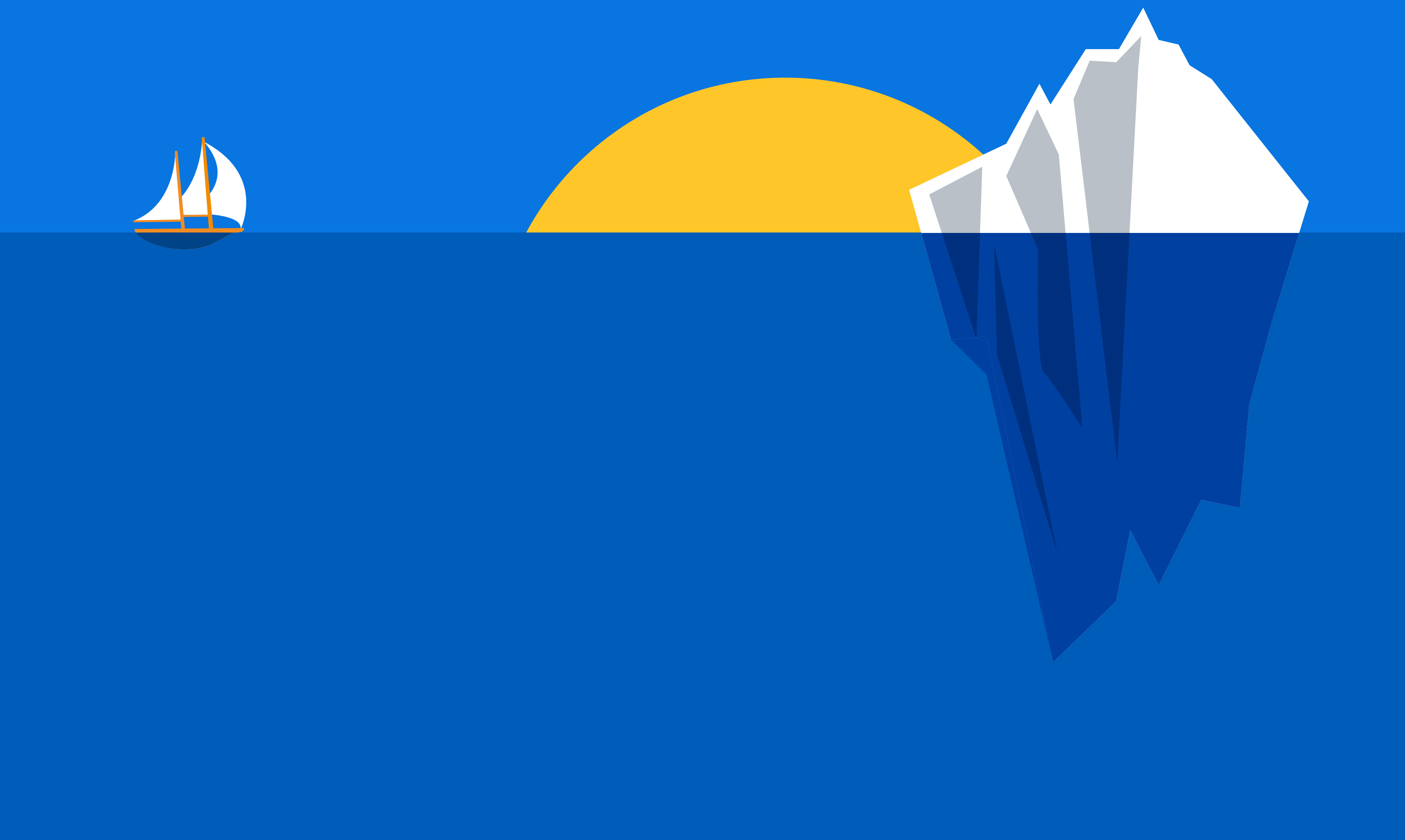
eBook

The Hidden Costs of Static Planning

The opportunity costs of obsolete planning processes that CFOs need to know now.



Introduction

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

An over-reliance on spreadsheets and legacy on-premises applications constrains the organization with static planning. These legacy planning environments are inflexible and brittle, prevent collaboration, and fail to deliver insights that drive decision-making.

Often, CFOs are not even aware of how manual processes such as the gathering and you consolidating of data, cumbersome email-based communication, and complex report creation put a strain on finance resources—one that keeps the finance team locked in low-value tasks. And while markets, revenue targets, and costs constantly move, static planning hinders related planning and reporting and slows decision-making to a crawl. Leaders either don't have numbers they trust or don't have the insights needed for agile decision-making.

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

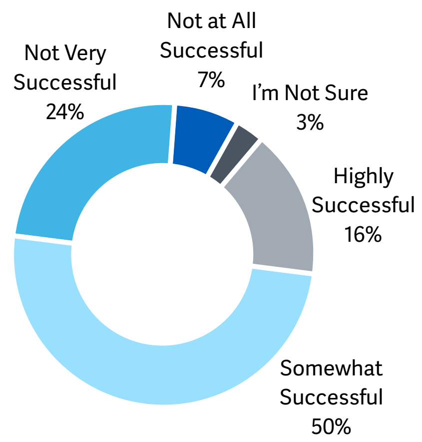
A siloed, spreadsheet-based approach leaves operational leaders in the dark and keeps business planning out of sight. Stakeholders don't know where they are falling short; they can't manage what they can't see. While static planning functions on a rigid schedule (e.g. monthly), business operations are incredibly fluid. No business leader should be forced to wait until the month-end report is generated to make a decision. A finance team's inability to provide insights in a timely manner hampers decision-making across the organization.

It's no wonder that forward-thinking 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 to identify and take advantage of growth opportunities and 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 end-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, competitive organizations leverage cloud-based planning solutions to respond proactively to an ever-changing marketplace. Enterprise Performance Management (EPM) solutions that integrate planning with source ERP, CRM, HR, and payroll systems offer a single version of the truth that fosters a culture of planning built on trust and real-time data.

This eBook addresses:

- Why the opportunity costs and challenges of static planning have become so great that companies are seeking alternatives to legacy on-premises systems and spreadsheets
- How static planning can harm your company in the short term by tying up resources, damaging data credibility, and stifling long-term growth and productivity
- Why a lack of collaboration hampers results-driven planning and decision-making, and dooms finance teams to support gut-based and reactive decision-makingHow an active planning approach can unleash the true potential of the organization and engage stakeholders in a culture of planning

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

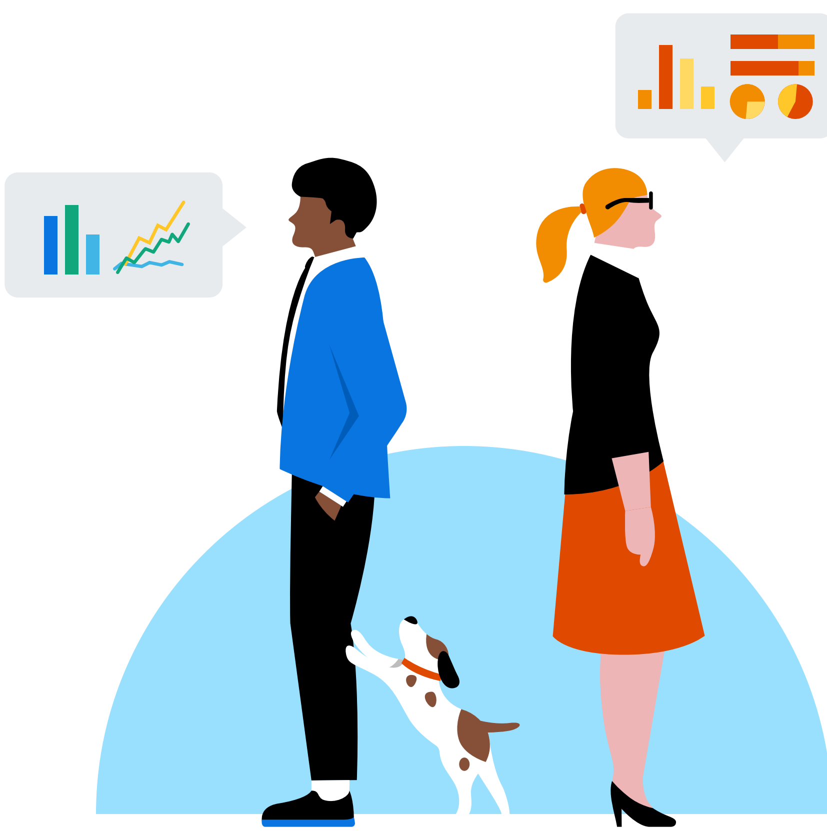
The slow and inefficient process of static planning

According to the Association of Financial Professionals, it takes an average of 77 days to complete annual budgets—an unacceptable timeframe that is often caused by static planning processes.

Even with this long and unproductive cycle, people still rely on spreadsheets for planning. In fact, seven in ten (71%) of surveyed organizations depend on spreadsheets for collecting data across the majority of their businesses, according to The Future of Financial Reporting survey.

In many organizations, the planning process requires 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, with little version control, significant errors, and a lot of rekeying and data massaging.

The fact is that spreadsheets are not designed as collaborative tools. Without an active planning platform, people tend to do things their own way—creating islands of planning.



How static planning impedes progress

Static planning can interfere with a company's ability to meet short-range objectives as well as long-term strategic goals.

Static planning consumes resources with mundane, low-value tasks that bog down the basic processes of assembling a monthly, quarterly, or yearly plan. It's no wonder that most view planning as drudgery rather than a strategic opportunity. 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, rushing decision-making and creating quality control problems. In the long-term it's even worse. Static planning keeps companies stuck—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, 62% of respondents agree that budgets are simply a "point in time" view and don't reflect what is happening externally in the market. In addition, 56% agree that at some point during the year, the budget ceases to be relevant.

The inability to adapt to change makes it nearly impossible to move the business forward or enter a new market with agility. When planning processes are rigid, shifting gears and pivoting in response to a competitor or new area of activity is nearly impossible. A planning process that is slow, sluggish, and reactive leaves business leaders in the dark, or scrambling with last-minute information.

For Pinsent Masons, spreadsheets were keeping the finance team stuck in tactics rather than strategy. After implementing a cloud-based EPM, that all changed.

> "With the time savings, ease of analysis, and the scale of consolidation achieved using Workday Adaptive Planning, we've gone from scorekeepers to strategic business advisors.
>
> **Andrew Brett**
> Financial Accounting Manager,
> Pinsent Masons

The perils of gut-based decision-making

By failing to provide complete, accurate, and timely data, finance professionals are inadvertently causing executives to rely on instincts for 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. And when people lose faith in the data and planning and reporting are not timely or relevant, it seriously undermines the credibility of those generating the numbers.

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 an inefficient way to run a business. When finance is the sole driver of planning and key stakeholders are inadvertently kept out of the data, it's likely that no one in the organization has a 360-degree view of trends and emerging markets. And collaboration? Highly unlikely.

Back to the KPMG survey. Of the CFOs surveyed, 77% agree that planning, budgeting, and forecasting processes must be a partnership-based approach. When business leaders are using gut feelings, rather than data to drive decisions, it makes it difficult for finance to fulfill its mandate to act as a strategic partner.

Without buy-in and collaboration from business leaders, there is a tendency to make across-the-board adjustments when performance is falling behind the plan—resulting in reactive versus proactive decision-making. Without timely and granular insights into business performance, businesses end up using blunt tools like spreadsheets to guide decisions, rather than the precision enabled by data-based insights.

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 rather than strategic.

For men's care brand Harry's, the ability to collaborate across the organization was a game-changer, turning finance into a strategic partner rather than a bottleneck.

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> Now that we're using Workday Adaptive Planning within our finance team, we're able to work more collaboratively and don't have any individual—whether it's me or someone else—acting as a bottleneck for our planning process.
>
> **Nathan Fox**
> Senior Director, FP&A and Treasury, Harry's

Conclusion: The future of planning is active

For Montclair University, the finance team realized that static planning—in the form of manual, tedious, and cumbersome reporting—was creating a barrier to agility. After turning to a cloud-based planning platform, they were able to more efficiently get decision-makers the information they needed to guide the university through a changing funding climate.

Forward-thinking finance organizations like the team at Montclair State University recognize that static planning will no longer suffice in a real-time, data-centric 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 stakeholders are more involved in the planning process, they're gaining greater trust in the data. Leading finance organizations are using active planning to:

- Free up finance time and capacity Improve the accuracy and integrity of finance and accounting data, plans, and reports
- Accelerate cycle times for critical finance processes like month-end close, operational reporting, planning, and what-if analysis
- Enhance collaboration with business stakeholders

“As a state university, we really have to be nimble with the changing tide that could happen quickly where our budget stands in line with the state's budget. [Now] we have those capabilities to create various models, including financial, planning, and of course reporting.

Brian Teets
Financial Systems Manager,
Montclair State University

In short, these finance organizations are 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, 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, and the change has to start at the top.

The key to successfully transitioning to an active planning model is thoughtful change management, wherein all parties understand the value of centralized planning tools and how they can contribute. When everyone takes ownership and knows how they are expected to add value, innovative planning, analytics, and performance measurement engages 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.

While spreadsheets and legacy on premises planning applications are familiar tools for the finance team, they aren't the most effective methods of implementing a dynamic planning model.

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 Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

To learn more, visit https://www.adaptiveplanning.com

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