



# Budgeting: Beyond spreadsheets

## Abstract

Corporate budgeting, forecasting and its attendant reporting can be a major contributor to a company's success or failure. Yet, the annual budgeting process for most companies is hardly ideal. It usually involves investing a great deal of time to coordinate with line managers who typically see little benefit because the result is usually an outdated budget that has little effect on the company's business. Spreadsheets and email, chosen as a quick fix, create more problems.

With planning and analysis solutions powered by IBM® Cognos® software – companies are automating the process, getting faster reports and data that fuel “what is” and “what if” scenarios and dynamic plans to meet today's unpredictable markets.

## Overview

For most companies, regardless of size or industry, the corporate budgeting, forecasting and reporting process presents a formidable challenge. Finance professionals and line managers alike most often describe budgeting as burdensome and time-consuming. Yet most would like to believe that this process is also a crucial element of financial management – and can be a major contributor to a company's overall success or failure.

Companies that are able to address budgeting obstacles and improve their processes are rewarded with more reliable budgets, more timely re-forecasts and improved decision-making. This more disciplined financial management culture often delivers two other results – a true competitive advantage and optimized allocation of resources.

How are companies improving their budgeting? By applying budgeting and forecasting best practices along with new technologies, such as planning and analysis solutions powered by IBM Cognos software, they are reducing their planning process times by as much as 75 percent.



## Business problems

For most organizations, the annual budgeting process is fundamentally broken and requires months to complete. Line managers typically see little benefit in the budgeting effort. After investing a great deal of time in the process, they still lack the information to support their decisions. When finance centralizes the process, line managers may be slow to buy in, and the plan loses credibility. Then, when the agonizing process is finally complete, the budget is already outdated.

The result is the same in either case – rather than being a useful decision-making tool, the budget is a disconnected document that has little impact on a company’s business.

Compounding these broken processes are the underlying budgeting technologies, which in many companies are simply spreadsheets and email. These technologies are ubiquitous and appear to offer a quick fix, but they foster inaccuracies caused by broken formulas, unstable macros, manual consolidation, multiple versions that are difficult to track and outdated communications between key stakeholders.

## Business drivers

Organizations need a faster way to pull together information from all functions and create a budget that is timely and relevant. Only then can the budget serve as a source for the “what is” and “what if” scenarios critical to forecasting and anticipating future performance.

## The solution Break the logjam

For many companies facing complex budgets, the solution is simple – a planning and analysis solution powered by IBM Cognos software. The planning solution is fully integrated, state-of-the-art and highly scalable for budgeting, forecasting, and management reporting

With such a planning solution, even companies with the most complex business models can simplify the process. Operational and financial planning are integrated on demand so you have immediate visibility to resource requirements and future business performance. Contributors in different locations, business units and functions can participate together in a single, secure planning environment. Imagine a completely unified and automated budgeting process – one that takes days, not months.

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Traditional budgeting does not help a corporation deal with the big surprises – the “black swans” – which are more common than we think because of the interlacing of markets internationally. Was your enterprise prepared for these recent black swans? How did your planning and budgeting hold up to them?

- The subprime mortgage crisis
  - Greece’s sovereign debt crisis
  - Lehman Brothers’ collapse
  - Eruption of volcano in Iceland
  - Earthquake and tsunami in Japan
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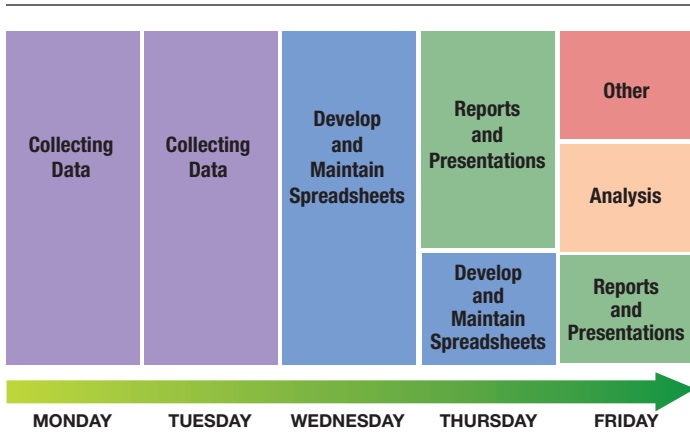
But automation is just the beginning. You can also:

- Create, compare and evaluate business scenarios at the individual user level, and examine conditions, drivers, rates and assumptions to help forecast future performance
- Build interconnected, highly complex business models to support budgeting across the business units
- Access current actual data to assess fiscal performance.
- Determine profitability by customer, product or channel
- Obtain on-demand responses to all your scenarios, changes in plans, forecasts, reports, and dashboard views.

The results break the logjam of disjointed, spreadsheet-based planning. You eliminate unproductive spreadsheet activities such as tracking down numbers, fixing broken links and debugging macros. With up to 50% more time available for analyzing the historical and the possible, your company can capitalize on more participation, with greater accountability that spans your enterprise, timeframe-appropriate plans, a wider and deeper view of planning processes and increased predictability in business performance.

## How are you spending your budgeting time?

A recent IBM survey indicates that companies can spend up to 40 percent of their budgeting time in the data collection process alone, which leaves far less time for the important iterative analysis, plan setting and approval cycles. That doesn’t even count the process of probing, analyzing and understanding resource issues in key operational areas and processes, such as supply chain, sales, headcount or distribution.



Data collection and spreadsheet management often consume up to 80 percent of a financial analyst's time during the planning cycle

### Modeling built for business change

Cross-functional planning processes rely on complex logic and dependencies. Enter IBM Cognos TM1 and its advanced modeling capabilities. With these capabilities, you can quickly deliver sophisticated linked models that accurately reflect your business in all its complexity and detail, in a finance-friendly development environment. You then have more time to focus on actual evaluation of the information instead of worrying about accuracy and timeliness.

Rather than forcing you into a solution that might not fit your business model, Cognos TM1 easily adapts to your organization's environment – even as your business grows and changes. You can create your own business rules and structures and modify your model as your organization evolves – in minutes or hours, not months. In addition, you can import data definitions from sources such as enterprise resource planning (ERP) and general ledger systems to accelerate the process further.

### Fewer process headaches, more value-added analysis

Cognos TM1 draws on a high-speed, bi-directional calculation engine that helps you evaluate models and test assumptions – in minutes to support truly informed business decisions. You can create any number of personalized scenarios – in Excel, the Web or the Cognos TM1 Contributor interface – and send them out to individuals or teams for their responses. With one more key stroke, you “commit” your preferred scenario to the business plan.

With sophisticated features such as on-demand aggregation, spreading, multidimensional slicing-and-dicing and drill-down, you can explore data fully and efficiently. Cognos TM1 enables on-demand information flows for flexible rolling forecasts and greater visibility of future operating performance.

The web-browser interface offers line managers and staff simple, controlled participation in planning, budgeting, and forecasting with minimal disruption, enabling them to focus on what they do best – running their areas of the business. For added flexibility, there is also the Microsoft® Excel interface, a familiar, convenient alternative to the browser interface.

We live and work in a world of rapidly shifting economic realities, which makes business excellence an even faster moving target.

- Only Exxon Mobile and Microsoft remain in the list of the world's 10 largest companies from 2000.<sup>1</sup>
- “... in the space of just 40 years, developing Asia's share of world GDP has nearly tripled to 27 per cent. Projections are ... for half of world GDP by 2050.”<sup>2</sup>
- Traditionally, business cycles have ranged from 3.5–7 years. The new on-line business cycle is a single year.<sup>3</sup>

### Streamlined workflow management

When you use Cognos TM1, those driving your budgeting and planning process can monitor the entire planning process to view the status of every participant, so that you can quickly understand the maturity of the cycle. The solution even promotes helpful dialogue among participants, streamlining cycles even further

For complicated processes that involve input from many people, Cognos TM1 provides the option of saving work for later or submitting it for review. You can also track participation easily. At any point, intuitive, color-coded icons inform designated reviewers about workflow status – not started, in progress, or ready for review.

### Powerful reporting and dashboards

Your planning process is scalable because you have access to the IBM Cognos Platform. The result is a consistent scorecarding, reporting and analysis environment – the complete picture from goal setting and planning to measuring progress and reporting. Without compromising high IT standards for conformance, compliance and cost effective scalability, the platform drives best-practice planning, performance management process excellence and, thus, better business optimization.

## Conclusion

Automating your budgeting process with a planning and analysis solution powered by Cognos software creates a faster, more reliable and inclusive budgeting, forecasting and reporting process. You achieve better results and are free to focus on adding business value. Request a demo today to see how you can transform your business.

## About IBM Business Analytics

IBM Business Analytics software delivers actionable insights decision-makers need to achieve better business performance. IBM offers a comprehensive, unified portfolio of business intelligence, predictive and advanced analytics, financial performance and strategy management, governance, risk and compliance and analytic applications.

With IBM software, companies can spot trends, patterns and anomalies, compare “what if” scenarios, predict potential threats and opportunities, identify and manage key business risks and plan, budget and forecast resources. With these deep analytic capabilities our customers around the world can better understand, anticipate and shape business outcomes.

## For more information

For further information or to reach a representative please visit [ibm.com/analytics](http://ibm.com/analytics).

## Request a call

To request a call or to ask a question, go to [ibm.com/business-analytics/contactus](http://ibm.com/business-analytics/contactus). An IBM representative will respond to your inquiry within two business days.



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- 3 Eric Reiss, *Calculating the length of an internet year*, FatDUX blog, September 22, 2009 <http://www.fatdux.com/blog/2009/09/22/calculating-the-length-of-an-internet-year/>

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