Budgeting: Beyond spreadsheets

*Address the shortcomings of spreadsheets—while retaining the
Microsoft Excel interface*

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Abstract

Corporate planning, budgeting and forecasting, and the attendant reporting, can be a major factor in a company's success or failure. Yet, the annual budgeting process for most companies is hardly ideal. It usually involves investing a great deal of time in coordinating with line-of-business managers who typically see little benefit in the effort because the result is usually an outdated budget that has little practical effect on their business. Spreadsheets—the default tool for most organizations—and communication based primarily on email, create more problems.

However, with the IBM® Performance Management solution, leading companies are now automating these critical processes, creating more useful plans, budgets and forecasts, and getting faster reports and data to fuel the "what is" and "what if" scenarios and dynamic plans that organizations need to compete in today's unpredictable markets.

Overview

For most companies, regardless of size or industry, the corporate planning, budgeting, forecasting and reporting process presents a formidable challenge. Finance professionals and line-of-business managers alike often find budgeting to be burdensome, time-consuming and—worst of all—of little use in managing day-to-day operations or executing corporate strategy. Yet, most would like to believe that this process is also a crucial element of financial management and can be a major contributor to a company's overall success.

Companies that are able to overcome the budgeting obstacles and improve their processes are rewarded with more reliable budgets, more timely forecasts and re-forecasts, more informative reports and improved decision-making. This more disciplined financial management culture often delivers two other important results: optimized allocation of resources and a true competitive advantage.

How are leading companies improving their budgeting? By applying budgeting and forecasting best practices and supplementing their spreadsheet-based processes with new technologies, such as the IBM Performance Management solution.

Business problems

For a great many organizations, the annual budgeting process is fundamentally broken. It requires months to complete and, after investing a great deal of time in the process, line-of-business managers still lack the information they need to support their decision making. When finance centralizes the process, line-of-business managers may be slow to buy in or take accountability, and the plan loses credibility. And when the agonizing process is finally complete, the budget is already outdated.

So, rather than being a useful decision-making tool, the budget is a disconnected document that has little positive impact on a company's business.

At the heart of these broken processes are the underlying budgeting technologies, which in many companies are simply spreadsheets and email. Spreadsheets are ubiquitous. They are appealing because of their familiarity to finance professionals and other business users. But they are notoriously susceptible to errors and inaccuracies caused by data entry mistakes, broken formulas, unstable macros, manual cut-and-paste actions, multiple versions that are difficult to track and consolidate, and missed communications between key stakeholders.

Budgets vs. Black Swans

Traditional annual budgeting processes don't help corporations deal with the big surprises—the "black swans"—which are more common than we sometimes think, thanks to globalization. Was your enterprise affected by these recent black swans? If so, did your planning and budgeting systems help you cope?

- Worldwide fall in oil prices
- Instability in the Eurozone, with the possibility of one or more countries abandoning the common currency
- Growing frequency of extreme weather events

Break the logjam by elevating Excel

Organizations need a faster, more reliable way to pull together information from all functions and create plans and budgets that are timely and relevant. Only then can the budget serve as a source for the "what is" and "what if" scenarios critical to forecasting and anticipating future performance.

For companies facing these issues, the answer is clear—the IBM Performance Management solution. Available for on-premise or on-cloud deployment, this powerful solution is fully integrated and highly scalable for budgeting, forecasting, management reporting and analysis. It doesn't force you abandon the familiar Microsoft Excel interface. Instead, it enables and elevates Excel into an enterprise-class planning solution.

Using this solution, even companies with the most complex business models can simplify their processes. Operational and financial planning are integrated, providing greater visibility into resource requirements and future business performance. Contributors in different locations, business units and functions can participate in a single, secure planning environment with a unified and automated budgeting process—one that takes days, not months.

But automation is just the beginning. With the IBM Performance Management solution, you can:

- Create simple to complex business models that support budgeting and forecasting across business units
- Create, compare and evaluate business scenarios from the top down to the individual level (e.g., by cost center, product, sales channel, customer, or whatever factors drive your business)
- Examine conditions, drivers, rates and assumptions to help forecast future performance
- Conduct variance analysis with current actual data to assess performance
- Determine profitability by customer, product, sales channel or other factors
- Examine alternate scenarios and the potential results of changes in plans or forecasts
- Share reports and dashboards to encourage participation across the organization

This breaks the logjam of disjointed, spreadsheet-based planning and budgeting. You eliminate unproductive spreadsheet activities such as tracking down numbers, fixing broken links and debugging macros. And with more time available for analyzing the historical and the possible, your organization can capitalize on more participation, with greater accountability throughout the enterprise, timeframe-appropriate plans, a wider, deeper view of planning processes and increased predictability in business performance.

IBM Performance Management for Microsoft Excel

How do you overcome the limitations of spreadsheets without abandoning a familiar tool that nearly every business user knows? With IBM Performance Management for Microsoft Excel, you can explore and analyze data across versions (actual, budget, forecast or scenario) in a familiar spreadsheet format.
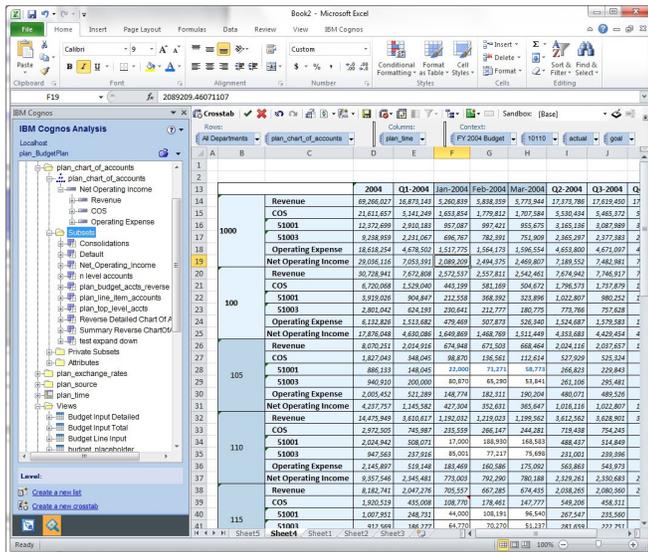

Figure 1: Users can drag and drop members from the datatree (shown on the left) into an Excel spreadsheet row or column and leverage all of the features of Excel.

How are you spending your budgeting time?

IBM surveys have found that companies can spend up to 40 percent of their budgeting time in data collection alone, which leaves far less time for iterative analysis, plan setting and approval cycles. That doesn't even count the process of probing, analyzing and understanding resource issues in key operational areas and processes, such as supply chain, sales, human resources (HR) or distribution.

Figure 2: Data collection and spreadsheet management often consume the majority of a financial analyst's time during the planning cycle.

Modeling built for business change

Cross-functional planning processes rely on complex logic and dependencies. Organizations need to create and deliver sophisticated linked models that accurately reflect their businesses in all their complexity and detail. And they would prefer to do so quickly and easily, in a finance-friendly environment that retains the Excel interface.

That's why, rather than forcing you into a solution that might not fit your business model, the IBM Performance Management solution adapts to your organization's environment—even as your business grows and changes. You can create your own business rules and structures and modify the models as the organization evolves—in minutes or hours, not weeks or months. In addition, you can import data definitions from sources such as enterprise resource planning (ERP) and general ledger (GL) systems to accelerate the process further.

Fewer process headaches, more value-added analysis

Automation allows more time for analysis, with features such as real-time data aggregation, spreading, slicing-and-dicing and drill-down, so you can explore data fully and efficiently. The flow of on-demand information enables flexible rolling forecasts and greater visibility into future operating performance.

The Excel interface (or a user-friendly Web-browser) offers line-of-business managers and staff simple, controlled participation in planning, budgeting and forecasting with minimal disruption, enabling them to focus on what they do best—running their areas of the business.
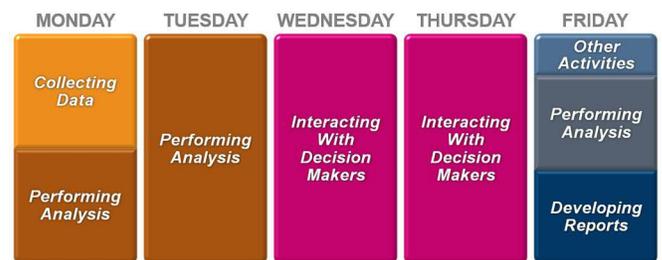

Figure 3: Less time spent on data collection allows more time for analysis and collaboration.

Streamlined workflow management

The IBM solution provides better process visibility through integrated workflow. Managers can track the status of every participant easily, using intuitive, color-coded icons that inform reviewers about workflow status—not started, in progress, or ready for review.

For complicated processes that involve iterative input from many people, the solution gives users the option of saving work for later or submitting it for review. This promotes helpful dialogue among participants, streamlining cycles even further.

Powerful reporting and dashboards

When the planning process is scalable to hundreds or even thousands of participants, the result is a consistent scorecarding, reporting and analysis environment—one that provides the complete picture from goal setting and planning to measuring progress and reporting. Without compromising high IT standards for conformance, compliance and cost effective scalability, the platform drives best-practice planning and performance management and, thus, better business outcomes.

Conclusion

Automating your enterprise performance management capabilities with the IBM Performance Management solution helps you create faster, more reliable and more inclusive planning, budgeting, forecasting, reporting and analysis. And because the IBM solution allows you to retain the familiar Excel interface, it enables participation from a broader range of users on the front lines of your business, who can stay in their Excel "comfort zone" and not have to worry about learning new software. Budgets may still be challenging, but the budgeting process doesn't have to be.

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals. For further information please visit **ibm.com**/business-analytics

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