturer of irrigation equipment and sprinkler systems*

The Finance team was able to increase the tempo of reporting and analysis... saving approximately 32 hours per month in forecast preparation time.

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



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



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.
