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Global planning, budgeting
and forecasting survey
Insights report – edition three

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Contents

Global planning, budgeting
and forecasting survey
Insight report – edition three

Foreword

I am pleased to share with you the third edition of our Insights Report from our global planning, budgeting and forecasting survey.

The aim of our survey is to understand more about the critical role that planning, budgeting and forecasting plays in helping organisations to manage performance effectively and enable better decision making.

We have organised the survey into seven themes. This third release of the report focusses on two themes: connected planning and effective planning, budgeting & forecasting. We have also included the themes shared in our first and second release – algorithmic forecasting, planning and reporting cycles, the impact of COVID-19, sustainable finance, and the use of tools and technology. Our key findings are:

1. **Effective planning, budgeting & forecasting (PB&F)** – Organisations are increasingly understanding the benefits of streamlining their PB&F processes. However, technology is still being under-utilised, for instance, the use of tools other than Microsoft Excel in the current landscape are still limited. There is still a long way to go for organisations to fully exploit the benefits of effective PB&F.

2. **Connected planning** – Many businesses are moving from siloed to connected planning and are realising better performance as a direct result of it. Connecting core functions such as finance and sales has improved decision-making and embedded agility in the organisation.

3. **Algorithmic forecasting** – Organisations are becoming increasingly aware of algorithmic forecasting, but a lack of capability and understanding of the concept, together with low adoption of advanced tools and technologies, has restricted wider uptake across organisations.

4. **Planning and reporting cycles** – Finance teams are increasingly partnering and supporting business functions with decision-making and performance interventions. This shift is leading to finance teams identifying efficiencies across planning and reporting cycles, without compromising on accuracy.

5. **Impact of COVID-19** – Many organisations were unprepared in dealing with the global pandemic, placing broken planning, budgeting and forecasting processes firmly in the spotlight. These organisations are now looking for a more agile and efficient approach to planning, and developing scenario planning capabilities with the use of internal and external data sets.

6. **Sustainable finance** - Organisations around the world are taking responsibility to make a change, recognising they have the ability to make a significant impact. These organisations are embedding sustainability measures into their planning, budgeting, and forecasting processes, as well as making bold decisions to reduce carbon emissions in their own operations and across the supply chain.

7. **Use of tools and technology** – With the emergence of cloud-based technologies, organisations are increasingly looking to drive efficiencies and capture insights in the planning, budgeting and forecasting process. This, combined with a proliferation of internal and external data, has compelled organisations to act and invest in tools and technologies.

I hope you enjoy reading this report as you explore the various opportunities in planning, budgeting and forecasting that lie ahead. As always, I would welcome your feedback on what trends you're seeing – or if you would like us to benchmark anything different in future reports.

Our planning, budgeting and forecasting professionals will be pleased to discuss with you how this survey's findings may reveal distinctive opportunities for your organisation. To learn more, please contact your local expert.

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03

Global planning, budgeting
and forecasting survey
Insight report – edition three

Effective planning, budgeting & forecasting

Effective planning, budgeting & forecasting

Organisations are continuing to evolve and are making several strategic decisions to change ways in which they operate, go-to-market, and evolve business models. Planning, budgeting and forecasting processes need to adapt to this change and must be embedded within any strategic changes implemented across organisations.
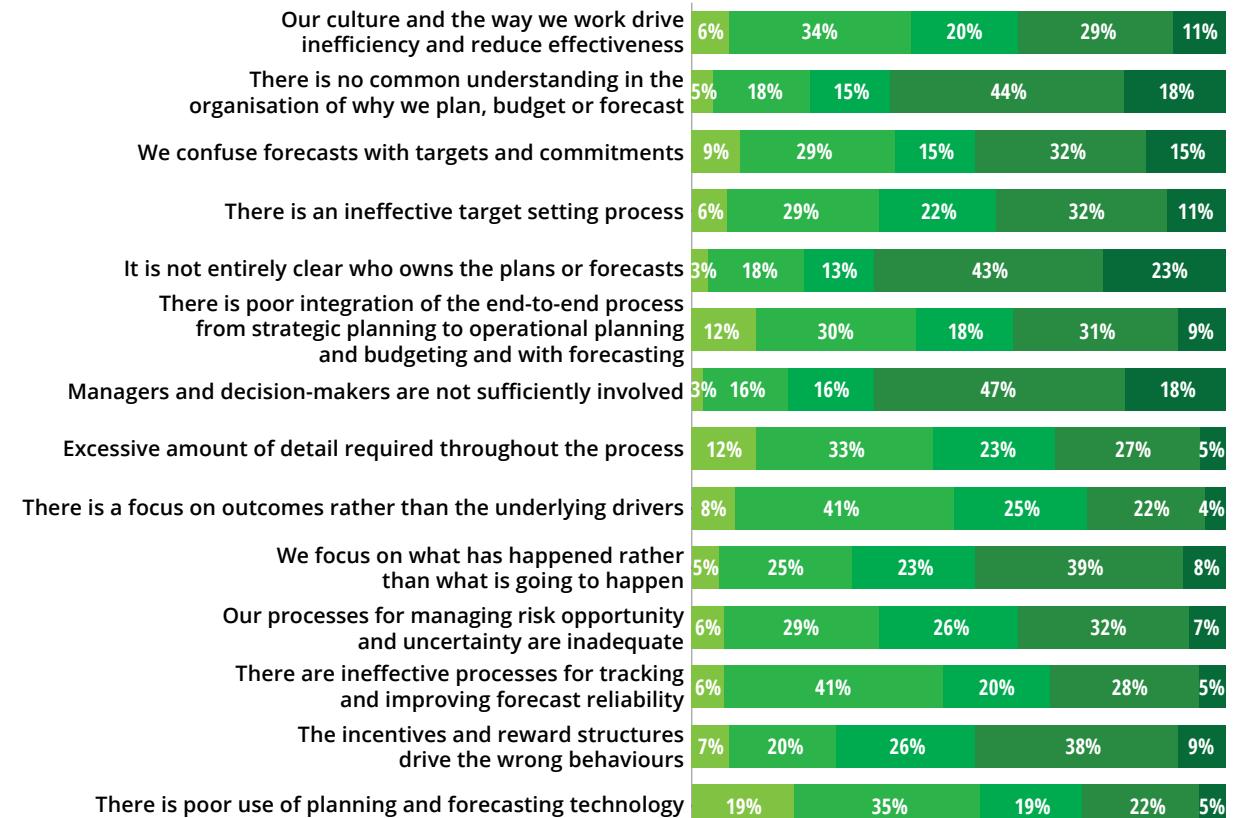
Measuring the effectiveness of the planning, budgeting and forecasting process can be done across several parameters, examples include, defining clear roles and ownership, use of rolling forecasts, integration across planning and forecasting, use of technology tools and other measuring techniques.

Our survey drilled into a number of these practices to understand the current trends across organisations.

To drive better insight, **we segmented "leading practice" organisations on the basis that they have replied positively to 10 or more of the 14 questions.** These leading organisations represent some 23% of respondents, and the results are generally very similar across industry clusters, size of organisation and revenue.

Level of agreement / disagreement based on characteristics of effective planning, budgeting & forecasting

To what extent do you agree or disagree with the following statements regarding the key challenges to effective planning, budgeting & forecasting in your organisation?

Statement	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Our culture and the way we work drive inefficiency and reduce effectiveness	6%	34%	20%	29%	11%
There is no common understanding in the organisation of why we plan, budget or forecast	5%	18%	15%	44%	18%
We confuse forecasts with targets and commitments	9%	29%	15%	32%	15%
There is an ineffective target setting process	6%	29%	22%	32%	11%
It is not entirely clear who owns the plans or forecasts	3%	18%	13%	43%	23%
There is poor integration of the end-to-end process from strategic planning to operational planning and budgeting and with forecasting	12%	30%	18%	31%	9%
Managers and decision-makers are not sufficiently involved	3%	16%	16%	47%	18%
Excessive amount of detail required throughout the process	12%	33%	23%	27%	5%
There is a focus on outcomes rather than the underlying drivers	8%	41%	25%	22%	4%
We focus on what has happened rather than what is going to happen	5%	25%	23%	39%	8%
Our processes for managing risk opportunity and uncertainty are inadequate	6%	29%	26%	32%	7%
There are ineffective processes for tracking and improving forecast reliability	6%	41%	20%	28%	5%
The incentives and reward structures drive the wrong behaviours	7%	20%	26%	38%	9%
There is poor use of planning and forecasting technology	19%	35%	19%	22%	5%

■ Strongly Agree ■ Agree ■ Neither Agree nor Disagree ■ Disagree ■ Strongly Disagree

Overall, most participants feel that there is a common understanding of the purpose behind planning, budgeting and forecasting, clarity on ownership and proper involvement of managers and decision-makers. However, the underlying application of best practice principles are lacking, for example focus on outcomes rather than the underlying drivers of performance, poor use of technology, poor process integration, treating forecasts as targets rather than a best-estimate of forward performance.

Most critically, organisations where forecasts are treated as targets, with poor process integration and unclear ownership, also experience poor forecast reliability as well as an ineffective target-setting.

End-to-end integration of PB&F processes

Integration is an important element of effective PB&F – organisations with a common understanding of PB&F practices are more likely to have connected functions (76% vs 58%) compared to those where the purpose of planning and forecasting seems to be less clear. In addition, **leading organisations are twice as likely to have connected functions compared to the rest.**

Interestingly, the major roadblocks to adopting connected planning are disconnected systems, lack of standardised process, organisational structure and governance, and commitment from management. This view is slightly different for leading organisations where different target and performance incentives are also identified as key roadblocks. For the remainder of our respondents, we should also highlight a culture that is lacking in collaboration as a key impediment to a more connected PB&F process.

Roadblocks identified when trying to adopt connected planning

Roadblock	%
Disconnected systems	51%
Lack of standardised process	46%
Organizational structure & governance	35%
Lack of management commitment	23%
Lack of collaborative culture	20%
Different targets / performance incentives	18%
No interest in connected planning / do not see the value	17%
Other (please specify)	9%

Global planning, budgeting
and forecasting survey
Insight report – edition three

Why we plan, budget and forecast

Planning, budgeting and forecasting are quite different processes, each with a different purpose. Understanding the purpose and alignment of each of these processes is critical to an effective performance management framework. 62% of the respondents believe that there is a common understanding in the organisation of why they plan, budget and forecast, which has worsened from our 2014 results (70%). However, as we would expect, **leading organisations are twice as likely to have a better understanding of PB&F compared to the rest,** suggesting the importance of understanding the scope of PB&F to fully unleash the benefits of effective PB&F.

Interestingly, 47% of the respondents say that their organisation focuses on the future performance outlook rather than on history and looking backwards, which is in line with 50% in the 2014 survey.

Budgets should be used to communicate and cascade targets and to develop operational plans to deliver against strategic goals in the short term; forecasts when used properly provide the best view of the likely outcome based on current trajectory allowing course adjustments and correction. Being clear about these quite different purposes lead to clearer communication, clearer targets, more robust plans and a nimbler organisation tuned to the changing environment and is better able to respond to any changes.

Forecasting - predicting performance

Nearly half of the respondents say they only look at financial outcomes rather than the drivers of those outcomes. This is an improvement from 60% in the 2014 survey but nevertheless still quite high. Focusing on the underlying drivers of revenue and cost such as volume, mix, price, productivity, attrition rates etc. will provide a much better understanding of what is happening in the organisation, greater forecast accuracy and more focused decision-making.
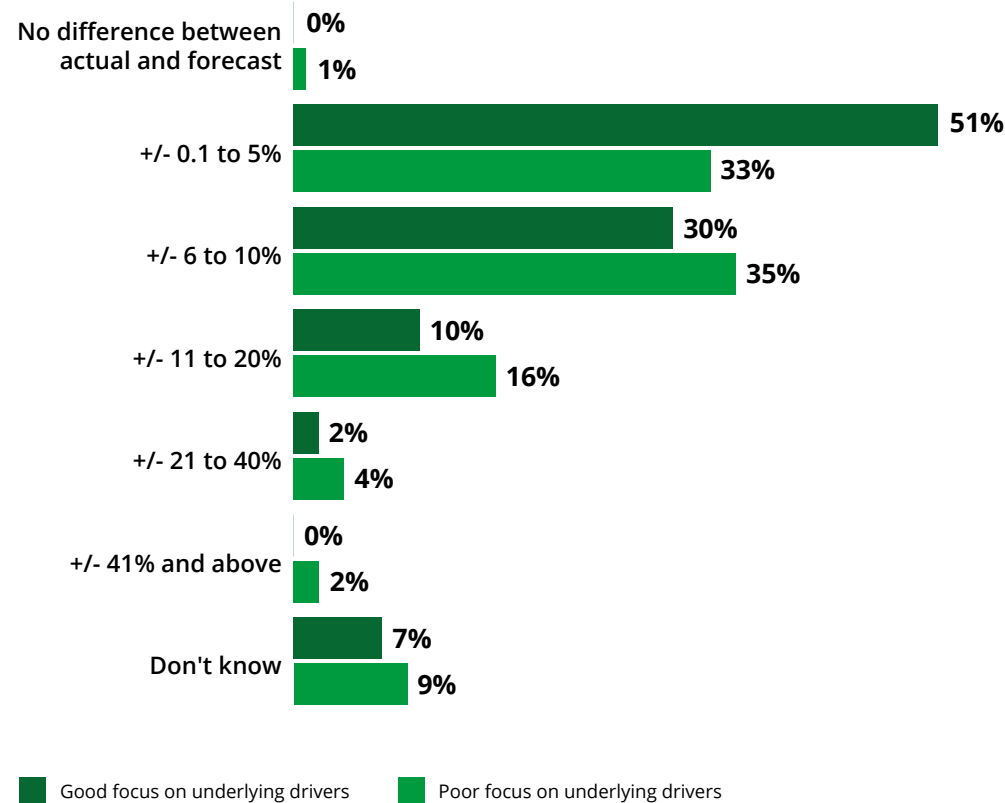
The survey shows a strong positive correlation between a focus on drivers and more reliable forecasts, with the majority, realising a variance of <5%, which is double the number in organsations that don't focus on drivers.

Focus on underlying drivers rather than outcome

26% | 49% | 25%

- Good
- Poor
- Other

Global planning, budgeting
and forecasting survey
Insight report – edition three
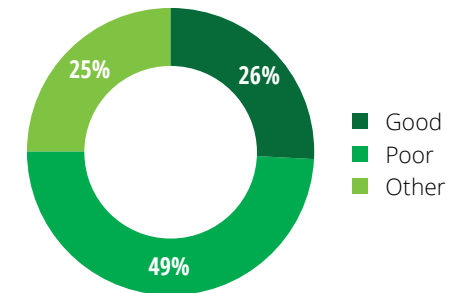
Variance between actual revenue and forecast revenue

Category	Good focus	Poor focus
No difference between actual and forecast	0%	1%
+/- 0.1 to 5%	51%	33%
+/- 6 to 10%	30%	35%
+/- 11 to 20%	10%	16%
+/- 21 to 40%	2%	4%
+/- 41% and above	0%	2%
Don't know	7%	9%

■ Good focus on underlying drivers ■ Poor focus on underlying drivers

Organisations with high levels of participation across functions, enjoy also enjoy greater forecast accuracy with 77% keeping forecast revenue variances to less than 10%, compared to only 59% of those with lower participation levels.

Forecasting cycles would seem to be getting longer; 50% are able to complete a forecast in under two weeks, which is a slight decline from the 2014 survey at 66%. This could be due to organisations expanding and getting more complex through their global business nature. Nevertheless, it is important to target a rapid forecast cycle, certainly no more than two weeks, to ensure that the forecast remains relevant and enables the right decisions to be made and course corrected as soon as possible. Receive the necessary information too late and you will miss the turning. Another interesting point to highlight is amongst those respondents with higher level of forecasting accuracy (0-5%), half of them can execute a forecast in under two weeks.

Ownership and Participation
Clear ownership and participation for planning and forecasting is vital to ensure plans and forecasts are complete with appropriate ownership targets and commitments to delivery. Two-thirds of respondents feel that ownership and responsibility for plans and forecasts are clear within their organisations. **This number is significantly higher for leading organisations at 98%, underlining the importance of ownership for effective PB&F.**

Global planning, budgeting
and forecasting survey
Insight report – edition three

Compared to the rest, those who claim to have clear ownership for plans and forecast also report more connected PB&F functions (52% vs 40%), more effective target setting processes (56% vs 43%) and more involvement of managers and decision makers in PB&F processes (80% vs 65%).

65% of respondents have good participation of managers and decision-makers in planning, budgeting and forecasting. There is a clear correlation between stakeholders' involvement and connectedness. Organisations with poor levels of participation are more likely to be experiencing blockers to connected planning, with respondents reporting a higher degree of obstacles such as lack of collaborative culture and management commitment, issues with organisational structure and lack of standardised processes.

Involvement of managers and decision-makers
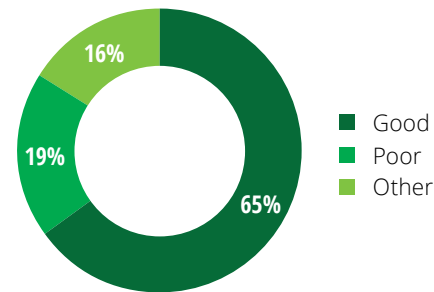
Use of technology for effective planning, budgeting & forecasting

54% of respondents report that they do not make proper use of planning and forecasting technology, which is much higher than the 35% in 2014 survey. 30% of organisations also report that they use spreadsheets as their main budgeting and forecasting tool and perhaps surprisingly this is unchanged from 2014. Barriers to technology implementation, as with many other planning challenges, are no different in large or small organisations.

Often organisations struggle to make a business case for implementing technology as they focus on headcount benefits (hard savings) rather than business performance benefits derived from driving collaboration, greater transparency of emerging issues and better, more timely decision-making which can be more complex to demonstrate.

Also, as expected, organisations who make good use of technology are more likely to have automated management information production and self-service capabilities and we see very similar results for the Leaders. **Indeed, it is worth noting that use of technology by leading organisations is very similar to the rest of the survey respondents** perhaps underlining the challenges that many organisations face in making a compelling investment case. This might suggest that technology standalone may not be the main differentiator between PB&F leaders and the rest. However, its benefits are known as respondents with good usage of technology are more likely to get accurate forecasts (45% vs 37%) and a faster cycle time (56% vs 48% execute a forecast in under two weeks). Furthermore, these are not massive differences which suggests the importance of complementing technology with the other important organisational and cultural best practices mentioned in this report.

Global planning, budgeting
and forecasting survey
Insight report – edition three

Technology continues to be under-utilised and organisations are still struggling with the fundamentals. Cultural barriers remain including an excessive focus on targets rather than business intelligence; incentives, responsibilities and ownership structures that drive siloed and overlapping planning and forecasting. This is where change is at its hardest.

Successful and sustained change requires a cultural shift and a clear vision across the entire organisation of what good looks like: collaborative and joined-up planning and forecasting, short cycle times supported by technology, driving "real-time", insightful and accessible information about internal and external business conditions that allows the organisation to anticipate, respond and win.

Based on discussions with Chief Financial Officers and Financial Planning & Analysis leaders, we are seeing leading organisations:

- Driving better business performance through adoption of good PB&F practices, by demonstrating greater levels of focus on business drivers, ownership, connectedness and process integration

- Focus on ownership of the planning process through clearly defined RACI's, to ensure a smooth target setting process and increasing the involvement of decision-makers in the PB&F process

10

Global planning, budgeting
and forecasting survey
Insight report – edition three

Connected planning

Global planning, budgeting
and forecasting survey
Insight report – edition three

Connected planning

Connected Planning is the process of integrating the plans across functions to enable improved insights, and reduce information siloes. The static business plans of yester-years are ill-equipped to handle the current market dynamism and lack the necessary capabilities, to inform short and long strategic decision making.

Connected Planning, is an effective forecasting method that has been used over the years. However, organisations often struggle to effectively optimise it to realise all the benefits it can provide. As tools and systems continue to develop over time, organisations should actively strive to maximise their capabilities.

To enable Connected Planning within an organisation, we must ensure certain components are aligned:

- Data – a single version of the truth that allows organisations to link operation and financial data

- People – collaborative ways of working across different planning functions

- Process – alignment of processes across the organisations, including planning calendars, business drivers and business hierarchies

- Tools and technologies – use of common planning models leveraging cloud-based tools and technologies, where appropriate

What proportion of respondents have embraced Connected Planning?

Our latest insights suggest that organisations are aware of connected planning and the benefits it might bring into their planning process. However, the adoption of connected planning is relatively limited compared to other planning methodologies.

Based on our findings, 31% of organisations have embraced connected planning across three or more of their business functions. Of these respondents, 68% state all functions of their business are connected to each other, showing a high degree of connection in their respective organisations.
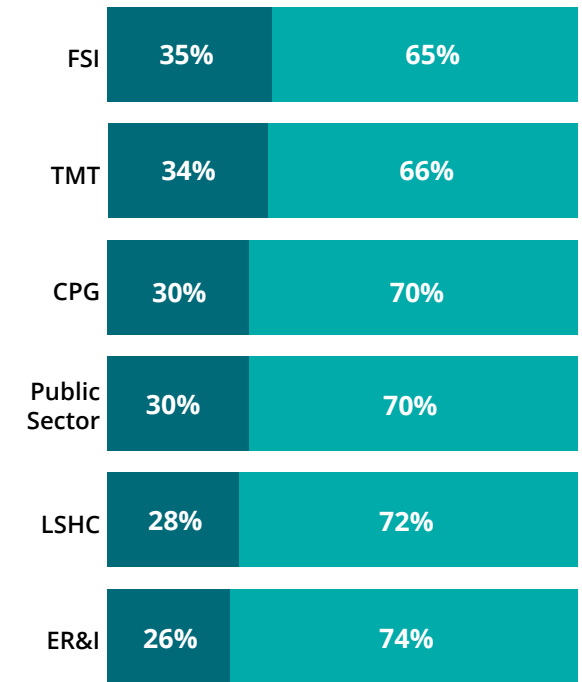
The remaining 69% of our respondents only have two or less functions connected to each other, with 10% of these respondents having zero functions connected to each other.

Adoption of Connected Planning across the organisation

- 31% Connected across 3 or more functions
- 69% Connected with two or less functions
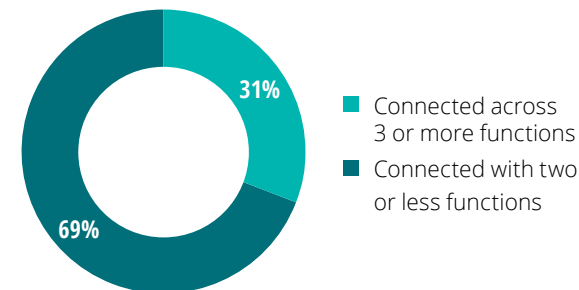
Financial Services are leading the way in Connecting Planning, with TMT a being close second when it comes to the industry breakdown of having 3 or more connected functions. Life Sciences & Healthcare and Energy, Resources and Industrials, still have some work to do, to match their counterparts.

Adoption of Connected Planning across industries

Industry	3 or More	2 or Fewer
FSI	35%	65%
TMT	34%	66%
CPG	30%	70%
Public Sector	30%	70%
LSHC	28%	72%
ER&I	26%	74%

■ 3 or More ■ 2 or Fewer

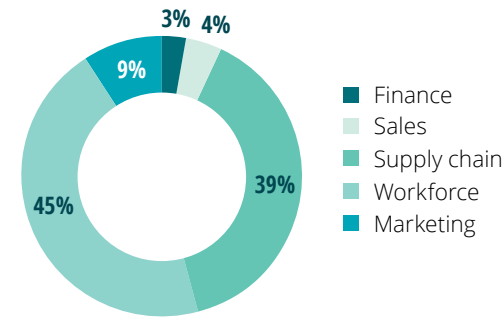## Finance leads the way in connectivity, but sales is not far off
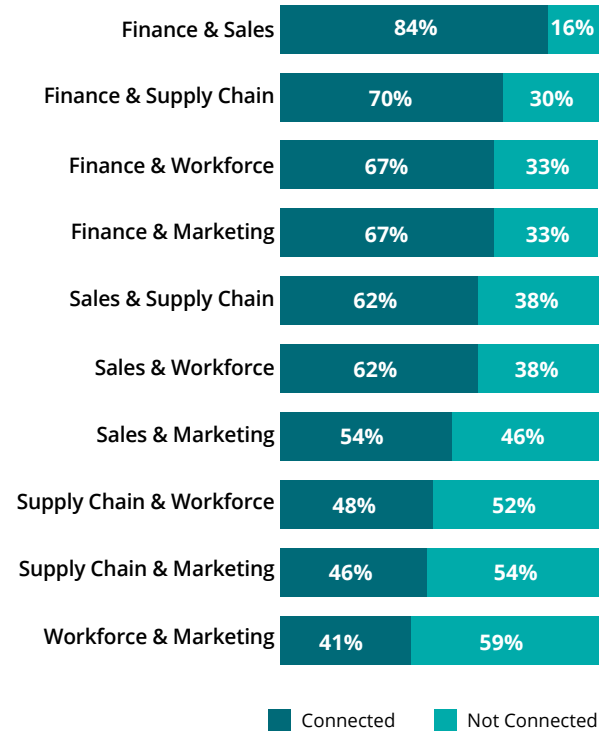
Where organisations are utilising connected planning, we see the **Finance function as the most connected across the organisation**. With the importance of the annual budgeting and financial planning processes, Finance is required to capture inputs from across the business and align key assumptions. For example, HR and Finance should be connected to ensure headcount numbers are costed correctly in the plan.

Following the Finance function closely, the **Sales function is also a highly connected function in the business**. With 39% of organisations connecting this function to all other functions of the business. This type of connection supports the Sales function in distributing their objectives to the rest of the business. For example, what volumes are required to be sold and understanding the businesses capacity to deliver this with staff and supply chain capacity. The confirmation of their plan will then feed into the finance function to support the development of the revenue forecast.

How connected are functions to other parts of the business

Finance — 3%
Sales — 4%
Marketing — 9%
Supply chain — 39%
Workforce — 45%

Legend:
- Finance
- Sales
- Supply chain
- Workforce
- Marketing

Our research indicates that in those organisations who have adopted connected planning, Finance and Sales functions have been connected the most, standing at 84%. Workforce & Marketing are by far, the least connected functions across the respondents, standing at 41%.

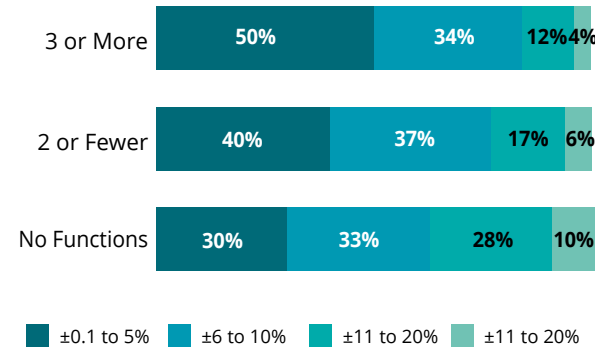|	Connected	Not Connected
Finance & Sales	84%	16%
Finance & Supply Chain	70%	30%
Finance & Workforce	67%	33%
Finance & Marketing	67%	33%
Sales & Supply Chain	62%	38%
Sales & Workforce	62%	38%
Sales & Marketing	54%	46%
Supply Chain & Workforce	48%	52%
Supply Chain & Marketing	46%	54%
Workforce & Marketing	41%	59%

Connected planning can benefit an organisation in two distinct ways; improve accuracy of their forecast and provide efficiency gains in the time that it takes to complete the process.

Our survey results indicate that there is a strong positive correlation between the number of functions connected and the accuracy of the forecast. Additionally, an increased number of connected business functions will ultimately result in a more accurate forecast. Where an organisation has connected three or more functions together, we see 50% of these respondents having a variance from actuals to their forecast of less than 5%. Whilst the remaining respondents with two or more functions connected hold a variance of less than 10%.

For organisations who have connected less than two functions together, only 40% show a variance of less than 5% to their forecast, with a higher proportion of organisations having a variance greater than 10%. Overall, our findings suggest that connecting functions does improve the accuracy of the forecast.

Accuracy of forecast based on connectivity of functions

3 or More	50%	34%	12% 4%
2 or Fewer	40%	37%	17% 6%
No Functions	30%	33%	28% 10%

■ ±0.1 to 5% ■ ±6 to 10% ■ ±11 to 20% ■ ±11 to 20%

Planning efficiency can be measured from the time taken to complete the planning process; the shorter the planning process, the more efficient it is.

63% of respondents who have connected all their business functions completed their forecasts in less than 3 weeks. However, contrary to this, 54% of respondents who have no functions connected also completed their forecasts in less than 3 weeks.

Just 5% of respondents who have all functions connected took longer than 6 weeks to complete their forecasts. Comparatively, 13% of respondents who have no functions connected took longer than 6 weeks to complete their forecasts.

Therefore, we are seeing those organisations who have connected functions generate more accurate forecasts relatively quickly, when compared to their counterparts.

Duration of planning process based on connectivity of functions
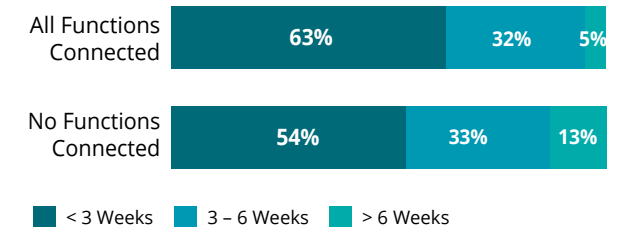
All Functions Connected	63%	32%	5%
No Functions Connected	54%	33%	13%

■ < 3 Weeks ■ 3 – 6 Weeks ■ > 6 Weeks

Based on discussions with Chief Financial Officers and Financial Planning & Analysis leaders, we are seeing leading organisations:

- Exploring the idea of Connected Planning and are actively looking at ways to improve it by reducing information silos;

- have finance as their most connected function in the current landscape, with sales being a close second; and

- improve their accuracy of forecasts and the time that it takes to complete the process, as they derive the benefit of having more comprehensive insights.

Global planning, budgeting
and forecasting survey
Insight report – edition three

Algorithmic forecasting

Algorithmic forecasting

The advancement of science, a proliferation of data and the accelerated development of computing capabilities has led businesses to be more inquisitive in relation to tools and technologies.

One phenomenon that has emerged is algorithmic forecasting, which relies on significant historical data and statistical models to predict what is likely to happen in the future. Algorithms are chosen by experienced data scientists, and modern computing capabilities make collecting, storing and analysing data fast and affordable.

Forecasting has traditionally been, and is still seen by many organisations today, to be a time-consuming process, based on spreadsheets and with limited use of external drivers – i.e., factors external to the business that affect sales or other key business performance indicators. With three out of four organisations still using spreadsheets to prepare plans, budgets and forecasts, we are yet to see organisations scale and adopt algorithmic forecasting across the enterprise.

Indeed, 94% of respondents do not currently use algorithmic forecasting and 30% of respondents state that current planning processes focus more on what has happened rather than what will happen. Organisations have clearly been hesitant about adopting algorithmic forecasting to complement or part-replace traditional planning techniques, but do recognise that it can provide a useful data point in the planning, budgeting and forecasting (PB&F) process.

How organisations have been using algorithmic forecasting

Based on our survey results, uptake of algorithmic forecasting has been relatively low, with just 6% of respondents using algorithmic forecasting in their organisation. We have identified a number of reasons why the use of algorithmic forecasting has been limited to date:

- Lack of skills associated with algorithmic forecasting

- Resistance to the idea that forecasting accuracy can be improved by algorithmic forecasting

- Concerns that poor quality and limited data might affect algorithmic forecasts

- A lack of understanding about how algorithms work

- A limited adoption of tools to support algorithmic forecasting

In addition to this, approximately 50% of all respondents stated that there is a lack of focus on underlying drivers that affect financial outcomes; the use of drivers being the foundation for the use of algorithmic forecasting techniques.

Extent of use of algorithmic forecasting

6%

94%
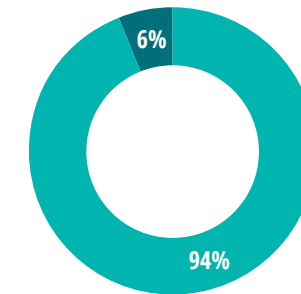
- ■ Do not use algorithmic forecasting
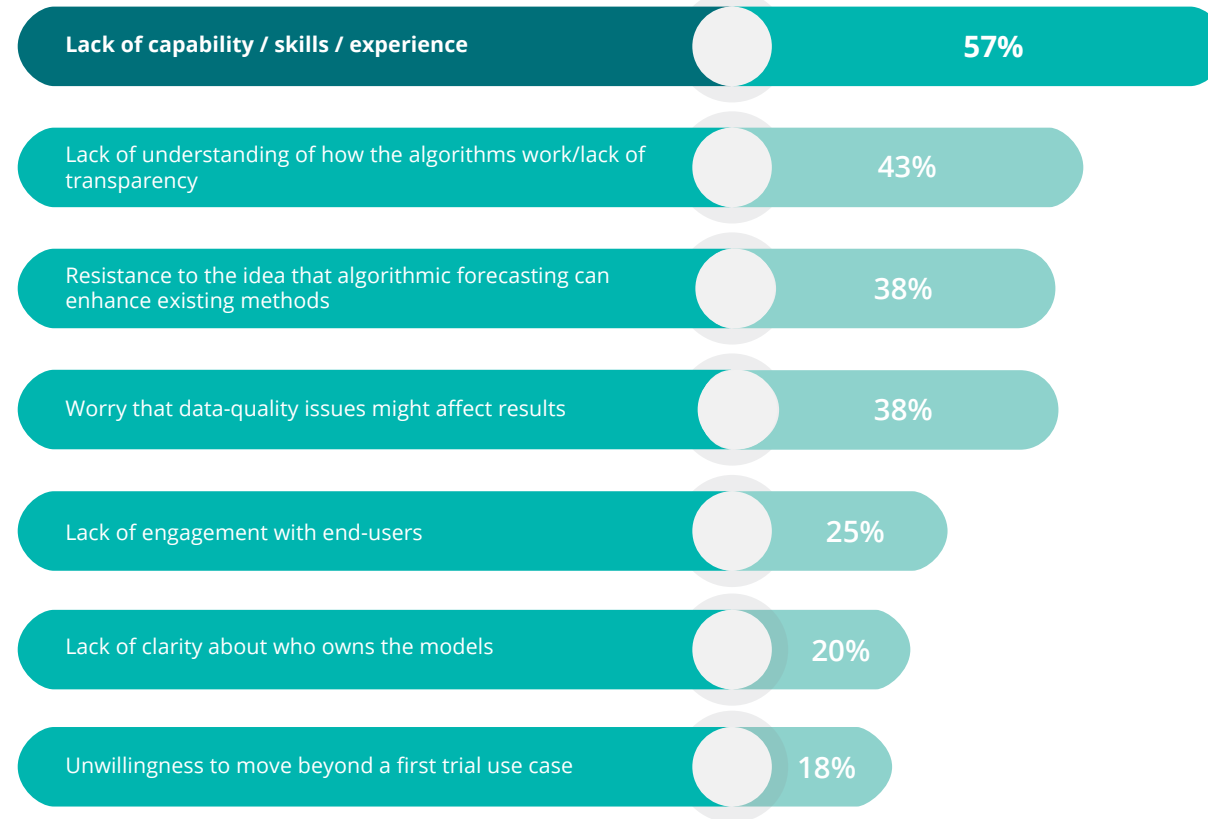- ■ Use algorithmic forecasting

Several roadblocks have been highlighted as hindering the adoption of algorithmic forecasting by organisations. Respondents cite concerns over ownership and data quality, as well as resistance within the organisation to acknowledge the proven benefits of algorithmic forecasting. Around one in five reported an unwillingness to move beyond a first trial use case; although companies are trialling algorithmic forecasting through proof of concepts, we are yet to see this being scaled across organisations.

As a result, there is currently only a small number of organisations with the right tools and technologies to enable the use of algorithmic forecasting as part of their planning process.
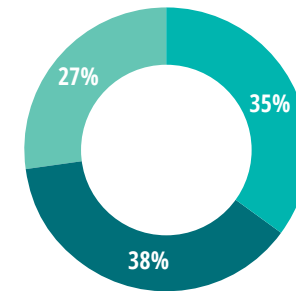
Algorithmic forecasting

Roadblocks to algorithmic forecasting adoption

Lack of capability / skills / experience	**57%**
Lack of understanding of how the algorithms work/lack of transparency	43%
Resistance to the idea that algorithmic forecasting can enhance existing methods	38%
Worry that data-quality issues might affect results	38%
Lack of engagement with end-users	25%
Lack of clarity about who owns the models	20%
Unwillingness to move beyond a first trial use case	18%

Despite the limited uptake, 6% of organisations surveyed do use the algorithmic forecasting in some form of capacity. Our findings indicate that top-down planning is the most popular use case, followed by bottom-up forecasting, and then product-level forecasting.

Algorithmic forecasting use cases

- 35%
- 38%
- 27%

■ Bottom-up forecasting
■ Top-down planning
■ Product-level forecasting

Expectedly, the adoption of algorithmic forecasting is higher among large organisations with an annual revenue above $5 billion (42%) compared to smaller organisations (20%).

Our survey found that around 20% of participating organisations use advanced tools and technologies (other than spreadsheets), such as R and Python, for planning purposes. Among those organisations, algorithmic forecasting is based primarily on the

Global planning, budgeting
and forecasting survey
Insight report – edition three

Algorithmic forecasting methodology

Category	%
Not currently using technology to undertake algorithmic forecasting	74%
Using internal data	25%
Using structured data	12%
Undertaking basic trend analysis	12%
Using external data	10%
Undertaking advanced statistical techniques	4%
Undertaking machine learning	3%
Using unstructured data	2%
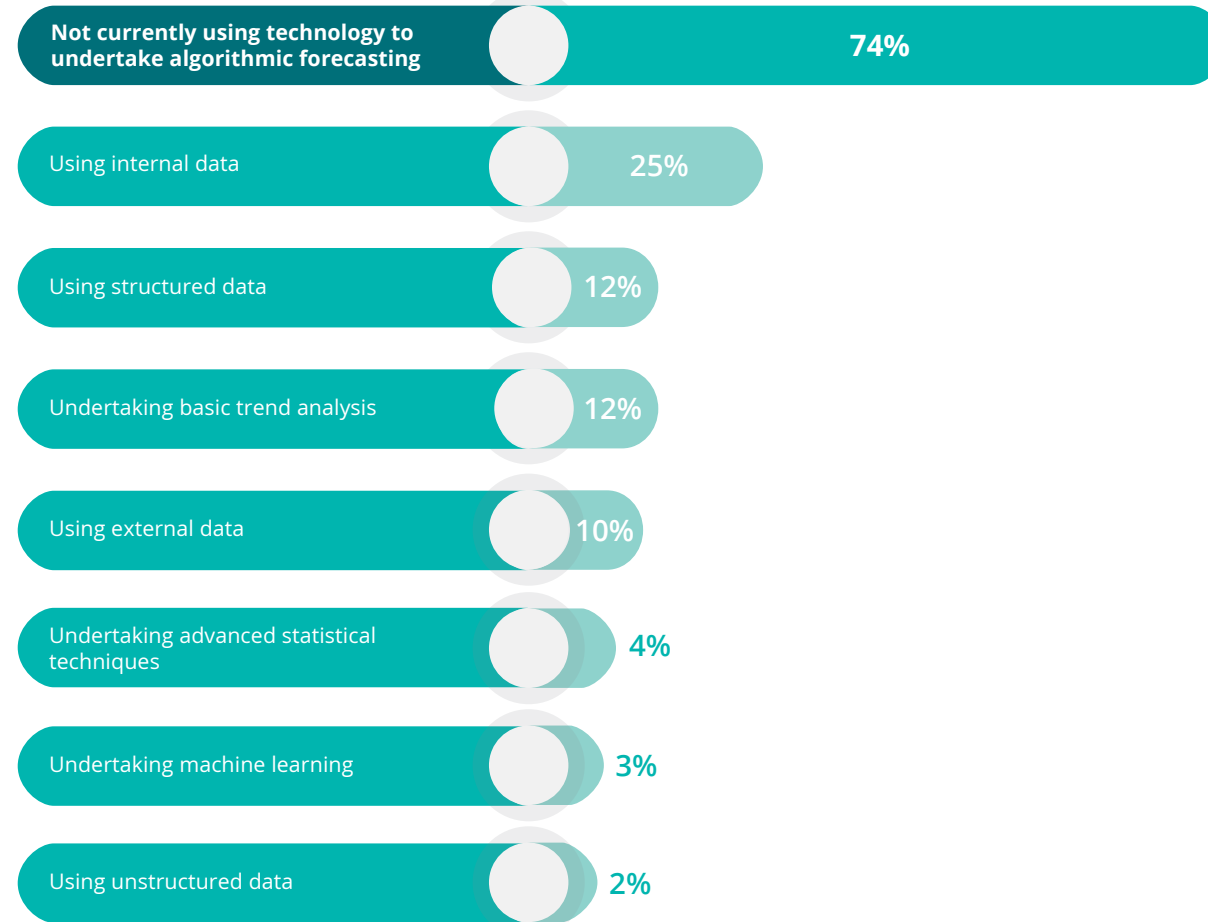
use of internal and structured data, with only about one in ten using external data for forecasting. Only 3% of participants are planning to use machine learning for algorithmic forecasting.

In summary, our findings indicate that companies across all industries still rely heavily on traditional forecasting methods, with a small percentage of them (6%) using algorithmic forecasting as part of their PB&F processes. The small percentage of organisations that do use algorithmic forecasting apply it to top-down planning, bottom-up planning, and product-level forecasting use cases. There is little variation of the type of use cases algorithmic forecasting is used for across industries.

Based on discussions with Chief Financial Officers and Financial Planning & Analysis leaders, we are seeing leading organisations:

- trial algorithmic forecasting in pockets of the organisation before deciding whether to scale across the enterprise;

- apply algorithmic forecasting to top-down planning and product-level forecasting use cases; and

- start with internal structured data before harnessing external and unstructured data in their algorithms.

Planning and reporting cycles

Global planning, budgeting
and forecasting survey
Insight report – edition three

Planning and reporting cycles

Introduction

The budget process establishes financial and operational targets for responsibility centres, and translates strategic goals into a detailed roadmap – identifying measures and indicators of performance – towards achieving those targets.

Most organisations budget for an annual time horizon; however, our survey discovered that a considerable number of respondent organisations (27%) plan over longer horizons, ranging from three-year plans, to four years or more. The length of the budgeting horizon may affect the time that it takes to produce a budget, which can range from less than a month to longer than nine months.

Our findings also indicate that budgeting activities are still performed within Financial Planning & Analysis (FP&A) teams (group and/or company level) for 66% of respondent organisations. The most popular approach for annual budget preparation is the bottom-up approach (72%), followed by top-down (56%) and driver-based (35%). Most respondents are using more than one approach, with 38% using both top-down and bottom-up, and 31% using three approaches or more. Indeed, we are seeing this trend more and more, as adopting more than one approach can provide useful data points that feed into budget discussions.

Compared to the Deloitte PB&F survey conducted in 2014, we are now seeing an increasing trend in the time taken to complete the annual budgeting process. Although the majority (57%) of respondents are able to complete the budgeting process within three months, only 5% can complete it within one month – compared to 16% in 2014. In addition to this, more organisations are taking around four to nine months to complete their budgeting processes compared to 2014. Due to a proliferation in data and tools available, organisations are now demanding greater insights and granularity which is leading to an increase in budgeting timelines.

Planning, budgeting and forecasting granularity

Most organisations tend to pursue a granular level of budgeting, with the perception that further granularity can drive increased accuracy. Overall, 53% of respondents are preparing the budget at the lowest level of the chart of accounts (CoA), which is the most detailed level, among which, 84% regard their budgeting process granularity as "about right". Only 1% of respondents consider their budgeting process as giving "not enough detail".

What level of detail do you go down to in your annual budget?

- 27%
- 26%
- 47%
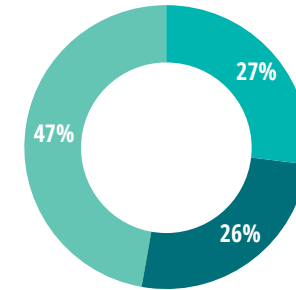
- ■ The most detailed level
  (for example, Stock Keeping Unit (SKU)
- ■ The lowest level of the Chart of Accounts (CoA)
- ■ Mixed levels of the Chart of Accounts (CoA)

Finding the optimal balance between level of detail and planning accuracy can help reduce unnecessary and excess effort in the PB&F process. Although there is no absolute standard of budgeting granularity, organisations may consider the following factors when determining the level of detail.

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and forecasting survey
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Industry – Organisations from different industries have differing levels of budgeting granularity depending on the nature of the business. The Consumer & Industrial Products and Life Sciences & Healthcare industries tend to prepare annual budgets in greater detail in order to support operational planning and decision making.

Company size – Smaller organisations are more likely to prepare detailed plans than their larger peers, who usually prefer a mixed level of detail. Based on our experiences, leading organisations are identifying the most suitable level of granularity by line item in order to find the balance between efficiency and accuracy.

Plan and budget horizon – For a long-term or mid-term plan and budget that runs over more than one year, organisations usually choose to plan at a higher level that provides strategic guidance for the annual budget and forecast in the next few years. With an annual budget, the level of data is more detailed, and is also used for financial and operational analysis.

Forecasting

Forecasting remains a retained organisational capability, with very few cases of outsourced teams having responsibility for this process.
Respondents indicate that the forecast process is mainly led by the FP&A teams within their Finance function, accounting for over two-thirds of responses

(similar response to the production of the budget), whilst around a quarter of forecasts are produced by the individual budget owners. Interestingly, the respondent's organisation size seemed to have no influence on whether the responsibilities sat within FP&A or with the cost/profit centre owners.
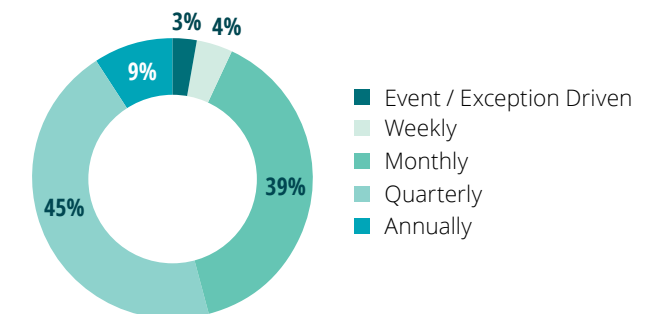
There were only a very few instances of the forecasting process sitting outside an organisation, with only a small number of respondents reporting that their Shared Service Centre or Centre of Excellence is responsible for the initial production of the forecast – those predominantly being in the Government & Public Sector and the Consumer & Industrial Products sectors.

Traditional approaches to forecasting are far more common than algorithmic approaches, and the P&L remains the focus for forecasting

The most common approach for forecasting is bottom-up, with almost two-thirds of businesses stating they use this method in their forecasting process, followed by the top-down approach, at just under half. Businesses are predominantly sticking with these traditional approaches, with only 6% using an algorithmic approach to forecasting.

When looking at the line items forecasted, almost all businesses forecast P&L items, with only two-thirds forecasting their cash flow. Forecasting of balance sheet items and working capital was less common, with just under half of respondents forecasting these line items.

Rolling forecasts are still not widespread across organisations surveyed, with most sticking with the forecasting every month or quarter.

Businesses recognise the need for frequency, with 84% of respondents forecasting on a monthly or quarterly basis. Only one in ten respondents forecasts annually. The forecast horizon for 60% of respondents is the remainder of the financial year, whereas just a fifth perceived a need for a more agile forecasting cycle, implementing a rolling forecast with a horizon spanning beyond the existing financial year.

How frequently do you forecast?

3% **4%**

9%

45%

39%

- Event / Exception Driven
- Weekly
- Monthly
- Quarterly
- Annually

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Of those organisations that adopted rolling forecasts, the most common approaches identified were bottom-up and top-down. Algorithmic and zero-based forecasting were the least-favoured, with only 14% of respondents suggesting they had used these approaches within their organisation.
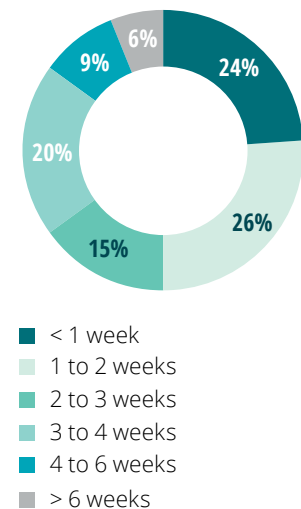
What approaches do you use to produce your forecast?

Approach	%
Bottom Up	34%
Top Down	29%
Driver Based	18%
Run Rate	16%
Zero Based	5%
Algorithmic	3%
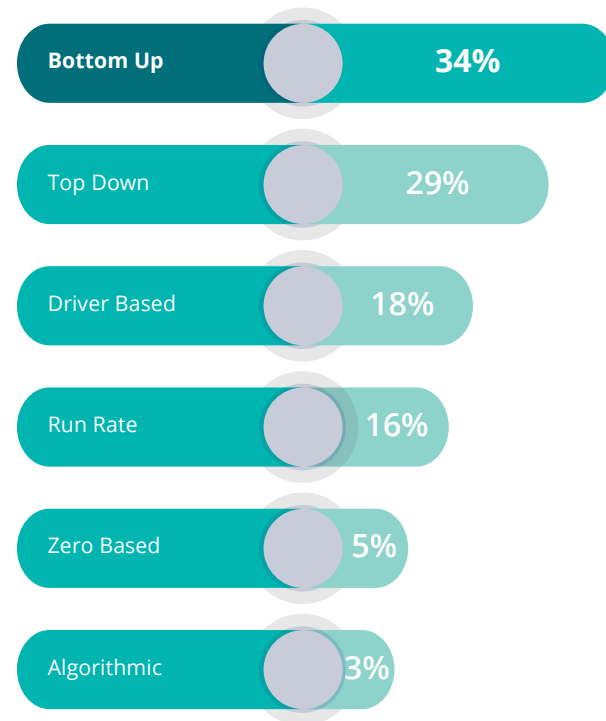
The forecasting duration is minimal and influenced by the time horizon of the forecast

Based on the survey results, 85% of respondents take less than a month to build and produce their forecast, with half of all respondents doing this within a two-week timeframe. The remainder (15%) take over a month to complete their forecasting process, indicating that some personnel – particularly the FP&A team – spend a lot of time on the forecasting process, preventing them from performing more value-adding activities.

What's the elapsed time (duration) of your forecasting process?

Donut chart values: 24%, 26%, 15%, 20%, 9%, 6%

- ■ < 1 week
- ■ 1 to 2 weeks
- ■ 2 to 3 weeks
- ■ 3 to 4 weeks
- ■ 4 to 6 weeks
- ■ > 6 weeks

Management information and reporting

Survey results indicate most management information is produced by local or group teams. Only 5.5% of respondents state information is produced in central locations, such as in a Shared Service Centre or in a Centre of Excellence. Timely and accurate reporting remains imperative for Finance leaders; as such, over 70% of the activity is still performed predominantly by the FP&A team, given its close relationship to the CFO office.

Who is responsible for the initial production of management information?

Donut chart values: 2.6%, 2.9%, 10.3%, 11%, 44.6%, 28.6%

- ■ Cost / Profit Centre owners
- ■ Business Partner team
- ■ Financial Planning & Analysis (FP&A) team
- ■ Group FP&A team
- ■ Shared Services Centre (SSC)
- ■ Centre of Excellence (CoE)

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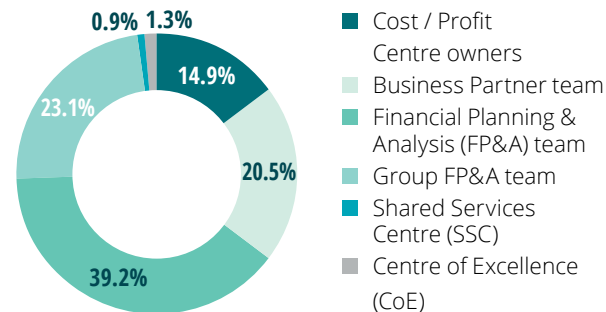and forecasting survey
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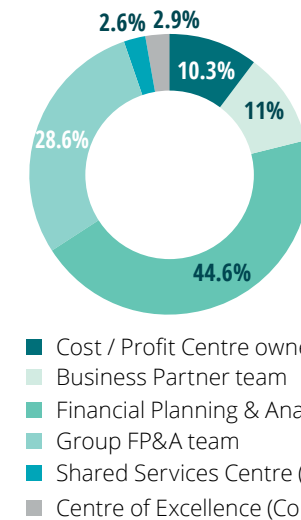
The responsibility for commentary and insight generation is divided among multiple teams

A significant proportion of management information commentary and insight generation is produced across commercial-facing teams, such as FP&A and Business Partner teams, as they often have the closest relationships with business and revenue-generating stakeholders.

Who is responsible for adding commentary/insights to management information?

0.9% 1.3%
14.9%
23.1%
20.5%
39.2%

- Cost / Profit Centre owners
- Business Partner team
- Financial Planning & Analysis (FP&A) team
- Group FP&A team
- Shared Services Centre (SSC)
- Centre of Excellence (CoE)

The automation journey for management information continues

Although there are organisations across all industries where management information is created entirely manually, the majority of those surveyed manage business performance with a mix of both automated and manual reporting. Based on our experiences, leading organisations are gaining further efficiencies

as they continue to adopt reporting automation across the business, this is common across most industries.

Most organisations have developed self-service capabilities, but they are not yet full embedded

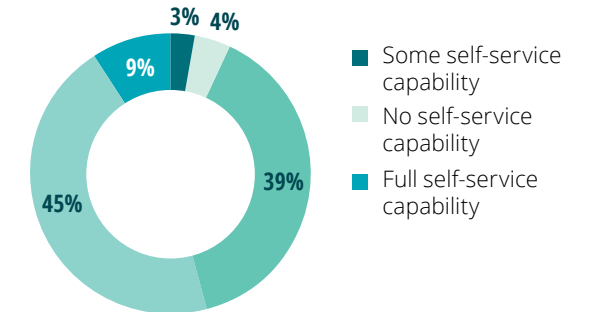Of the organisations surveyed, over 16% have no self-service capability relating to management information. **Overall, most organisations have stated they have some level of self-service capability, which is relatively consistent across industries and geographies.** Over time, we may expect to see this balance shift more towards a higher level of self-service in reporting, given the strategic importance of data and information for organisations, and the desire for individuals to generate deeper, more valuable insight in the future.

How automated is the production of management information

1%
14%
85%

- Mix of automated and manual
- Completely manual
- Fully automated
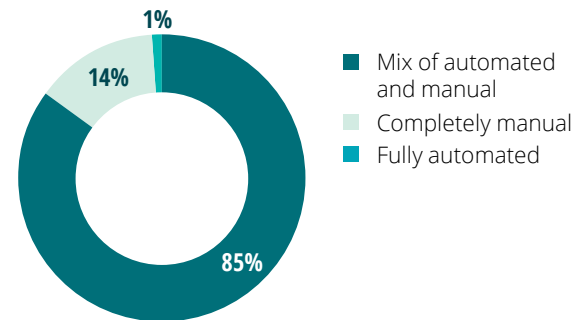
What level of self-service capability is available for management information?

3% 4%
9%
45%
39%

- Some self-service capability
- No self-service capability
- Full self-service capability

Based on discussions with Chief Financial Officers and Financial Planning & Analysis leaders, we are seeing leading organisations:

- focus forecasting activities predominantly on the P&L and cash flow, with a slightly lesser focus on the balance sheet;

- move towards providing teams with the ability to self-serve reports and management information; and

- search for an optimal balance between efficiency and accuracy of planning, budgeting and forecasting processes.

The impact of COVID-19

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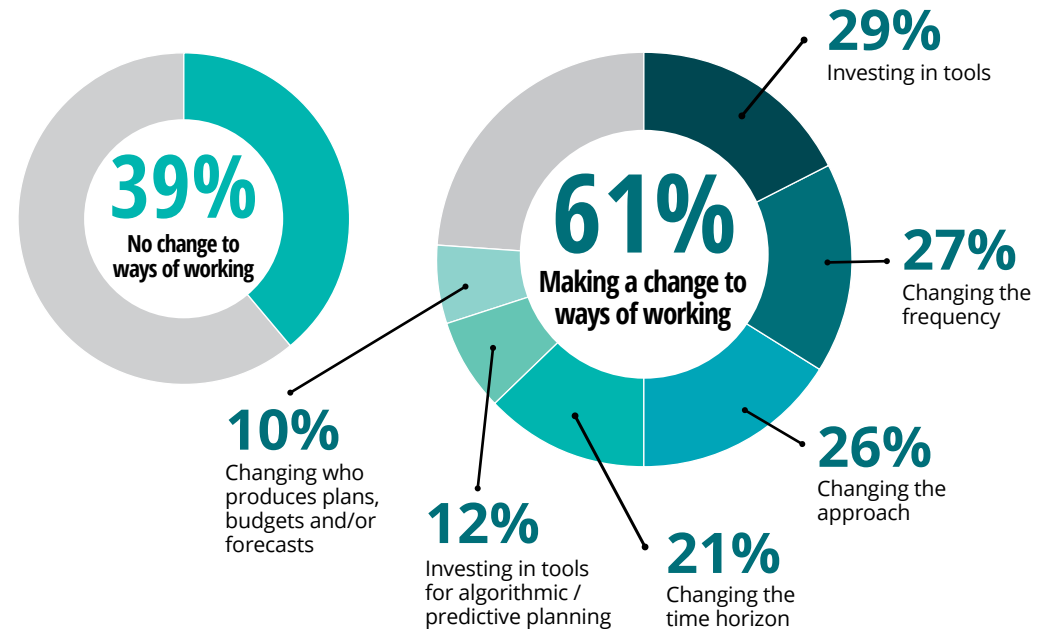Insight report – edition three

The impact of COVID-19

The World Health Organisation (WHO) declared the novel coronavirus (COVID-19) outbreak a global pandemic on the 11th March 2020. Planning, budgeting and forecasting became even more relevant and even more challenging as the uncertainties from the global pandemic soared.

The global pandemic put broken planning, budgeting and forecasting processes in the spotlight as the vulnerabilities of traditional financial, planning and analysis (FP&A) processes and inputs were revealed. The global pandemic also brought new challenges including the need to constantly run scenarios and plan for contingencies while creating new models and rethinking data sources and strategies – all while working remotely..

Over 60% of respondents are changing, or are planning on changing, their organisations ways of working as a direct result of the global pandemic – especially as plans, budgets and forecasts built upon prior assumptions, models and data were rendered unusable, especially during the early stages of the global pandemic..

How the global pandemic is changing ways of working

39%
No change to
ways of working

61%
Making a change to
ways of working

29%
Investing in tools

27%
Changing the
frequency

26%
Changing the
approach

21%
Changing the
time horizon

12%
Investing in tools
for algorithmic /
predictive planning

10%
Changing who
produces plans,
budgets and/or
forecasts

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29% of respondents are considering investment in tools and technology; 27% are considering changing the frequency at which they produce plans, budgets and forecasts; and 26% are considering changing the approach they use. We are also expecting the use of scenario-based forecasting to increase as organisations look to find a solution to assess different alternatives.

Among those looking to make changes, the majority are looking to make changes to the business process or make changes to the business process alongside investment in tools and technology. **Investment in tools and technology alone is not a silver bullet** and often fails to achieve the desired results which is why we are concerned that a large proportion of respondents in Government and Public Sector (28%) and Energy and Resources (27%) are considering only making investment in tools and technology.

The global pandemic has had a significant impact. CFOs and FP&A leaders will need to evolve planning, budgeting and forecasting to become more agile and scale to changing business needs in the face of the global pandemic and other challenges.

Based upon discussions with Chief Financial Officers (CFOs) and Financial Planning & Analysis (FP&A) leaders, we are seeing leading organisations:

- Increasing focus on first building scenarios and then thinking through their implications on the business;

- Develop a thirst for raw data and insights from the field instead of aggregated data; and

- Demand the integration of external data with company data to generate actionable insights

Furthermore, business leaders want FP&A teams to execute a more agile and efficient planning process to help them adapt to ever-changing business conditions. This is leading to CFOs and FP&A leaders rethinking FP&A work, tools, skill sets and locations to adapt to future needs.

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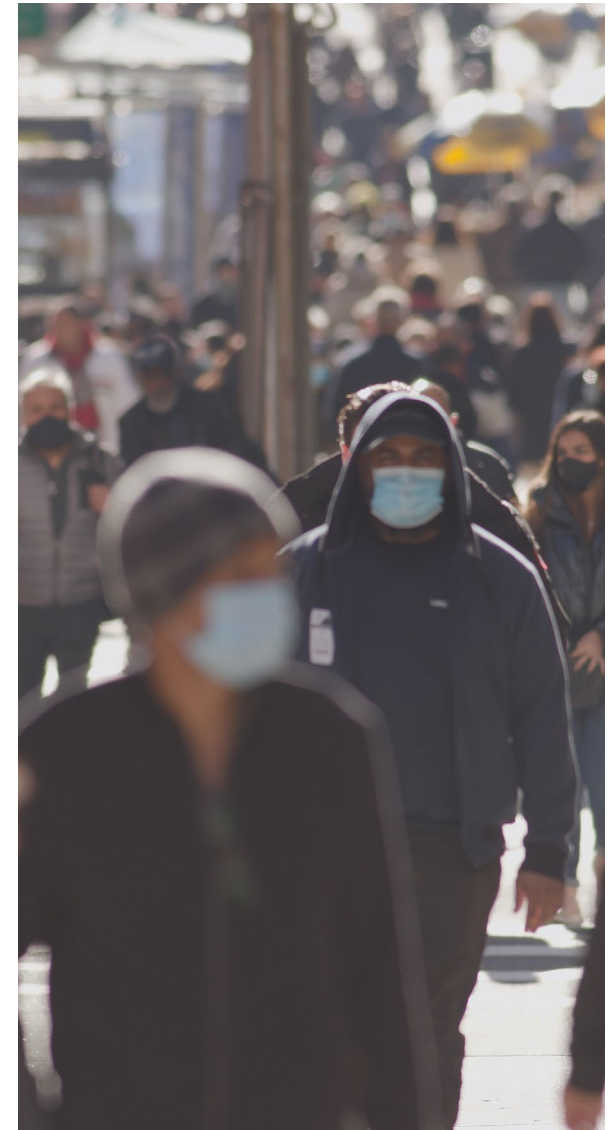
Sustainable finance

Sustainable finance

We used the term "sustainable finance" in the survey to cover a variety of topics such as environmental, social, and governance (ESG) and non-financial reporting and disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) that are demanding the attention of Chief Financial Officers (CFOs) and audit committees.

Understanding sustainable finance is critical in becoming truly responsible. The world is telling business to change. The message is clear: meet higher expectations of responsibility. Meet them, and show the world you mean it. Customers are demanding that businesses embrace sustainable finance. Employees and investors expect it. And increasingly, regulators mandate it.

Planning, budgeting and forecasting is at the heart of how organisations manage financial and operational performance, and over time we expect sustainability to be fully integrated into planning, budgeting and forecasting processes.

Overall, 63% of respondents are aware of sustainable finance but responses were different across industries and depending on size of organisation. 34% of respondents are aware of sustainable finance and expect it to impact upon planning, budgeting and forecasting processes, and of those, 64% expect the impact to occur this year or next year.

29% of organisations in the survey are aware of sustainable finance but do not expect it to have any effect on planning, budgeting and forecasting.

How sustainable finance is impacting planning, budgeting and forecasting

Awareness of sustainable finance and carbon emission planning and the impact on planning
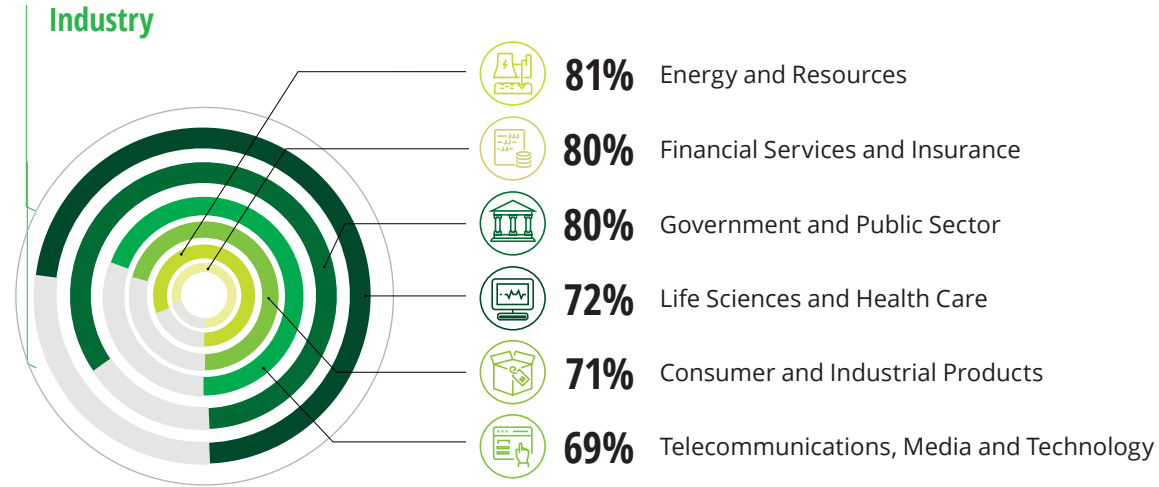
34%
I am aware of this trend and expect it to impact upon our planning, budgeting and forecasting processes

29%
I am aware of this trend and don't expect it to impact upon our planning, budgeting and forecasting processes

26%
I am not aware of this trend and we don't have a specific team to deal with sustainability-related matters

12%
I am not aware of this trend and we do have a specific team to deal with sustainability-related matters
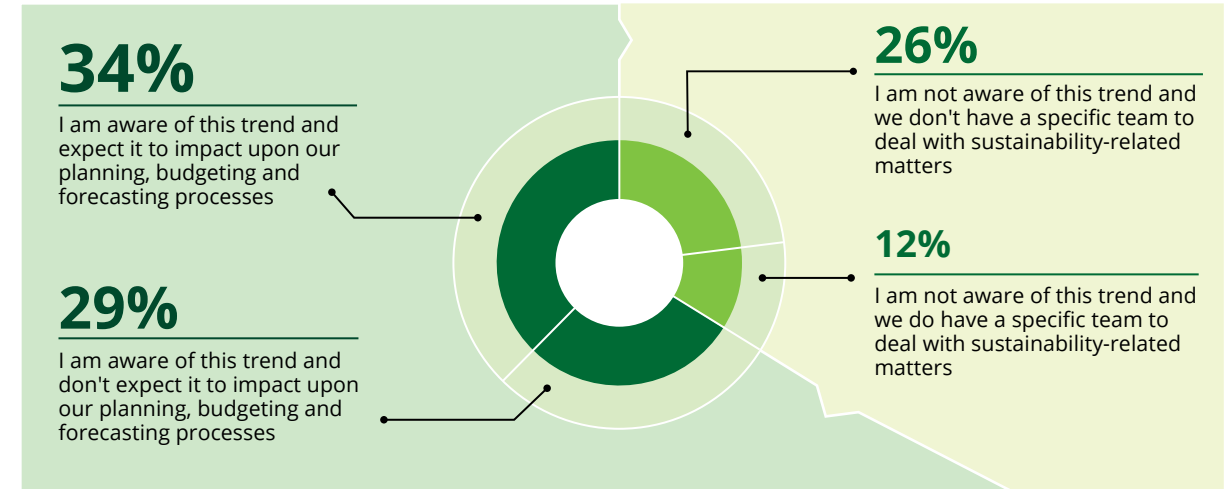
Timing of Impact linked to "Awareness of sustainable finance and carbon emission planning and the impact on planning

This year — **39%**

Next year — **25%**

Beyond the next year — **36%**

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Awareness of sustainability and impact on planning, budgeting and forecasting

Industry

81% Energy and Resources

80% Financial Services and Insurance

80% Government and Public Sector

72% Life Sciences and Health Care

71% Consumer and Industrial Products

69% Telecommunications, Media and Technology

We were not surprised to see that respondents within the Energy and Resources industry were more aware of sustainable finance and its impact (81%) than those in other industries. Lack of awareness appears most acute among respondents in the Telecommunications, Media and Technology, Consume and Industrial Products (CIP), and the Life Sciences and Health Care (LSHC) industries.

Awareness of sustainability by organisations over $1bn / Under $1bn revenues
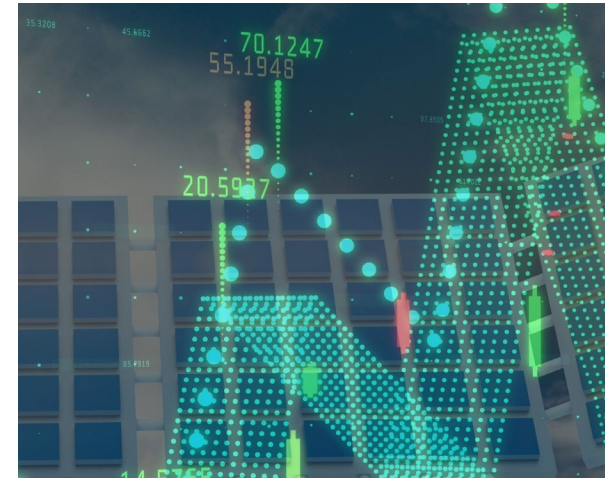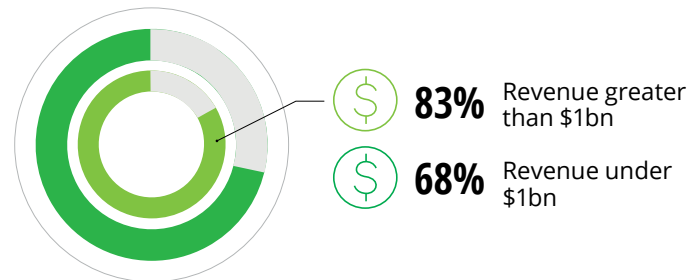
83% Revenue greater than $1bn

68% Revenue under $1bn

Based upon discussions with Chief Financial Officers (CFOs) and Financial Planning & Analysis (FP&A) leaders, we are seeing leading organisations:

- Embed sustainability metrics and measures into the planning, budgeting and forecasting process and review cycles;

- Look beyond the traditional financial metrics, to also consider social and environmental information as part of their management information; and

- Adapt their capital investment appraisal processes to integrate social and environmental issues.

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Use of tools and technology

Use of tools and technology

With continuous advancements in technology, we are seeing an emergence of new tools and technology which organisations can leverage, and often leverage more easily as a result of cloud-based solutions that are typically more readily accessible.

Spreadsheets still dominate for planning, budgeting and forecasting but their use is declining.
The spreadsheet continues to provide ultimate flexibility to finance professionals but as organisations look to standardise, collaborate, and connect finance to non-finance functions other tools and technologies are proving more suitable.

The increasing use of scenario planning, real-time reporting, and a move to predictive planning are also driving the adoption of more sophisticated tools and technology.

The use of tools and technology for planning, budgeting and forecasting
30% of organisations use spreadsheets to prepare plans, budgets and forecasts – this has fallen from 37% in 2014. This indicates that spreadsheets are still the most widely used tool, although there is a downward trend in their usage.

We are also seeing an increasing use of Software as a Service (SaaS) tools from vendors such as Anaplan and Oracle. These tools have the added benefit of regular updates to features and functionality without the need to undertake expensive and time consuming upgrades.

The use of more sophisticated tools increases with the size of organisation. Most organisations with less than $1 billion revenue use spreadsheets. In contrast, this is only 9% for organisations with revenues over $10 billion. This is consistent across all industry sectors and geographical regions.

Larger organisations are now also more likely to make use of multiple tools. Historically most organisations have had a single tool that predominantly met the needs of those at group and met very few of the needs of those in the divisions. As a result the divisions continued to use spreadsheets with the final "answer" being submitted into the group tool. We are increasingly seeing the divisions make use of their own more sophisticated tools – often enabled by the cloud.

Use of tools and technologies in the planning, budgeting and forecasting process

Tool	Percentage
Spreadsheets (for example, Microsoft Excel or Google Sheets)	30%
Other	20%
SAP Business Planning and Consolidation (BPC)	18%
Oracle Hyperion Planning	10%
IBM Planning Analytics (formerly IBM Cognos TM1)	6%
Anaplan	5%
Oracle Planning and Budgeting Cloud Service (PBCS / EPBCS)	4%
Workday Adaptive Insights	3%
Wolters Kluwer (CCH Tagetik)	2%
Board International	1%
OneStream	1%
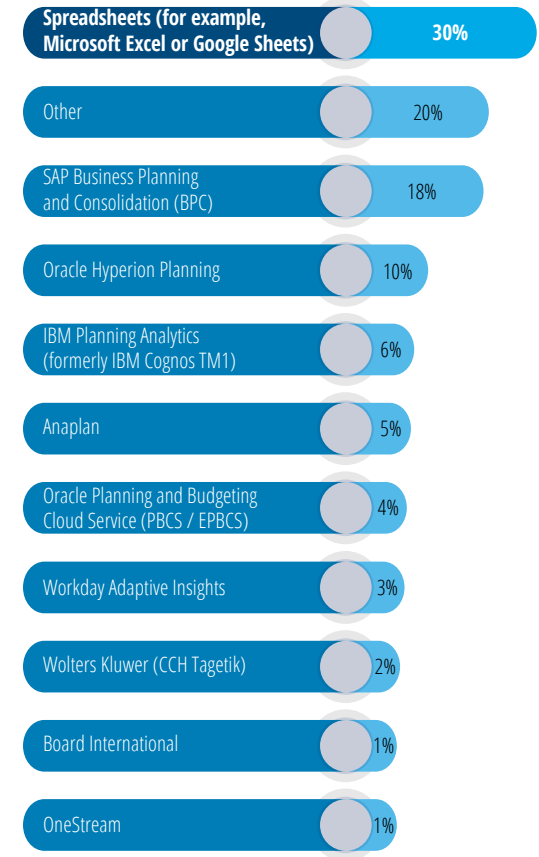
Size of organisation linked to "Use of tools and technologies in the planning, budgeting and forecasting process

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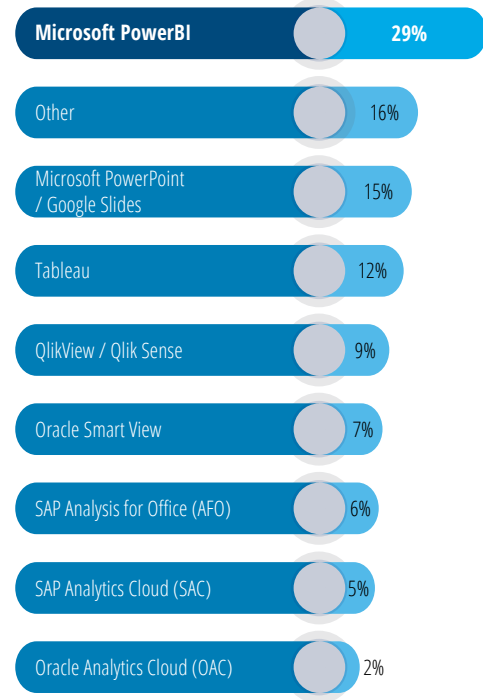and forecasting survey
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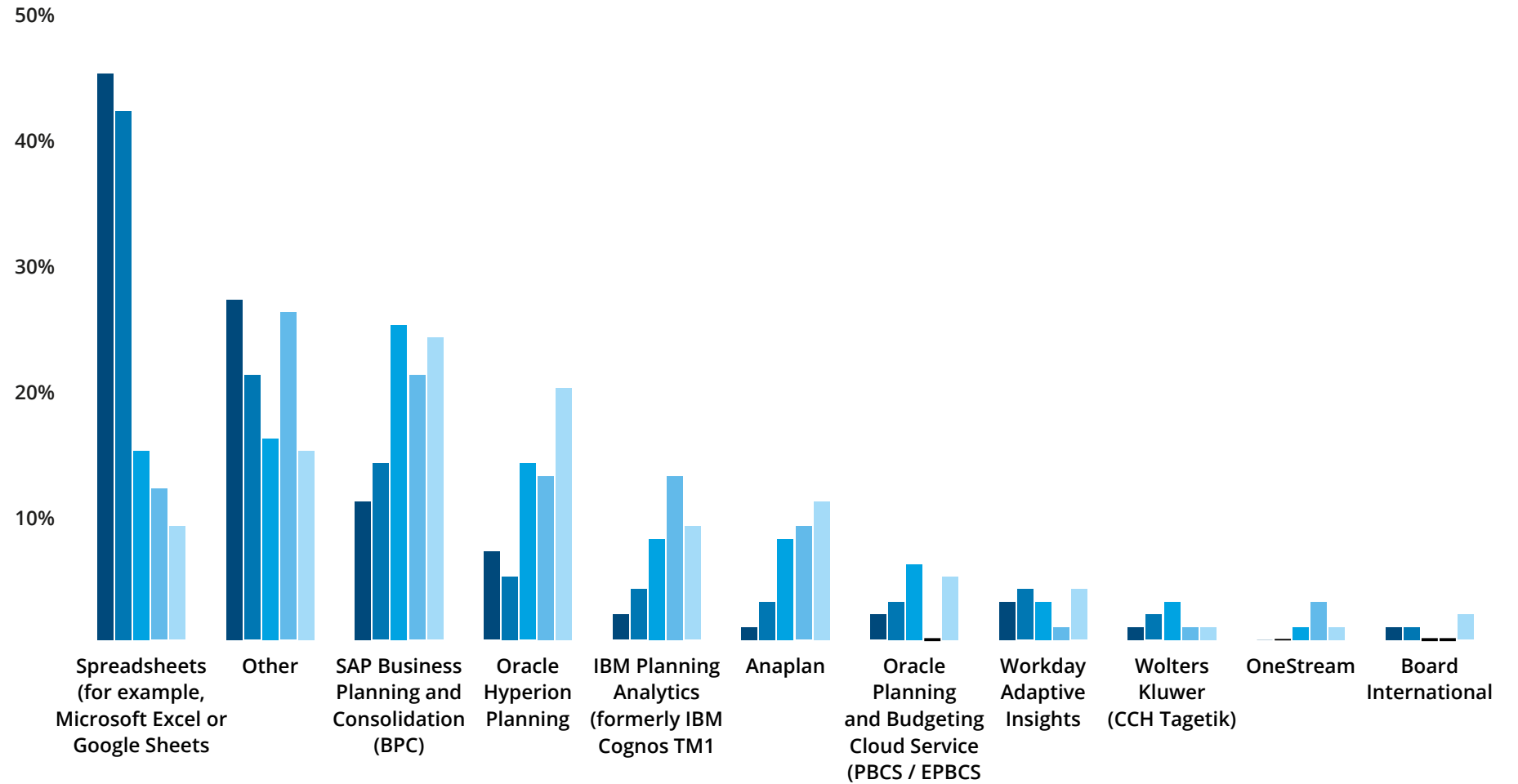
The use of tools and technology for management information (MI)

Traditionally, developing MI and identifying insights has been a manual, cumbersome, and time-consuming process. With the proliferation of internal and external data, organisations are increasingly seeking to leverage tools to provide self-service capability to enable timely decision making.

The most widely used tools to produce MI are Microsoft PowerBI (29%), Microsoft PowerPoint / Google Slides (15%) and Tableau (12%).

Use of tools and technologies for management information

Tool	%
Microsoft PowerBI	29%
Other	16%
Microsoft PowerPoint / Google Slides	15%
Tableau	12%
QlikView / Qlik Sense	9%
Oracle Smart View	7%
SAP Analysis for Office (AFO)	6%
SAP Analytics Cloud (SAC)	5%
Oracle Analytics Cloud (OAC)	2%

The overwhelming majority of respondents produce MI using a mix of automated and manual methods (85%) and have some self-service capability (80%). The Financial Planning & Analysis (FP&A) Team are typically responsible for both the initial production of MI (45%) and adding commentary / insights (39%).

Responsibility for initial production of MI and adding commentary / insights

Financial Planning & Analysis (FP&A) Team
- Initial Production of MI: 45%
- Adding Commentary / Insights to MI: 39%

Group Financial Planning & Analysis (FP&A) Team
- Initial Production of MI: 29%
- Adding Commentary / Insights to MI: 23%

Business Partner Team
- Initial Production of MI: 11%
- Adding Commentary / Insights to MI: 21%

Cost/Profit Centre Owners
- Initial Production of MI: 10%
- Adding Commentary / Insights to MI: 15%

Centre of Excellence (CoE)
- Initial Production of MI: 3%
- Adding Commentary / Insights to MI: 1%

Shared Services Centre (SSC)
- Initial Production of MI: 3%
- Adding Commentary / Insights to MI: 1%

Legend: ■ Initial Production of MI ■ Adding Commentary / Insights to MI

Based upon discussions with Chief Financial Officers (CFOs) and Financial Planning & Analysis (FP&A) leaders, we are seeing leading organisations:

• Increasingly invest in cloud-based tools to support the transition to more agile and efficient planning processes e.g. scenario planning;

• Shifting to forecasting processes that involve people working symbiotically with data-fueled, predictive algorithms; and

• Embracing self-service and adopting smart agents that learn what kinds of business information an individual needs, and deliver that information proactively.

Furthermore, non-finance functions such as sales, supply chain, and HR are increasing looking towards finance to connect the organisation and provide meaningful insights. This is leading to CFOs and finance leaders investing in innovative tools and technologies.

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Insight report – edition three

About the survey

For the 2021 survey, Deloitte received over 750 responses from a wide range of organisations across all industries from more than 55 countries. The organisations varied in size from those with annual sales revenue under $1 billion to those with over $10 billion or more. The majority of responses were from people accountable for planning, budgeting and forecasting activities within their organisation such as the Chief Financial Offer (CFO) and the Head of Financial Planning and Analysis (FP&A). The survey was conducted between January and mid-May 2021.

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