

Managing risk through better planning

Table of contents

Symptoms of unhealthy planning	4
Idea of a business model	5
Planning with spreadsheets	6
Infor performance management solutions	6
Assembly-line budgets	7
Empowering users.....	7
Satisfying central and divisional needs	8
Integrating facts with figures	8
One-stop shopping for information and knowledge	9
Teaching people to use technology	9
About Infor	10

To assist in delivering improved overall business performance, CFOs have reasserted their role as owners of both financial and management information and processes. A corporation with the right processes in place is able to turn its attention to added value finance: evaluating strategies, assessing how to drive top line growth, improve the bottom line, and using assets more effectively. Most management processes are linked to each other in one way or another. Budgeting and planning, for instance, are intrinsically intertwined with other financial processes like consolidation, reporting, risk management and analysis. These processes, in turn, provide critical insight for managing risk, steering corporate performance and shareholder value, as well as making strategic decisions.

In the context of planning, many business processes rely on the finance department to play the role of expert. Budget Controllers are required to oversee the entire planning process, collecting individual submissions, creating first-pass assumptions, mediating variances between top-down allocations and bottom-up aggregations. If the finance department is using an ineffective or inflexible planning solution, then finance becomes a bottleneck. The result: a time consuming, inaccurate or poor result which generates a deliverable budget whilst failing to achieve the strategic goals. In most companies planning usually combined three key disciplines:

Budgeting

- Goal is to provide something to “control” the business
- Short time horizon, typically one year with quarterly analysis
- Often focused on revenue and costs, cost/profit centres

Planning

- Often linked to strategy formulation
- Longer time horizon, often three - five years with scenario analysis
- Enterprise level focus looking at the whole business

Forecasting

- Create likely outcomes based on a combination of budgets, plans and actual information

There are many business pressures urging organizations to improve their planning processes, such as:

- Sarbanes-Oxley Act, revised international accounting standards have raised requirements for transparency and timeliness
- Growing needs of the organisation for more detailed information
- Reconciliation problems between management and statutory accounting procedures
- Inflexibility of the planning process to incorporate organisational changes in an easy, timely and accurate manner
- Desire to gain a Return on Investment (ROI) in Enterprise Resource Planning (ERP), and General Ledger technologies
- Pressure to better manage and control the business accentuated by economic downturn and increased global competition

Symptoms of unhealthy planning

In many organisations, the achievement of delivering the annual plan is so onerous, that little business benefit is derived from it. The symptoms of an unhealthy planning process are:

- Poor visibility into current results
- Lack of understanding of future performance trends
- Poor speed and accuracy of the monthly financial reporting, budgeting and forecasting processes
- Limited or no reporting of non-financial measures
- Lack of integrated software
- Islands of Information
- Amount of time required creating the annual plan
- Lack of alignment between company strategy and their planning process
- Limited or no ability to produce business models and test impact of proposed changes
- Limited or no ability for business users to view and analyse performance reports at will

Time consuming and error prone existing solution where significant time spent on:

- Correcting errors
- Requesting late work
- Report production
- Re-keying data
- Posting journals

Idea of a business model

Using a business model as the basis of the planning process enables the development of a set of structures such as charts of accounts, time divided by years/quarters/months, versions to store actuals/budgets/forecasts, and other important segments such as department and organizational structure, products, currencies which can be used to create the plans and then report on them. With the addition of business rules, much of the unique planning processes of an organisation can be captured thus eliminating a lot of manual effort and ensuring accuracy such as links between financial statements, allocation routines, and aggregation logic. Wrap around this a set of controls to enable management of the planning process, workflow, security, data entry and reporting and you have a planning application.

The key to a planning application is to enable the creation of plans with less effort, more accuracy and a greater degree of flexibility to remain “current” reflecting changes to the business. Flexibility enables the planning process to incorporate multiple scenarios, which are essential as we move from a short term towards a long-term perspective. Uncertainty about future changes dictates that we must evaluate multiple alternatives, through this we are more likely to consider potential impacts, be prepared for them and even exploit hitherto unknown benefits. In a process as dynamic as budgeting, companies can’t afford to sit and wait.

Technology should expedite this process by reducing the role of the middleman and empowering business users to expand and maintain their applications on their own. Since business users can’t possibly have the computer experience that their IT colleagues do, the process of revising models must be as user-friendly as possible. Adapting structures, for instance, should be as easy as clicking a mouse, entailing little to no programming. By giving users control over their own systems, they gain the incentive to use them — to streamline their planning and budgeting processes as well as to support their day-to-day decision-making.

Key message: Organizations should look for a planning solution capable of delivering flexible business models and which are mapped to their unique business requirements.

Planning with spreadsheets

Many companies rely on spreadsheets as a key component in their financial reporting and operational processes. However, it is clear that the flexibility of spreadsheets has sometimes come at a cost. Spreadsheets offer no reliable audit trail to ensure data integrity. Consequently, spreadsheets are difficult (and therefore expensive) to audit. Studies have also shown that they're rife with flawed formulas and, as a result, bad data. An article in the May 24, 2004 issue of Computer World indicated that, "Anecdotal evidence suggests that 20% to 40% of spreadsheets have errors, but recent audits of 54 spreadsheets found that 49 (or 91%) had errors, according to research by Raymond R. Panko, professor at the University of Hawaii."

Key message: Organizations should look to replace spreadsheet systems with a planning application which uses a spreadsheet interface without the associated risks in order to drive compliance, transparency and accuracy.

Infor performance management solutions

Infor's PM MIS Applications — solutions designed specifically for planning, forecasting and reporting — can help in improving the planning processes and delivering improved financial and management reporting. The PM MIS applications can assist in achieving corporate governance regulatory compliance — quickly, efficiently, and cost effectively. Infor's goal in the context of global corporate governance is to provide the features and functions that encompass all of the business process cycles that can potentially have a material impact on financial reporting. These functions include:

- Increasing enterprise risk visibility
- Increasing data integrity
- Increasing process integrity
- Reducing close and publish times
- Increasing security
- Automating manual processes
- Enhancing ability to trace and audit transactions
- Delivering key performance information

Infor PM Enterprise Planning allows companies to centrally govern all financial processes and connect them in a systematic manner. It combines pre-defined modules and planning processes with the ability to integrate unique requirements. It provides integrated balance sheet, profit and loss and cash flow planning, along with planning, and loan planning, providing a technological framework to integrate any individual planning requirements as well as distributed subsidiaries.

Infor PM Risk Management offers business intelligence on a company's risk situation and enables managers to steer their operations and strategy accordingly. Companies can optimize their risk-management instruments and effectively evaluate measures to reduce the costs of capital. PM Risk Management also interacts with Enterprise Planning, Balanced Scorecard and other Infor solutions to help companies drive their management activities to make more effective decisions and create long-term value. PM Risk Management enables users to fulfill the transparency requirements of Basel II, Sarbanes-Oxley and IFRS corporate governance regulations.

Find out more about Infor PM Enterprise Planning and Risk Management solutions at www.infor.com.

Technology should support this relationship by connecting these and other management processes through a common platform. With this type of framework, all business applications access the same structure models and user access rights as well as the same pool of data. This instantly raises the level of collaboration among processes, while facilitating software maintenance and development in the long-term.

Assembly-line budgets

Companies require faster feedback and responses in the planning process to respond to constant changes in the market. By automating and standardizing this process wherever possible, organizations can increase their speed and accuracy in rolling up budgets. Time-consuming, error-prone data entry, for instance, can be minimized by creating customized user interfaces that reflect the needs and requirements of a particular stage of the process. This creates a 'relay' effect, helping users complete their part of the budget quickly and accurately before passing it on to the next higher level.

Empowering users

One of the biggest obstacles to efficient planning and budgeting is keeping systems up to date with the constant changes that are typical in business. Unfortunately, most systems on the market require professional IT support for implementing even minor modifications. This results in long waiting periods, a backlog of corrections, and virtually no possibility for ad hoc analysis.

Satisfying central and divisional needs

The relationship between many headquarters and their divisions often resemble that of parents and their teenage children. For example, when central departments create strict rules and regulations, their divisional counterparts often ignore them or rebel against them. This is often the case during enterprise rollouts of new technology. Central management, who steer the selection process, tends to choose technologies that fulfill their own requirements and not necessarily those of their divisional associates. Divisions, in turn, try to meet their own needs and structures by finding a solution of their own. This increases the risk for inaccurate information and an overall breakdown in communication.

But headquarters, like parents, will always have different needs than their 'children'. Instead of choosing sides, organizations should settle on a budgeting tool that meets both central and local demands, like a central standard that divisions can adapt to their own business models.

Integrating facts with figures

In planning and budgeting, numbers can quickly portray a misleading or even an inaccurate picture. As a budget rolls up, such small errors snowball into major miscalculations, which ultimately have to be explained to senior managers or, even worse, investors.

Budgeting systems can prevent such a catastrophe by rounding out numbers with valuable background information. Throughout the process, users can add Word documents, slide show presentations, e-mails, or even external hyperlinks that bring raw numbers into the right context to minimize the possibility for any misunderstandings.

One-stop shopping for information and knowledge

Wouldn't it be nice to see the status of a budget at any given time? Share information seamlessly across different levels and teams? And get all that insight and knowledge from one single source? Content management systems provide an optimal means for keeping entire teams up to date on the latest process developments. Through this type of interactive newspaper, designated 'editors' can publish information to the entire budgeting team or just a targeted few. Conversely, the 'readers' have the option to provide feedback on this information, generating a knowledge market place for exchanging insight and ideas, as well as information.

Teaching people to use technology

The most trying obstacles on the road to better budgeting and planning are often related to technology issues. Following the technical part of the integration, however, companies still need to integrate new software into the daily routine of their staff as well.

To maximize returns on new technology, each end-user needs to learn more than different features and functionalities: it is critical that they master how to effectively execute the process newly enabled by the system and how to optimize the system to meet their changing needs. In addition to training, project managers need to promote and explain the benefits of their system. Internal PR, including presentations, online help, user forums, etc., help filter the message into the minds of staff. Once employees understand how the new technology will improve their current work, they will be willing to integrate it into their own processes.

About Infor

Infor delivers fully integrated enterprise solutions, as well as best-in-class standalone products that address the essential challenges its customers face in areas such as enterprise resource planning, supply chain planning and execution, customer and supplier relationship management, asset management, product lifecycle management, financial management, performance management and business intelligence. With more than 8,100 employees and offices in 100 countries, Infor provides enterprise solutions to more than 70,000 customers. For additional information, visit www.infor.com

Disclaimer

This document reflects the direction Infor may take with regard to the specific product(s) described in this document, all of which is subject to change by Infor in its sole discretion, with or without notice to you. This document is not a commitment to you in any way and you should not rely on this document or any of its content in making any decision. Infor is not committing to develop or deliver any specified enhancement, upgrade, product or functionality, even if such is described in this document.

Infor Corporate Headquarters

13560 Morris Road
Suite 4100
Alpharetta, Georgia 30004
USA
Phone: +1(800) 260 2640



Copyright © 2007 Infor Global Solutions Technology GmbH and/or its affiliates and subsidiaries. All rights reserved. The word and design marks set forth herein are trademarks and/or registered trademarks of Infor Global Solutions Technology GmbH and/or its affiliates and subsidiaries. All rights reserved. All other trademarks listed herein are the property of their respective owners. The content and matters described herein are subject to change at any time without notice.