

Planning and Budgeting

Tool to increase effectiveness

- Do you have a limited ability to perform scenario analysis or business simulation?
- Does your budgeting process get politicized (“spend it or lose it”, “the volume determines the power”)?
- Are your budgets enough flexible to adapt to changing market conditions?
- Is your company fighting with many budget revisions, updates and approval points?
- Are the processes of planning in your company too long that results uselessness after finishing all planning works?

One of the main goals when managing a company is the ability to forecast its future and to plan its activities and their results accordingly. Errors in forecast and plans may be very detrimental to your business. Management must be focused on only few critical initiatives that drive value. In doing so, they must look forward, trying to anticipate business impacts, and reacting quickly to external shocks and market developments.

In spite of this, planning is often done in disparate spreadsheets, which decreases effectiveness of the planning process and accuracy of the forecast. Due to longer planning cycles, inaccurate forecasts, incomparability of actual and planned data, company management makes bad decisions which lead to a deterioration in performance.

Planning and budgeting solutions allow you to pass from multiple and different spreadsheets to an integrated system enabling you to operate all divisions of your organization with ease and effectiveness. As a result, financial and operational plans may be aligned, budgets and reports become more reasonable, and the cycle of their preparation shortens.

Planning methodology



How To Drive More Value

Deloitte’s Financial Transformation Services offers an integrated planning and budgeting solution. Our company assisted by implementing planning and budgeting in many successful worlds’ companies. A set of principles has been developed to guide our clients through successful processes of Planning and Budgeting. Here are the most important of them.

Improve current processes

The budgeting and planning process must be fundamentally linked to the organization’s strategy Improvement of current processes, especially through the use of new technology, can yield incremental benefit.

Contacts

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**How To Drive
More Value**

Rolling budget/Forecast

A rolling budget or forecast is a key step in moving to a best-in-class budgeting system. Rolling budgets eliminate the artificial focus on one year time horizon and also eliminate the blind spot at the end of the budgeting period.

Driver based budgeting

Non-financial drivers such as sales volumes and resource consumption rates are used to predict line item expenses which allows quicker, easier, more transparent and more frequent budgeting and re-forecasting.

Establish strong link between Investment and Operational plans

In planning investments (CAPEX), increased attention should be paid to including the investment's impact on the operational budget, principally in the year of the investment's completion. This will enable, for example, reflecting the anticipated benefits flowing from the investment in the form of a reduction in costs or an increase in revenues and allocating responsibility for the achievement of the required return on the investment.

Beyond Budgeting

This radical approach helps to completely abolish the budgeting exercise in the company by replacing it with more adaptive approach of performance management based on relative targets, decentralization of responsibility and increased employee motivation.

**How can
Deloitte help?**

Based on Deloitte's experience, we have developed the Deloitte approach to planning and budgeting for assisting CFOs with improvement of performance management processes and systems. Deloitte approach consists of 3 main steps.

1. Design of planning structures and methods which contain design of financial and non financial KPIs, planning algorithms, level of details and rules.
2. Design of planning process which requires setting the bottom up vs. bottom down approach, level of detail of targets, design entire data flow for the plan preparation including assignment of responsible data owners, involvement of non financial managers to get their buy-in to the plan.
3. Selection and implementation of planning IT platform (Oracle Hyperion Planning, Cognos Planning, SAP SEM-BPC) which is consists of selection of IT platform, setup of data model, data entry grids, calculation, business rules, approval workflow.

**Bottom-Line
Benefits**

- Shortened planning and budgeting cycles.
- Enabled better decision making.
- Reduced total cost of the processes.
- Improved credibility and quality of outputs.
- Planned and relocated budgets based on material events.
- Increased user participation with frequent real-time updates.
- Raised ownership and accountability
- Aligned individual, department and business unit plans with company objectives

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