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Whitepaper: See the Bigger Picture With Unified Planning

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Business goals require unified plans

The finance function is highly regarded for its planning capabilities. Organisations rely on accurate financial planning for the success of its future, after all.

But the expression 'no man is an island' - the idea that human beings do badly when isolated from others and need to be part of a community in order to thrive - lends itself to business too.

Most organisations have different planning, reporting and analytics activities happening across the business, and often lack comprehensive coordination of plans. This allows each department and business unit to approach planning differently, make different assumptions, and focus investment on the localised issues important to themselves.

Without central control and coordination of cross functional plans, the goals and trajectory set within the organisational strategy become lost in the noise and get watered down. This is evidently a major problem as Gartner reported that over half of the financial planning inquiries they received in 2020 related to aligning operational and financial planning.

With finance as custodians of the central financial plan, the opportunity to extend their best principles and expertise of FP&A into planning across the enterprise, can ensure departmental objectives are aligned to business objectives.

When plans are unified, companies experience a more rapid journey towards their corporate goals, but not all finance functions are able to drive this because the focus of digitisation within their department has not provided them with the right tools.

Digital technology - applied where it counts

There are endless claims about the potential for digital technologies to make the finance department more strategic and forward looking. But the truth is that many companies have focused their finance digitisation efforts on transactional and reporting processes, rather than forward looking planning and decision-making activities.

It's easy to see why, when automation technologies such as RPA and AI are widely available and continuously touted for their cost-saving and scalability benefits. While cost efficiency undoubtedly has value in terms of reduced error-rates and faster reporting cycles; focusing all your digitisation efforts here is like buying a high-performance car to do the weekly shopping.

Digital technologies enable businesses to harness the immense power and potential of data, and with the right tools, finance can spend less time chasing, formatting, and adjusting data and more time planning, scenario-modelling, and forecasting.

If these opportunities have been overlooked in your finance digitisation, then you have likely missed the most strategically valuable part.

The most important decisions finance can help an organisation make is how to steer towards profitability and growth. To do this, the finance planning team needs the capability to model multiple multi-year business scenarios, predict sales by channel and geography, and forecast the financial components in terms of operating and capital expenditures.

This provides real insight into potential business performance which, in turn, enables the organisation to establish their strategic goals and a trajectory to reach them. If this can then be expressed and managed in a single unified plan, then the chances of success increase significantly.

Centralised planning brings alignment

All companies know that planning is important, but most find it difficult partly because it is hard to think about the future and make commitments, but also because it is hard to take a high-level strategic direction and break it down into meaningful constituent parts that can be distributed as initiatives across the organisation.

This can be seen in the hierarchical 'gap' that exists in every organisation between the setting of the objectives - which typically happens at board level - and the delivery of the outcomes - which typically happens within departments at the front line of the business. If these outcomes do not align with the corporate objectives then the strategy is not achieved.

Centralised planning often starts with a high-level goal set by the CEO such as "Increase sales of our flagship product by 25%". Once the goal is set, each department needs to consider what initiatives they will do to help deliver that goal: Marketing might propose a plan to "Open up a new market sector and promote the flagship product"; Sales might propose to "Increase customer incentives to purchase our flagship product"; Manufacturing will at the very least have to plan to "Manufacture 25% more of our flagship product"; and so on.

This way the strategic goals are cascaded down the organisation, but it is usually left to each department to do its own internal planning in relative isolation. This is where the first serious misalignment issue arises, as departments will make assumptions about the business and its operating environment to provide a framework for their proposals - things such as:

- Organisational headcount and operating locations
- Status and outcome of other initiatives
- Cost and availability of labour and material resources
- Expected demand for products and services from internal and external customers

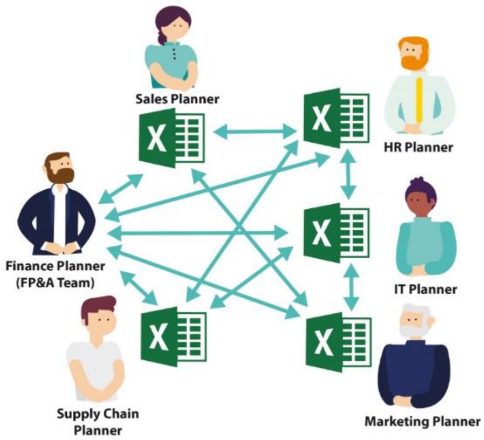
Using these assumptions, departmental planning teams prepare a list of candidate initiatives and activities and their associated cost - typically in a local spreadsheet.

Take the Marketing example from above - "Open up a new market sector and promote our flagship product" - this could require Marketing to undertake initiatives such as website changes, sales brochure updates, additional social media campaigns, new messages in company presentations, changes to advertising campaigns, briefing of contact centre staff, and so on. And they will need to make assumptions about the timing of announcements, the readiness of Sales to take new orders, and readiness of Manufacturing to supply additional stock, etc.

To bring all this together in a way that the lowest level outcomes truly align with the objectives set by the Board, requires a centralised and unified plan. Without it, departments' can quite easily be pulling in totally different directions.

Decentralisation encourages misalignment

As each department starts to formulate its plan, the body that owns the central plan (typically the finance department) collects these and works to bring them together to form a combined business and financial plan.



Where the process is manual and based on documents and spreadsheets emailed back and forth, it is near impossible to cross-check and align the assumptions and initiatives.

Misalignment is often clear and evident in things like initiatives that cut across financial year-end, yet assume finance staff will be readily available to support the programme; or departments assuming they can increase headcount unaware that this will exceed the fire safety limits of the building; or teams assuming they can change their business process locally, but forgetting that it has IT implications.

When a plan meets the real world, the real world wins

Military strategist Helmuth von Moltke coined the phrase - no plan ever survives contact with the real world - and in the highly dynamic and fast-moving modern digitally enabled world, this has never been truer.

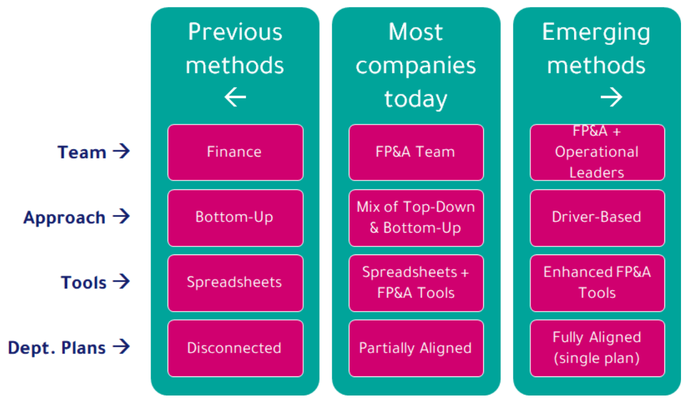
Not surprisingly then, as each department starts to execute its plan, they quickly discover that some of the underlying assumptions are flawed or incomplete and their plans need to be revised. But if your corporate planning process is protracted and slow, it is very difficult to adjust anything and the alignment of the plans across the departments becomes compromised which impacts the strategic outcome.

Many companies consider themselves to be agile and able to adjust course regularly to respond to market conditions. They are blissfully unaware of how inflexible and unresponsive they really are.

There is an easy test - just consider one simple question - when was the last time you saw an on-track initiative cancelled in your organisation? The chances are the answer is 'never' and this is primarily because it is so difficult for most organisations to rework and rebuild their plans. But if we're all so agile and flexible this should be happening all the time. But it doesn't and most companies simply carry-on and hope for the best when things change, knowing there's little they can do.

Then, at the year-end review when the CEO finds the sales of the flagship product only increased by 5% not 25%, the answer 'why' is buried so deep within the little plan misalignments, compromises, and course changes, that no one can answer.

Emerging discipline of unified planning



Traditional Planning Trends

The speed and frequency of change in modern businesses has long ago undermined the usefulness of annual budgets and multi-year strategies. Although annual budgets are valuable as a baseline, they are now rapidly being overtaken and replaced by a more agile style of planning activity with much higher levels of collaboration across the organisation and a more rapid turn-around on changes and adjustments.

Within the FP&A industry this trend towards centralisation is being referred to by several names - Gartner calls it xP&A, others call it Connected Planning, Integrated Planning or similar. Whatever the name, the idea is fundamentally the same and the number of enquiries to Gartner in 2020 on this subject shows that organisations are heading in this direction.

Indeed the 2020 Covid pandemic, which forced many businesses to focus aggressively on cash flow, also forced businesses into much closer planning and coordination of activities across their organisation. With remote workforces and problematic supply chains, there was a sudden need for centralised cross-functional planning. Now as the pandemic subsides many have realised the benefits of this and it is likely to stay at (or near to) the top of the corporate agenda for some time to come.

Best practices to taking a unified approach

Technology is key to unlocking all the benefits of aligning your business to a unified planning approach. Without the right technology, cross department planning is inefficient and ineffective - assumptions are not properly aligned, and data and insight quality is compromised.

There are many software applications on the market that claim to automate the xP&A processes, but they often come with a large price tag and require heavy third party implementations. Therefore it's crucial when looking at the available software to keep in mind that each business (and department) does their planning differently. It's a must therefore, that any solution selected is customisable to meet your specific needs.

Configurable platforms allow you to customise the planning processes to suit your needs and will typically include:

Connected suite with custom planning Logic - technology must ensure the interconnectivity of all plans is agile, accurate and easily modified.

Planning logic must be manageable, trackable, and customisable to enable custom planning rules for multiple business models across the organisation.

A rules-based approach to each department's planning models, combined with the integration and validation of system data and assumptions, will ensure that any changes to the data will cause a recalculation across the entire business. The associated impact could include a recalculation of specific drivers and therefore forecasts.

Plans would then be recomputed automatically, and decisions can be made to ensure that the department impacted stays aligned with their Key Performance Indicators (KPI's) and associated planning metrics.

For this to work however, a complex set of interconnected planning models must be configured in a rules-based configuration engine which can cater for all types of business planning - and act as a platform to recalculate large quantities of data and accounting adjustments quickly.

Customisable user-friendly data inputs and outputs - A solution should empower users of differing software and finance expertise to understand and contribute to the planning process.

Dynamic cube input and workflow capability would allow the user to design cube templates to suit the needs and skillsets of each party, for the cross departmental planning process. So, for example, it's possible to have a more detailed cube which helps the Head of IT forecast project costs through automatic calculation of labour hours and resources. Or you could have a more simplified version for HR for headcount/workforce planning, or the warehouse manager keying in budgeted purchases for new equipment.

Pair these dynamic user inputs with a workflow management tool to allow control and visibility over all the separate departmental processes, and you can increase efficiency and effectiveness of finance business partnering, which is crucial to achieving a unified plan.

Alongside customisable user inputs, it's also important that users from different departments have visibility of their own metrics. The decision on which metrics are used depends on the relationship with the company-wide objective. From a departmental viewpoint, they can work towards a KPI, something that is specific and understandable for them in terms of key drivers, but it also aligns to the business objective.

Users need to continuously manage their progress in line with the plan, so they can make effective decisions to stay in line with their metrics. Dashboards with easy to build and modify visual representations of KPI's is key. Having the ability to drill down on visuals to associated drivers and transactional data will improve efficiency when there's a requirement to investigate progress. This visibility and customisation of the dashboard visuals and other analysis features is crucial to enable insights and alignment.

Security and audit - All processes must contain appropriate security and audit records to ensure accountability and traceability.

A solution must include security surrounding the platform to avoid human error and fraudulent activities. For example, the workflow and configuration engines must be secure to ensure that inputs are controlled and reviewed, and business models can be recovered if unqualified modifications are made to business logic. Audit records showing every change, no matter how small, to planning logic, validation mapping and processes should be kept secure within the platform with restricted access.

It's also crucial that within a platform you can control the user type to split permissions as you see fit, and ensure the continuity and security of your unified planning process.

Version control and scenario modelling - A solution should enable users to quickly manage drivers and models in order to 'scenario plan' to adjust to changes in market conditions.

Rapid scenario planning and dynamic input cube capability enables the continuous reforecasting of those interconnected plans. Changes to drivers ranging from late system postings to overarching assumptions such as market conditions (such as FX, IR, and Inflation Rates) should be easily modified and recalculated to create a new scenario. Version control is crucial to provide 'what-if insight' without amending the approved plan. Each user should be able to run User specific scenarios, or multiple committed plans, to allow for automatic scenario comparisons and critical decision-making insight.

With this ability, departments can make late changes to the plan, as and when new information arises, enabling FP&A analysts to gain insights to the impact of the company wide objective, instantly.

Agile solution - A solution must allow users to investigate results in depth by drilling down to the transactional data in line with their requirements.

Drilldown capability to give insight into what is driving their plan and enable high quality decisions on departmental activities is fundamental. Users should be able to track and modify planning logic easily to make changes on demand. These changes could be the inclusion of another IT expense nominal coming from a new Sales IT project that needs to be allocated across the organisation, and therefore to meet the associated Gross margin from a Sales perspective, they may need to increase the forecasted revenue by making a decision on discounting, this is just one of many examples.

Enable insights - Digital finance automation solutions can facilitate critical insight that provides the difference between success and failure in a competitive world.

A solution will be successful if businesses are able to gather accurate insight from their results in a timely manner. What-if and predictive planning models must be designed within a customisable solution to empower businesses to make quick and informed business decisions.

Making the case to the board

Once you've identified the right software capable of providing unified planning across the organisation, it's usual to make a case to the board, showcasing the main benefits of unified planning. There are numerous benefits, some financial, and some non-financial, presenting why a company should adopt a unified planning approach.

1. ***Single Source of the Truth*** **–** By integrating all the plans on single centralised model, decision makers and planners can trust that they are all using the same numbers. Without the disparate systems being tied together with multiple spreadsheets, you can remove the risk of error and labour hours managing the maze of planning with spreadsheets.

2. ***Real-time Business Visibility and Agility*** **–** Unified planning within the correct technology solution will allow for a comprehensive view of performance across the organisation. The ability to quickly analyse departmental metrics and deeper transactional level data is crucial to bridge that gap in performance management. This allows businesses to be agile and seize opportunities, spot threats, and ensure mitigation. Executives can access real-time reporting and progress towards companywide goals on demand, to enable high quality decisions when it matters most.

3. ***Continuous and Automated Planning*** **–** Unified planning, which has been interconnected in the correct software, can be agile in nature. Changes in market conditions and specific departmental planning assumptions will immediately impact the bottom line and other metrics across the departments. Following this, planners and decision makers can trust the numbers, make appropriate changes if necessary and the software can automatically reforecast to ensure alignment.

4. ***Organisational Alignment*** **–** The main aim of unified planning is to ensure everyone in the business is pulling in the same direction, and working to a shared vision of success. By linking departmental initiatives and metrics to the

company wide goals and connecting those plans with an intelligent software solution, you can expect those financial, strategic, and operational goals to be met.

5. ***Forward Thinking/Going Concern*** **–** Unified planning is a relatively new concept, and in practice, until now, has rarely been done effectively. The use of unified planning technology will allow the most forward-thinking companies to take complete competitive advantage within their industry. Furthermore, the correct technology, especially software which acts as a platform for business process automation, will come with extra benefits such as creating an environment to manage the integration of the upcoming AI/ML capability for example.

Summary; Efficiency is great, but profitability and growth are better

A unified approach provides the agility for businesses to model departmental drivers within the same unified solution. When the whole company pulls in the same direction, organisations experience a rapid journey towards their corporate goals. Companies who continue to permit departments to deliver against isolated plans can only be met with misaligned objectives.

With Unified Planning, your organisation has a shared vision of success and aligned business objectives, putting the business in control.

Unified planning provides businesses with a way to plan for the future, incorporating all business variables into budgeting, and creating flexible plans that adapt to business growth. Business leaders should take time to review their existing strategy and reflect on the question; can your business retain market share without the competitive advantage of implementing a Unified Planning approach?

See the Bigger Picture with Unified Planning

Accountagility's ORYX suite addresses the most commonly faced challenges in Finance and allows you to see your business future. We align with the Financial Planning & Analysis and Financial Close markets, defined by Gartner; our Planning and Close/Consolidation solutions are available individually, or together on a single platform. ORYX Finance Process Automation allows businesses to automate bespoke and complex financial models and processes in a user friendly and controlled environment. ORYX supports:

- Consolidations and Eliminations
- Allocations and Recoveries
- Rapid Scenario Planning
- Revenue Recognition
- Forecasting
- Reconciliations
- Accounting Treatments (IFRS Computations, monthly accruals, equity calculations etc)
- Reporting (including integration with BI tools)
- And much more....

Other features include: Plan comparisons, Roll-Forwards, Custom built applications, and OLAP Analysis and Workflow management of tasks.

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