7 Ways to Overcome Budgeting and Forecasting Challenges
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**Introduction**

Let’s start with the obvious – growing companies have a real problem when it comes to budgeting and forecasting. Companies, who employ lots of smart people, solve complex problems for their customers on a regular basis, and use technology tools to efficiently manage all sorts of business processes, often have no good answer for the annual budgeting ritual.

**Spoiler Alert!** The good news for frustrated budgeters is that Adaptive Planning is an outstanding solution to efficiently manage the budgeting and forecasting process. It’s cloud-based to minimize upfront investment and deployment time, scalable for any sized business, and eminently capable of solving the most common budgeting challenges.

But before we solve the world’s problems, it’s worth a quick look at the cold, unforgiving reality of most budgeting and forecasting processes.

**Why is the Budgeting Process so Painful?**

It’s the 21st century for goodness sake! We’ve mapped the human genome, send spacecraft all over the galaxy (see planet at right), watch movies in 3D, and have intelligent conversations with a technology named Siri. What makes the budgeting and forecasting process so problematic?

1) **ERP software doesn’t cut it**

ERP (enterprise resource planning) software is fantastic and can do amazing things. Manage accounting, track inventory, facilitate purchasing, create financial statements, pay bills, and more from a single application.

However, for all the wonderful features of ERP, the budgeting and forecasting process is quite rudimentary. Store a budget or several, modify the original, compare budget to actuals, and that’s about it. As a result, the vast majority of businesses simply use Excel for budgeting.

2) **No good options?**

Do you know the term “Morton’s fork”? It means a choice between two equally unpleasant alternatives. The expression originates from a policy of tax collection devised by John Morton, Lord Chancellor of England in 1487, under the rule of Henry VII.
Morton’s approach was that if the subject lived in luxury and had clearly spent a lot of money on himself, he obviously had sufficient income to spare for the king. Alternatively, if the subject lived frugally, and showed no sign of being wealthy, he must have substantial savings and could therefore afford to give it to the king.

The point? When it comes to budgeting and forecasting, many financial executives and accounting professionals believe they face a Morton’s fork. On the one hand is Excel, which is inexpensive, but awfully inefficient and error prone. The other option is a business intelligence (BI) or business performance management (BPM) solution. These types of reporting solutions are only limited by one’s imagination, but are very expensive to purchase, take months or years to implement, and often require a small army of folks to maintain.

As a result, many executives do nothing; choosing to maintain the status quo.

3) **The process is not a key facilitator of a company’s success**

The budgeting process is quite time consuming and often fails to provide the value it’s designed to produce. The data is not altogether trustworthy, is limited in its scope, and fails to factor in key assumptions or data relationships.

Additionally, the rapid pace of change both inside and outside of the business renders much of the information irrelevant far too quickly. Given the hassle required to produce the original budget, re-budgeting is often ignored or performed at the most cursory level.

Ultimately, the process doesn’t provide management with the insight required to make informed and timely decisions.
4) High Cost & Questionable Benefit

The soft costs to support the budgeting costs are significant. The amount of time employees are asked to spend inputting, reviewing, checking, re-checking, auditing, correcting, re-checking, and submitting budget data is a problem.

Whenever employees are engaged in activities that waste their time and fail to provide opportunities to provide optimum value to the company, it’s inevitable that job satisfaction and performance decrease.

How big is the problem? Which of the following statements is true?

a) 47% of budget managers said they would rather be stuck in an elevator between a grizzly bear and her cub than put together one more budget revision.

b) In a survey taken on why people call in sick, “Can’t take the budgeting process” ranked right behind “Hair transplant gone bad” and right above “Finger stuck in a bowling ball.”

   Figure 4 - Protective mama bear

   

c) Jack Welch, former Chairman at GE, once said, “The budgeting process ... sucks the energy, time, fun and big dreams out of an organization.”

Based on the punishing budgeting processes in many growing companies, perhaps the answer is not as straightforward as one might think!
7 Ways to Overcome Budgeting & Forecasting Challenges

In light of the challenges growing companies face, following are seven ways (i.e. priorities or goals) to produce an efficient, insightful, cost-effective, and reproducible budgeting and forecasting process.

1) Budget and Report Beyond the General Ledger

If the budgeting process is going to be comprehensive, it’s going to need to include more than just GL. GL accounts are perhaps a great place to start, but the true power / insight of budgeting and forecasting comes when GL data is combined with other company data.

For instance, consider personnel. Budgeting at a GL account code level will provide some level of insight into personnel expenses. But in order to properly consider detailed spend, all categories (e.g. base salary, commissions, bonuses, incentives, etc.) will need to be included. Additionally, non-financial data such as headcount is important for tracking Key Performance Indicators (KPIs) or metrics. Third, the ability to plan across multiple dimensions (e.g. product, geography, customer, etc.) enables more specific and strategic analysis and planning. Fourth, assumptions linking the various elements are critical to understand and explain the relationship between the data.

Finally – it’s also quite possible that you’ll want to budget based on data not located in your financial system. The ability to include sales data from a CRM system and analyze along with financial data can provide the ability to create more accurate forecasts and significantly improve collaboration among management teams.

Adaptive Planning provides all these capabilities so that your process is comprehensive, thorough, and valuable across the organizations.

2) Make it User-Friendly

Beyond incorporating all key data elements, it’s critical that the application be easy to use. Socrates once said, “User-friendly software results in happy employees.” Or maybe it was John Lennon. Regardless, it doesn’t take a philosopher to recognize that all of the tools to budget, forecast, and report across the organization are worthless unless it’s a system employees can understand and use successfully.
For instance, how intuitive is it to update budget worksheets? How simple is it to automatically consolidate worksheets into the corporate plan? And once the data is in the system, how easy is it to create a report? If it takes an advanced degree in Excel, report design and database structure to gather and format the data, it’s unlikely employees will embrace it.

In contrast, Adaptive Planning provides a number of features that make it intuitive and efficient for employees to use. These include:

- Configurable data entry sheets – users know immediately what fields require their input
- Real-time drill down – access source data quickly and easily
- Drag and drop capabilities – no programming skills needed
- Automated consolidations – no broken links or manual cut and paste exercises
- Workflow – automatically manage the submission and approval process
- Web-based – access anywhere, anytime, via the Internet
- Security – detailed control for who has access to specific data

3) Satisfy Data Needs with Dashboards and Custom Reports

Do you remember Abraham Maslow? He’s the author and philosopher behind the famous hierarchy of needs triangle.

“"The basis of Maslow’s theory of motivation is that human beings are motivated by unsatisfied needs, and that certain lower needs need to be satisfied before higher needs can be addressed.”vi

He was a pretty smart guy (only Phil Jackson and Pythagoras were better with triangles), but missed the mark towards the higher end of his pyramid. In our opinion, once a working professional satisfies basic physiological and safety needs, their primary concern is quickly and easily getting the data they need to do their jobs!

Adaptive Planning offers tools to help employees satisfy their data needs and speed the self-actualization process. Consider the capabilities of the built-in dashboards and custom reports.
Dashboards

When users log into Adaptive Planning, customizable dashboards enable them to:

- See their data in an easy-to-read, graphical format
- Save time by seeing several graphs at once
- Gauge how well the organization is performing
- Monitor, revenue, spending, cash flow, or other key performance indicators in real time
- Drill down from the dashboard to underlying reports

Figure 8 - Charts, graphs, dials, KPIs, and more

Custom Reports

Following are the steps to creating a new custom report.

- Step 1 – Do not hyperventilate, curse the day you were born, or call IT in a panic
- Step 2 – Select relevant terms from a menu
- Step 2 – Drag them onto a typical workspace
- Step 3 – Choose formatting options
- Step 4 – Generate the report
- Step 5 – Play the air guitar, high-five a colleague, or blast some Kool & the Gang

4) Incorporate Flexible Financial Modeling

As stated in the introduction, one of the primary challenges with traditional budgeting processes is that it doesn’t function as a key facilitator of company success. Often, this is because the model (or the formulas and assumptions) used for budgeting are not tied to fundamental business drivers. Simply importing and manipulating past actuals does not reflect the underlying cause and effect relationships in a business.

The foundation of the Adaptive Planning solution is its collaborative and flexible modeling environment, which makes it easy for one or more administrators to set up and work with the underlying financial model. In other words, it provides a framework for managers to begin with and provides information on how their department relates to other functions.

Effective modeling does two things:

1) Ensures consistency across functions
2) Promotes planning coordination between functions
Benefits include the ability to:

- Easily build, modify, and maintain multi-dimensional financial models — without programming experience or help from IT
- Build different models for different functions, (e.g. sales and overhead departments), or use one model across the company
- Simplify calculations using pre-built formulas for payroll tax calculations, revenue recognition, depreciation, etc.
- Create driver-based plans for greater accuracy and integrity
- Make rapid changes via centralized rules, assumptions, and formulas
- Ensure consistent assumptions across the company

5) React Quickly to Changes

“Change is inevitable – except from a vending machine.” Robert C. Gallagher

In business and life, change is constant and unavoidable. Though few like it or enjoy it, successful professionals will learn to take advantage of change rather than being paralyzed by it.

Adaptive Planning enables financial professionals to remain nimble and responsive to organizational, industry and global economic changes. It provides capabilities to re-forecast and maintain rolling forecasts.

Re-forecasting

Re-forecasting answers three key questions:

1) What was expected?
2) How is the business performing against the plan?
3) How should plans be adapted as a result?

Rolling forecasts

A rolling forecast incorporates actuals data into a forecast to view several months of historical data combined with several months of forecast data.
6) **Improve Collaboration**

In all but the smallest organizations, effective budgeting needs to be a highly collaborative process. Adaptive Planning provides the capabilities for organizations to work together successfully (whether or not the team has recently scaled a large wall or eaten bugs on a wilderness retreat).

Specifically, Adaptive has built-in features to facilitate:

- Project management
  - Assign tasks and due dates
  - Schedule checkpoints
- Centralized discussion groups
- Submission and approval workflow
- Web-based access
- Interactive documents
  - Create and edit online documents
  - Include important notes and comments
  - View key assumptions, recent changes, etc.
- Document archive for all relevant documents
- Discussion and interaction among team members

With the ability to work efficiently among teams and across the organizations, employees are much more likely to see the benefit in the budgeting and forecasting process.
7) Access in the Cloud

Adaptive Planning is a cloud-based / software as a service (SaaS) application. This delivery model presents significant advantages over traditional on-premise corporate performance management software.

- **Faster Deployments** – projects average just three weeks of consulting time, versus six months or more for traditional software.
- **Greater Ease of Use** – the web-based, spreadsheet-like interface is designed for business users, not IT users, dramatically reducing training time and speeding adoption.
- **Limited Need for IT** – no new hardware, software, or IT support is required, just a browser and an Internet connection.
- **Automatic Upgrades** – all users immediately get access to new features, without the need for ongoing IT support.
- **Lower Costs** – annual subscriptions, rapid projects, and lack of IT needs keep both upfront and ongoing costs low — up to 77% lower than the cost of on-premise solutions.

The following table compares on-premise software and cloud software. In summary, cloud applications can save an organization significant amounts of money and avoid the hassle of purchasing and maintaining IT infrastructure.

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<thead>
<tr>
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<th>On-Premise Software</th>
<th>Cloud Software</th>
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<tbody>
<tr>
<td><strong>Software licensing</strong></td>
<td>Large, upfront license fees</td>
<td>Low, annual subscription fees</td>
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<tr>
<td><strong>Hardware requirements</strong></td>
<td>Complex hardware requirements</td>
<td>No new hardware requirements</td>
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<tr>
<td><strong>Implementation time</strong></td>
<td>Long implementations</td>
<td>Rapid implementations</td>
</tr>
<tr>
<td><strong>Release frequency</strong></td>
<td>New release 1x / year</td>
<td>New releases 3x / year</td>
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<tr>
<td><strong>IT requirements</strong></td>
<td>IT support and maintenance</td>
<td>No IT support or maintenance required</td>
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About Adaptive Planning

Ever since Adaptive Planning’s founding in 2003, the mission has remained constant — to provide a refreshing new solution that fundamentally changes the world of financial planning and reporting for companies and nonprofits of all sizes.

Unprecedented Value

Adaptive Planning’s solutions provide extraordinary value, compared to both spreadsheet-based planning and reporting solutions and enterprise software alternatives.

While Excel is ubiquitous and seems low-cost, Excel-based processes are surprisingly expensive when the costs of personnel time are considered. With Adaptive Planning, a typical midsized company or division can reduce planning times by up to 90%, save tens of thousands of dollars per year, and generate a 650% ROI and 6-month payback.

And Adaptive Planning’s total cost of ownership (TCO) is a fraction of that for enterprise software alternatives. By shortening services projects, eliminating new hardware and software purchases, reducing training costs, and limiting the need for ongoing IT support, Adaptive Planning delivers a TCO that’s 75% less than that of on-premise solutions.

Rapid Growth

In a few short years, hundreds of companies and tens of thousands of users in over 40 countries have moved beyond spreadsheets and streamlined their budgeting, forecasting, and reporting processes with Adaptive Planning. Over the last several years Adaptive Planning has been the fastest growing company in the performance management segment, adding customers at a 100% compound annual growth rate.

About Arxis Technology, Inc.

Arxis Technology is a technology consulting firm, software reseller, and Adaptive Planning partner. Since 1994, Arxis has partnered with hundreds of growing companies in a wide range of industries including wholesale, distribution, manufacturing, service, entertainment, and non-profit. With offices in Los Angeles, Orange County, Phoenix, and Chicago, Arxis provides strategic technology tools and services to help clients maximize their technology resources and investment.

For more information on Arxis, please visit www.arxiscloud.com or call 866-624-2600.

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