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"How can the modern finance function successfully deploy enterprise-wide planning, budgeting and forecasting?"

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Introduction

Planning, Budgeting and Forecasting (PBF) are central to the viability and growth of any organization, yet these core financial processes remain some of the most fragmented and challenging areas of management endeavor, marked by the proliferation of different budgeting tools and the inability to deliver robust and dependable processes on an enterprise-wide level.

In fact, recent research shows[1] that 29% of large enterprises have between two and five different budgeting planning and forecasting systems across various functions and geographies, and a sizeable 43% have six or more different systems in place. And with the growing popularity of cloud-based (SaaS) solutions available to divisional managers at the mere swipe of a credit card, some commentators are forecasting the situation could become much worse before it gets any better.

So what are the reasons behind this apparent fragmentation and what conditions need to be satisfied for the modern finance function to successfully deploy enterprise-wide BPF?

BPF processes are inherently complex

There is a tendency to consider the needs of Budgeting, Planning and Forecasting in one breath, yet, in practice, the three underlying processes have very different characteristics. Adding to the overall picture of complexity are factors such as market volatility, rapidly changing business models, the drive for more granular analytics, the unrelenting growth in data sets (volumes and variety) coupled with the need to merge operational and financial data to support keener business insights. Throw into the mix the natural tension that arises between reporting entities and the corporate center because of their different operational needs and the full scale of the challenge starts to emerge.

Historic approaches have not worked

Spreadsheets remain the most favored tool for BPF processes in more than 30% of all businesses[2], yet they suffer from significant disadvantages, for example, the;
- inability to create a multidimensional environment, critical for multiple budget iterations, and to different views of performance.
- lack of specialized budgeting functionality and financial intelligence near-impossibility of creating an integrated business planning environment that links all operational plans to each other, and to financial plans.
- absence of data integration and quality management tools that permit data to be harvested in a controlled way from underlying operational systems such as HR, payroll and ERP systems.
- difficulty of consolidating budget results from multiple cost centers based on individually-captured spreadsheets.
- inability to report flexibly across business units, budget holders and other dimensions.
- complexity of formula-building and model maintenance.

Point solutions (cloud and on-premise) and even EPM (Enterprise Performance Management) suites which purport to overcome the pitfalls of spreadsheets do not fare much better. This is because of limitations in the software (performance, breadth and flexibility); the inability to coalesce operational and financial reporting in a single solution and the difficulty of bridging local and corporate needs in a single application. Perhaps this is why the 19% of organizations that use a specialized planning tool use it primarily for data collection, aggregation and reporting rather than analysis[2].

As a result, many organizations end up compromising, for example, trading-off the desire for an all-encompassing robust and centralized enterprise model for a series of uncoupled applications which meet specific functional and local needs. This results in the almost ungovernable deployment of multi-vendor solutions as separate and incompatible applications, cubes and datamarts, leading to slow and fractured PBF processes, increasingly divergent metadata (structural information about the organization) and an inability to respond flexibly to change. It's not surprising that 42% of organizations take two to three months to complete their budget while 32% take up to six months[2].

Yet it is possible to overcome these limitations. A new generation of solutions which leverage the power of more potent technology, unified application design, more advanced metadata management and data blending techniques is shining a light on how enterprise-wide deployment of PBF can be achieved.

New approaches and architectures

The new generation of unified EPM applications overcome many of the historic stumbling blocks of EPM suites that were assembled from different vendor solutions acquired at different times. Created in a single development environment, modern EPM systems allow all of the applications (for example, planning, budgeting, forecasting, reporting, consolidations, scorecards and dashboards) to share the same structural information or

metadata guaranteeing that the information used by any EPM application can be shared with another and has the same meaning.

Computing power

In the face of rapidly growing data volumes and complexity, modern EPM solutions need to churn and recalculate data very rapidly. For example, OneStream XF is able to optimize 64 bit in-memory processing and multi-threading over multi-core CPU's to boost performance well beyond the capabilities of old EPM suites and solutions designed in the nineties.

Scalability and 'raw' computing power are crucial in a budgeting application where network traffic and the character of usage is very different from other core financial processes. Budgets and forecasts are almost always finalized just before the deadline for final submissions. This can mean that nearly the entire user population of budget holders can be expected to enter budget data at the same time. The system configuration, including networking infrastructure and communications architecture, has to be able to cater for this peak load in demand.

Data Blending

Complete mastery of metadata and data quality is absolutely pivotal to delivering a smooth budgeting or forecasting process. Data Blending utilizes relational tables or even source systems to 'house' the very granular details of a budgeting or forecasting application while only summary data is held in a planning model or cube. This allows budget or forecast administrators to manage data efficiently since not all data belongs in a planning cube. For example, there is a danger that transactional data and other data that is highly specific to certain business units is allowed to build up and clog a budgeting application with unwanted dimension members, making it both difficult to navigate and inefficient to operate. Data Blending provides the best of both worlds by keeping the detail available on demand in source systems and retaining an agile budgeting model.

Data blending also provides a 'bridge' in a similar way to old ETL (Extract, Transform Load) technologies but, crucially, provides visibility into the processes on either side, i.e. between the source and target systems. Embedded workflow processes provide traceability of transactions (where, what, when and by whom) throughout the mapping process so that users can trace transactions, backwards and forwards through entire budgeting process, from its origin in source systems through to successive budget versions and dimensions – something OneStream calls "walkthrough".

Extensible dimensionality

OneStream XF's Extensible Dimensionality® is a unique feature that lets the corporate center maintain a standard chart of accounts and dimension structure while business units can extend these dimensions to fit their specific ways of managing and analyzing the business. Crucially, this eliminates the need to build and maintain separate applications to house additional solutions or specific business unit reporting requirements. For example, each business unit can have its own distinct chart of account structure (a vertical

dimension), unconstrained by another business unit's needs. Their unique requirements are maintained in the same accounts dimension but they only see the members of the dimension (account lines in this case) that are relevant to their business.

Similarly, each entity can uniquely maintain its own set of horizontal dimensions, for example, budget granularity. One business unit may require budgeting at a very detailed account or product level when their actuals are collected at a fairly summarized level. Conversely, another business unit may build the budget up at a similar level to the corporate standard accounts. Both budget solutions can live in the same application and deliver relevance to each business unit. Allowing each business unit to have its own unique combination of vertical and horizontal dimensions allows the application to absorb infinite complexity yet accommodate it all within a single unified business model.

This also confers great flexibility. Corporate and local dimension structures coexist harmoniously in one unified environment, avoiding data replication, integration risks, and any need to reconcile between applications or modules. Furthermore, the simplicity of a single data model, reduces maintenance effort and IT complexity. Ultimately this promotes stronger data governance and a more dependable environment in which data integrity is no longer in doubt, regardless of application, for example, budgeting, planning, forecasting or financial consolidation.

Summary

Planning, budgeting and forecasting in a multi-national environment is fraught with difficulty. Market changes are forcing organizations to plan more frequently yet an over-reliance on spreadsheets and out-of-date vendor solutions is preventing organizations from responding in a timely way.

Modern PBF software grounded in a unified environment and leveraging considerable advances in computing power, metadata management and data blending as well as advanced software design offers a new level of capability. The latest generation of PBF software, such as OneStream, can accommodate the complexity of diverse requirements between operating units and the center, as well as complex multidimensional structures and overlapping operational and financial reporting with extensible dimensionality.   Diverse multinationals have, perhaps for the first time, the ability to deploy PBF on an enterprise level, setting the foundations for a more streamlined processes and robust performance management is a single computing environment.

Bibliography:

Note[1] Empowering Modern Finance, 2014, Longitude Research, Accenture and Oracle.

Note[2] Integrated Performance Management, Plan, Budget, Forecast Deloitte 2014