Budgeting Without Spreadsheets

Chances are there's something in the title, *Budgeting without Spreadsheets*, that's intriguing.

It's likely that spreadsheets are causing you grief. Let's see what your colleagues are experiencing.

Prophix recently conducted a study of 500 finance professionals on their attitudes towards budgeting.

The findings: 79% of professionals (across organizational levels and industries alike) are unhappy with their budgeting tool.*

The same research found that more than 70% of finance professionals rely heavily on spreadsheets as the core tool with which they build their annual budgets.* The conclusion: finance professionals want a better way to create budgets.

This action paper starts to paint a picture of a better way to budget – one that reduces the frustrations that are built into budgeting when using spreadsheets. The good news is that finance professionals can tap into a better way of budgeting. And, that better way is available today.

* Prophix – Research Study of 500 Finance Professionals (2015)

Inside this document

Why Finance Professionals Prepare An Annual Budget

Today's finance professionals prepare detailed annual budgets to achieve one or more of the following objectives:

1 To manage and control a company's operations/strategy
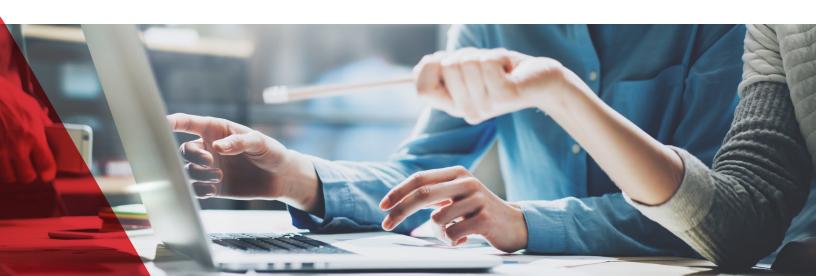
2 To ensure a rigorous process is in place for approving expenditures

3 To communicate forward-looking plans to external stakeholders (e.g. banks or potential investors)

While annual budgets remain a foundational document for companies, the complexity and pace of business has meant that budgets alone are insufficient to successfully achieve these objectives. As a result, finance professionals also take a leadership role in creating several budget-related plans that shape a business.

These plans include:

1 Corporate Plans

This company-wide planning is conducted at a high level for multiple years with either annual or quarterly periodicity. It is associated with strategic planning, which involves numerical information, commentary, and long-term assumptions about variables beyond the control of a company's leadership. The budget and the corporate plan should reinforce one another. However, after finalizing the budget, leaders often revise corporate plans using the budgeted values for the first year.

2 Mid-Year Forecasts

These forecasts are similar to budgets in terms of their granularity but as the name suggests, mid-year forecasts are focused on the balance of a year. The frequency that such forecasts are undertaken depends on factors such as how quickly business conditions change (e.g. if the price of an important raw material changes).

3 Rolling Forecasts

These forecasts are generated frequently (e.g. once a month or more) and focus on anticipating how resources could be allocated for a year or more. One of the difficulties of creating actionable rolling forecasts is that managers are expected to continually plan for the following months.

4 Operational Plans

Examples of frequently used operational plans that relate to the above plans and annual budgets are personnel plans (drilled down to the level of each individual employee), capital acquisition plans (for each capital item), and weekly sales plans. Since annual budgets are used to inform and complement these plans, budgets and related budgeting processes are always evolving to ensure they remain relevant and useful.

Others Who Shape the Annual Budget

While preparing an annual budget is led by a company's finance department, its ultimate success depends on the timely involvement of people located throughout the organization.

Active contributors can be placed into two categories:

Department Members Across Functions, Geographies, and Business Units

Department members across functions, geographies, and business units contribute critical budget data – for example, sales-related forecasts and expense requirements. However, these contributors can be unaware of the relevance or value of budgeting, which in turn causes them to delay providing finance with timely or accurate data. As this group contributes more data, they expect to be kept informed about budgeting outcomes. After all, they need to know what targets have been assigned to them, along with the resources that they will have to achieve those targets.

Effective finance professionals spend time making the annual budgeting process relevant for these contributors (by providing timely reports and analysis), as well as making it easy for them to contribute. As a result, contributors feel a greater sense of ownership and subsequently place a higher priority on the information they submit.

Senior Management

This group also shapes the annual budgeting process - for example, by requiring more data, more detailed data reports, and faster turnaround times.

Effective finance professionals help senior management shape the budgeting process by providing them with the means to easily modify key assumptions and play out short- and long-range implications of possible business scenarios.

The Budgeting Process (Today)

Today's finance professionals spend months on the annual budget process; this includes designing and preparing spreadsheets, sending them to departmental managers, reminding them when the budget figures are due, collecting and receiving the spreadsheets, copying data between spreadsheets, validating the aggregated numbers, formatting spreadsheets for submission to senior management, and repeating a subset of these tasks for different business scenarios.

By the time the annual budgeting process is complete, the budget's validity and relevance are questionable. Despite this, annual budgets are powerful and pivotal to a company's success. As a result, it is vital that finance professionals tap into processes and tools that ensure these mission-critical documents are always timely and reliable.

Given that over 70% of finance professionals rely solely on spreadsheets to create and sustain their annual budgets*, success at attaining the kinds of budgets and related insights needed is overwhelmingly shaped by the strengths and weaknesses of these tools.

The following chart summarizes key components of the budgeting process along with the drawbacks that finance professionals repeatedly identify as being associated with spreadsheets.

The Budgeting Processes: Drawbacks of Spreadsheets	
Budget Process Component	**Look Within Your Company**
Collecting finance (and non-finance related) data from people across the organization who are responsible for contributing numbers, assumptions, and insights	**Difficult to coordinate versions coming from multiple sources – each with their own unique ways of calculating data, making assumptions, generating formulae, etc.**
Working with the collected data – including conducting analyses, calculations, and creating initial outputs	**Impossible to feel confident that the data that has been collected is truly accurate, complete, timely, and relevant**
Validating the assumptions and initial outputs	**Time-consuming and risky to distribute and redistribute versions via emails, thumbnail drives, and shared drives to determine assumptions and gather further inputs and/ or approvals**
Creating different versions to test 'what if' scenarios	**Cumbersome to change several variables/ assumptions and see short- and/or long-term impact on business**

The Budgeting Process
(A Better Today)

The following chart takes the next logical step – it identifies the qualities of a preferred solution to support finance professionals throughout the budgeting process.

Desired Qualities of a Preferred Solution

Budget Process Component	Desired Qualities of a Preferred Solution
Collecting finance (and non-finance related) data from people across the organization who are responsible for contributing numbers, assumptions, and insights	Consistent formatting among versions Workflow that is traceable for audit purposes Workflow that automatically monitors progress and prompts for input and/or approval if required Consistent standards about data applied across all participants/contributors
Working with the collected data – including conducting analyses, calculations, and creating initial outputs	Automation of repetitive/tedious tasks (e.g. data entry and basic calculations) so that time can be devoted to more important tasks
Validating the assumptions and initial outputs	A secure tool that ensures all data and related assumptions/versions are shared only among those with the proper authority levels
Creating different versions to test 'what if' scenarios	Ability to create a baseline and instantly see the impact of changing any aspect across departments, product lines, time periods, geographies, etc.

Corporate Performance Management (CPM)

> Simply stated, Corporate Performance Management (CPM) software is a tool that automates repetitive and complex business processes. Built specifically for finance professionals, CPM software improves the processes and outcomes of budgeting, forecasting, and planning.

Because CPM has evolved over the last 20+ years, it now embodies all of the desired qualities identified (see the previous section) by finance professionals who are frustrated by the limitations of using spreadsheets to create annual budgets. In practice, that means CPM combines multi-user data management, workflow collaboration, data security, the consolidation features of a general ledger system, and the calculating ease-of-use of a spreadsheet.

The automation power of CPM also extends beyond the annual budgeting process. For example, it allows finance professionals to conduct balance sheet and cash flow forecasting, consolidate multiple currencies, calculate depreciation on capital additions, as well as conduct personnel planning.

Is CPM right for you? That is, will it reduce the time, frustration, and expense associated with spreadsheets during your budgeting process?

The rapid and wide-spread adoption of automation tools compelled Aberdeen Group to study how best-in-class companies apply such solutions in the Office of Finance. Their findings included the following:*

66% of best-in-class companies across industries have begun automating their budgeting and forecasting processes

As a result of adopting automation solutions for budgeting and forecasting:

- 82% of best-in-class companies saw business units collaborating with finance throughout the budgeting process
- 77% of best-in-class companies gained the ability to align sales forecasts with revenues and cost forecasts
- 94% of best-in-class companies were able to deliver their financial reports when they were needed

Next Steps

Corporate Performance Management (CPM) software is designed to help organizations reduce the time spent on budgeting by automating time consuming and repetitive processes.

To choose a CPM software solution that is appropriate for you, your budgeting goals, and your organization, use the following tool, *Choosing the Right Budgeting Software* checklist.

Choosing the Right Budgeting Software Checklist

Use this checklist to determine if CPM software can help you improve your annual budgeting process and reduce your reliance on spreadsheets.

Processes in place that suggest your company will benefit from a budgeting automation solution		
Actions	**Look Within Your Company**	**Ask a CPM Vendor**
Identify bottlenecks in your budgeting and/or planning processes	✓	
Identify when budgeting outputs have been compromised because you had incomplete and/or inaccurate data	✓	
Quantify the amount of time spent on manipulating spreadsheets within your finance department	✓	
Confirm your confidence with the outcomes of your forecasting and/or 'what if' analysis conducted in your department	✓	
Identify the quantifiable benefits your organization could achieve if the time required to analyze financial and operational data was reduced by more than 70%	✓	✓

Structures that suggest your organization will benefit from a budgeting software solution

Actions	Look Within Your Company	Ask a CPM Vendor
Confirm your organization has more than one operating unit or operates in more than one geographic location	✓	
Identify if your organization is increasing, or planning to increase, the number of employees or offices in the next 12 to 18 months	✓	
Confirm whether you have multiple stakeholders your business is accountable to	✓	

Planning for implementing a software solution that reduces the time spent on budgeting

Actions	Look Within Your Company	Ask a CPM Vendor
Define immediate/short-term goals that you would like a budgeting software solution to solve	✓	✓
Document the processes that you would like to improve/automate with a budgeting software solution	✓	
Confirm the process for integrating data from your ERP, CRM, HRMS, or payroll system into a budgeting software solution	✓	
Identify the area(s) within your company where you would like to increase collaboration	✓	
Identify people within your finance department that would be initial users of a budgeting software solution	✓	

Building knowledge of software solutions (CPM) that reduce the time spent on budgeting

Actions	Look Within Your Company	Ask a CPM Vendor
Review industry analyst reports about CPM solutions	✓	✓
Speak with colleagues in your industry about their experiences with CPM solutions (including total cost of ownership)	✓	
Attend CPM vendor presentations and product demonstrations	✓	✓
Identify a wish list of qualities and functionalities of a CPM solution that would help you reduce the time spent on budgeting and improve your budgets	✓	✓

About Prophix

Your business is evolving. Your systems should evolve too. Achieve your goals more successfully with Prophix's innovative Corporate Performance Management (CPM) software. Improve profitability and minimize risk when you automate repetitive tasks and focus on what matters. Budget, plan, consolidate and report automatically. Whether in the cloud or on-premise, Prophix supports your future with a platform that flexes to suit your strategic realities, today and tomorrow.