

BARC Research

Your Guide to Better Planning

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INTRODUCTION

Planning is the foundation for enterprise performance management and controls. Yet these activities are only possible when a company's future direction is clear as well. Insufficient planning, therefore, can create a significant competitive disadvantage.

Meticulous planning can be a very time-consuming endeavor. Companies today must constantly question what they plan, which procedures and processes they use, how efficient these efforts are, and whether they deliver the desired results. **Making planning more efficient** often requires a change in thinking and a clean break from traditional procedures.

Modern planning approaches and solutions help optimize and simplify planning and, thereby, increase its quality. This guide will explore the **advantages of modern planning methods**, the **benefits of specialist planning solutions**, and the **potential of the latest trends and technologies**.

Planning plays a greater role in companies that practice best-in-class performance management over those that do not.



1. METHODOLOGY: TAKE ADVANTAGE OF MODERN PLANNING CONCEPTS

Planning processes are the foundation for making decisions. **Modern planning methods allow you to define these processes more efficiently and effectively.** Familiarize yourself with the following concepts in advanced planning:

INTEGRATE YOUR PLANNING

The more you integrate planning, the more precise it will be. **Planning that incorporates the results of various sub-plans, gives a truer picture for successful planning as a whole.**

Integrated planning, however, is more than the mere sum of the individual sub-plans. Other essential aspects include:

- Deriving budgets from strategic planning.
- Forecasting (i.e. updating the collected budget data throughout the year).
- Connecting and coordinating various performance management processes (e.g. planning, reporting analysis, financial consolidation) in a common software platform.

Integrated planning also creates a foundation to use other modern planning approaches (e.g. driver-based planning) or run 'what if' scenarios on changes in profitability.

Use the following [checklist](#) to determine the level of planning integration in your organization.

89%

of companies that have completely integrated their planning report strong or very strong improvements in planning quality.

FOCUS ON WHAT IS IMPORTANT

Many companies today still plan in great detail in the belief that highly granular planning produces high quality results. **Detailed planning is no guarantee for more accurate results.** It can result in more work and complexity and, therefore, longer planning processes.

Driver-based planning uses a moderate level of detail. This informative, efficient model focuses on the actual factors that influence the business (i.e. the drivers) and how they affect financial KPIs (e.g. profits, added value). **Planning fewer items in less detail generally helps reduce the amount work involved.**

SIMULATE ACTIONS AND THEIR EFFECTS

Many companies do not devote enough time to value-added analysis (e.g. simulations) of their planning data because too much time is spent generating budgets.

Running **simulations** of different scenarios has many advantages. Simulations allow users to understand how key changes, their effects, opportunities and risks affect company projections. They also **enable realistic comparisons and replace the best guess with objective evaluation criteria** to reduce the risk of making the wrong decisions.

Driver-based planning models, in particular, are well suited for simulating parameters and evaluating scenarios. The mathematical links between individual drivers and (financial) KPIs clearly show the effects of changes to individual drivers or actions.

Better planning, reduced complexity and increased planning transparency are the main benefits of driver-based planning modules.

Less than 50% of companies use simulation techniques in planning.

SET CLEAR PREMISES

A bottom-up focus, with too much granular detail and several rounds of planning, leads to long planning processes.

Driving planning processes from the top down and including financial and/or operational planning can accelerate these processes. The approach of best-in-class companies includes:

- Create planning guidelines based on important enterprise drivers or KPIs from strategic planning.
- Define reliable targets for key value drivers to serve as **top-down requirements** and the basis for individual business areas to plan their budgets.
- Allow respective business areas to choose what level of detail they need for planning within the defined planning premises and targets.

This approach improves the quality of the results and links budget values to strategic corporate targets.

27%

of companies need longer than three months to complete their planning processes.



2. FOCUS: USE THE RIGHT TOOLS

Performance management software helps increase planning effectiveness and efficiency.

CURTAIN THE USE OF EXCEL

Excel is a widely used planning tool that frequently plagues companies with a great deal of manual work, user dissatisfaction and other challenging issues:

- Inconsistent pool of data, which typically results in a proliferation of individual Excel files (i.e. information silos).
- High susceptibility to error, strong risk of overwriting planning formulas in cells, great deal of manual work, and poor documentation.
- High level of complexity and risk of inconsistencies through numerous links between cells and books.
- Poor support of planning process (e.g. workflow) and a lack of planning functionality (e.g. automatic data allocations, calculation rules).

Using Excel for planning without additional planning functionality and a database connection **involves risks that should not be taken lightly**.

74%

of companies use
Excel during the
planning process.

BOOST PLANNING EFFECTIVENESS AND EFFICIENCY WITH PLANNING TOOLS

Planning tools are a key factor in ensuring the best possible implementation of modern planning concepts.

Unlike Excel, specialized planning tools are based on a consistent data model and a common pool of data (i.e. actuals and budgets). Data integration processes feed the data model with information from various sources. This creates a single, common pool of data for planning and other performance management processes, such as reporting, analysis and financial consolidation. User-friendly functions ensure efficient planning cycles and support various planning strategies and concepts.

Dedicated planning tools have their advantages. The top three benefits are; improved transparency; deeper integration with reporting and analysis; and higher quality planning results. Using planning software often **helps reduce complexity and increase performance while preventing many of the common problems** associated with Excel as illustrated below.

44%

of companies that use specialist planning tools have no significant problems with planning.

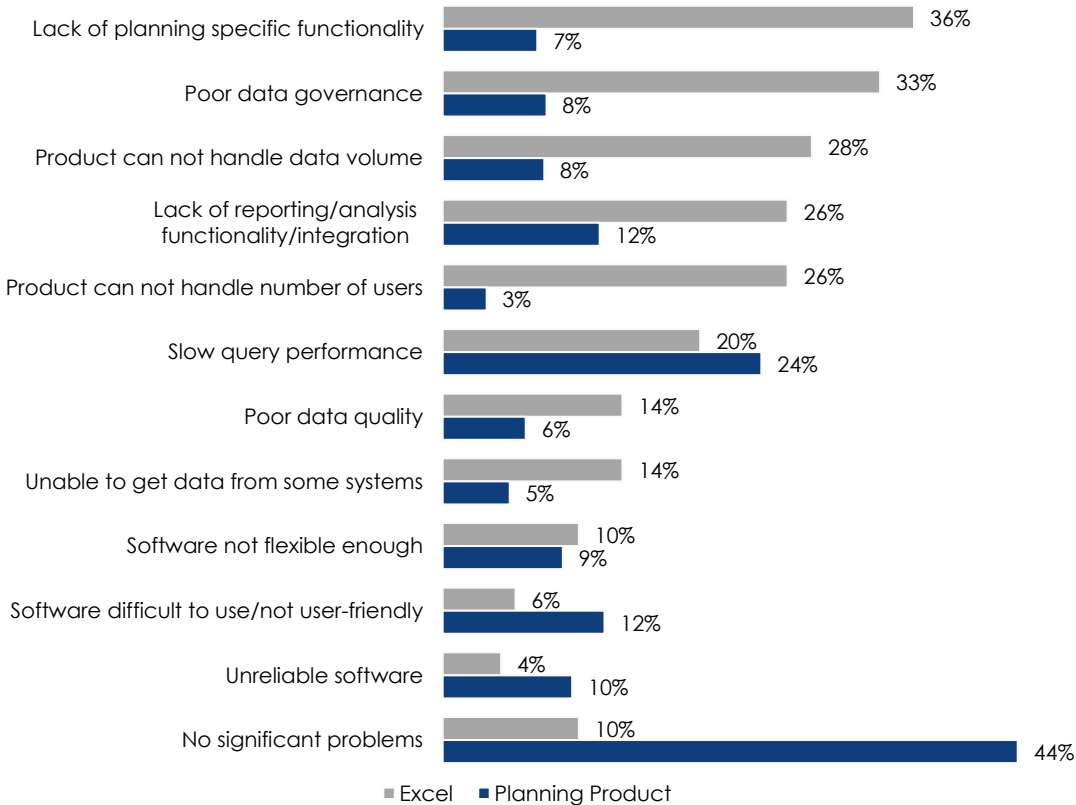


Fig. 1: Most serious problems encountered by business users with their planning tools. Excel (n=269) vs. specialist planning tools (n=566). Source: BARC THE Planning Survey 16.



3. INNOVATION: EVALUATE NEW TECHNOLOGIES

In order to benefit from the opportunities modern planning concepts and solutions can offer, **you need to be open to new approaches and technologies**. The section below explores some of the current hot topics. Research these areas, evaluate their benefits for your company, and use them to secure a competitive edge.

AGILE AND FLEXIBLE PLANNING IN BUSINESS DEPARTMENTS

Business intelligence and planning requirements are changing faster than IT-focused operating models often realize. Many business departments want **more flexible ways to work with data and self-service offerings that require less dependence on IT**, especially in the case of planning, which is a highly business-driven topic. Their requirements are clear: **easy to use and fast results**. User friendliness should be a key factor in the software selection process. This affects both the overall usability as well as capabilities for business users to create and modify planning models, rules, templates and workflows.

The self-service concept covers much more than deploying user friendly planning solutions and shifting business-related and technical planning tasks to business users. **Organizational guidelines and clear responsibilities (governance)** can eliminate confusion before it happens to increase the agility and flexibility of planning in business areas.

ENABLE BARRIER-FREE PLANNING ANYTIME, ANYWHERE

Due to the rampant spread of smartphones and tablets, **mobile BI** is one of the few recent trends to emerge as an important topic in companies. Its actual market penetration, however, is growing slowly.

28%

of companies want to shift more planning tasks (including technical aspects) from IT to business departments.

Entering budget values into prebuilt planning templates is an important step in the planning process. The goal is to give planners the greatest amount of **flexibility and accessibility** possible. Allowing planners to input budget data using their preferred device or operating system **fosters flexibility and acceptance**. A key account manager, for example, can enter data for a sales budget directly via a mobile phone while visiting a client on site. Another potential scenario is for key stakeholders to be able to monitor workflow status on a mobile device.

PLANNING WITH MINIMAL IT RESOURCES

If you think through a self-service concept to the very end, a **cloud**-based planning solution is one logical conclusion. Software operations and maintenance are not typically the core competencies of most companies. Provisioning software through the internet is a very interesting option, especially for companies with a **limited IT infrastructure and resources**. Some advantages of cloud solutions include:

- **Speed** (time to value): Cloud solutions enable fast implementations and, frequently, immediate deployments. Minimal IT resources are required, and there is no long waiting period for hardware purchases or software installations.
- **Scalability** (users and data): Performance bottlenecks can occur during peak times when many planners access the solution simultaneously. The flexible use of hardware resources (CPU, memory) in the cloud improves scalability.
- **Currency**: Obtaining a cloud solution ensures that it is always the latest release and that users are always working with the latest functionality. Shorter release cycles also enable agile development of the planning solution on the part of the vendor.

32%

of companies want mobile planning capabilities in the future.

Cloud-based planning is the logical deployment option when you really think through a self-service concept to the very end.



CONCLUSION

Applying the concepts described above can help make your **planning processes more effective and efficient**. **Take advantage of modern planning modules**, which offer integrated enterprise planning, driver-based planning, simulations and clearly defined planning premises to improve the results of many different aspects of your planning efforts. **Dedicated planning solutions** provide an essential foundation to optimally support the technical and functional aspects of planning. **Current trends** such as self-service, mobile and cloud planning offer additional opportunities to **increase planning efficiency and quality**.

ABOUT THE AUTHOR

Dr. Christian Fuchs is Vice-President, Head of BIDM Research and a senior analyst at BARC. He is the principal author of BARC's "Software Tools for Planning" study and other market analyses in the BI and planning space. As a consultant, he supports companies in their software selection processes, in the introductory phase and with strategic questions dealing with user tool portfolios, architecture and usage scenarios.



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