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Business Performance Management Survey Reveals 60% of Finance Departments Have Not Adopted Best Practices

Comprehensive Financial Management Survey from Adaptive Planning and BPM Partners Identifies Over-reliance Upon Spreadsheets and Limited Support for Key Processes

Mountain View, Calif. —December 11, 2006—Adaptive Planning, the leader in collaborative business performance management (BPM) solutions, and BPM Partners, the leading independent authority on BPM solutions, today announced striking results from their definitive BPM Benchmarking Survey. In an evaluation of their budgeting, forecasting, and reporting processes, an astonishing 60% of companies surveyed exhibited limited adoption of BPM best practices, while less than 4% showed strong adoption.

The BPM Benchmarking Survey collected comprehensive information on the budgeting, forecasting, and reporting practices of over 800 finance professionals. The respondents represented numerous industries and hailed from companies of all sizes—43% from large companies (revenues greater than \$500 million), 32% from midsized companies (revenues between \$51 and \$500 million), and 25% from small companies (revenues of \$50 million or less).

The survey scored each response based on the extent to which it embodies business performance management best practices or results, and computed a total score. Out of a maximum possible score of 125 points, companies that scored above 100 points were described as “strong” adopters, while companies that scored 75 or less were categorized as “limited” adopters.

Surprisingly, a full 60% of finance teams scored in the limited adoption category. A further 36% of companies showed “some adoption” of best practices, while only 4% exhibited strong adoption.

“These results clearly highlight that most finance departments have not embraced best practice technologies and processes, and as a result are holding back their companies’ performance,” said Craig Schiff, CEO, BPM Partners. “By making simple changes, they would be able to significantly improve their financial management processes and help their companies outpace their competitors.”

Outdated Technology and Models

One of the most revealing findings was that the technologies that finance teams are using are woefully out of date. Across all companies, 78% of respondents are still using spreadsheets as their primary budgeting and forecasting tool. This phenomenon is not limited to small or midsized

companies—68% of large companies rely primarily upon spreadsheets for budgeting and forecasting. In addition, only 41% are using graphical dashboards or scorecards in their reporting processes. And fully 76% have not rebuilt their planning model in over a year—including a shocking 45% that have not rebuilt their model in three years or more.

Outmoded Processes

The survey also revealed that companies have not adopted best practice BPM processes, but instead continue to use antiquated approaches. For example, companies still do a poor job of involving managers in the budgeting process. In over half of the companies surveyed, fewer than 50% of managers with spending authority even participate in the budgeting process. Adoption of best practices is even worse when it comes to forecasting. A surprising 38% of companies either never reforecast or only reforecast twice per year. And when companies do reforecast, fewer than half (47%) involve managers—the majority rely solely upon their finance team for all reforecasting.

Poor Business Performance

According to the survey results, these out-of-date technologies and processes have a significant negative impact on business performance.

First, the budgeting process takes far too long—a frequently heard complaint that was validated by the survey. Over half (52%) of midsize companies take three months or more to complete their annual budget, and a sizable 68% of large companies take over three months.

In addition, much of this lengthy budget cycle is due simply to wasted time. Respondents estimated that over one quarter of their time—28%—is spent on low value added activities such as distributing spreadsheets, receiving and consolidating responses, and checking for errors.

Finally, despite the sheer amount of time devoted to the process, the typical budget is inaccurate. A huge majority—over 88%—of companies reported that their final budgets varied from actual results by +/- 5% or more. Interestingly, companies that spend an extremely long time completing their budgets—over five months—are no more accurate than those that spend two months or less.

Lessons from the Leaders

Some important findings emerge from the top performing companies—the 10% of respondents with the highest scores. The factor most clearly linked to top performance was use of purpose-built applications, rather than spreadsheets, for managing budgeting, forecasting, and reporting. 49% of top performers used BPM applications, compared with just 18% of the lower performing companies.

BPM application use was also associated with better business performance. Companies that use budgeting and forecasting applications instead of spreadsheets reported 27% less wasted time than their spreadsheet-based colleagues. And, application users were more than twice as likely to have highly accurate budgets (20% vs. 9%).

In addition to better leveraging technology, top performers more frequently embraced BPM best practice processes. They involved managers in the budgeting process at a much higher rate than their lower performing counterparts (82% vs. 41%). And their processes were more up-to-date, with 48% rebuilding their planning model in the last year, compared with only 20% of the lower performers.

Summary

The BPM Benchmarking Survey presents clear evidence that most finance departments are using outmoded technologies and business processes to manage their budgeting, forecasting, and reporting, and as a consequence are spending far too much time and generating inaccurate financial plans. This approach is not only costly, but results in poor decision making. Yet the profile of the top performing companies suggests that simple steps—replacing spreadsheets with BPM applications and embracing best practice processes—can lead to dramatic performance improvements.

“To date, many companies have not embraced BPM applications because the solutions have been prohibitively costly and complex,” said William A. Soward, chief executive officer, Adaptive Planning. “However, making a change is now easier and more affordable than ever before. For example, Adaptive Planning customers typically spend just two weeks moving from a spreadsheet model to our solution, and pay a low annual subscription that is a fraction of typical software license costs. Adaptive Planning can make it easy for companies who are not already strong adopters of BPM processes to move beyond spreadsheets, dramatically improve performance, and establish an advantage over their competitors.”

For Additional Information: Ongoing Survey and Archived Webinar

Companies that are interested in how they stack up in budgeting, forecasting, and reporting can continue to participate in the survey by visiting http://www.adaptiveplanning.com/survey/2006_nov_01.shtml. All participants will receive a personalized report that not only assesses their company’s BPM performance, but also compares their performance to that of their industry peers.

In addition, Adaptive Planning and BPM Partners conducted a free webinar, co-sponsored by CFO Magazine, in which they reported on the survey results in greater detail and presented strategies and techniques for improving business performance. The archived webinar may be viewed by visiting: http://www.cfo.com/webcasts/index.cfm/l_eventarchive/8102245.

About BPM Partners

BPM Partners is the leading independent authority on BPM solutions and a founding member of the BPM Standards Group. BPM Partners' vendor-neutral consultants guide clients through their BPM initiatives from start to finish, helping companies attain the maximum value from their business performance management initiatives. This is done through hands-on services that provide insight on how to collect and analyze the right information to address specific business goals. BPM Partners leads clients through the definition of business requirements, vendor selection, evaluation and implementation of departmental or enterprise-wide BPM systems. Go to www.bmpartners.com.

About Adaptive Planning

Adaptive Planning is the leading provider of collaborative business performance management (BPM) solutions. Adaptive Planning makes it easy for midsize companies and departments of larger corporations to improve performance by moving beyond spreadsheets to automate budgeting, forecasting, reporting and analysis. Adaptive Planning provides extraordinary flexibility and value, with on-demand and on-premises solutions, open source and commercial licensing terms, and pricing—including a free version of the product—that delivers a total cost of ownership that is a fraction of the cost of traditional BPM and business intelligence software. Adaptive Planning is headquartered in Mountain View, Calif. and can be reached at 650-528-7500 or www.adaptiveplanning.com.

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