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CORPORATE PERFORMANCE MANAGEMENT: BEYOND PLANNING, BUDGETING, AND FORECASTING

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Aberdeen research finds that top performing organizations are 30% more likely to have implemented corporate performance management (CPM) than Followers (see sidebar). With real-time access to data, these companies take the guesswork out of planning, decreasing the time involved in forecasting while increasing forecast accuracy. These organizations also champion data accessibility and collaboration among stakeholders, promoting organizational accountability. In the end, they decrease their time-to-decision while increasing revenue and operating margins.

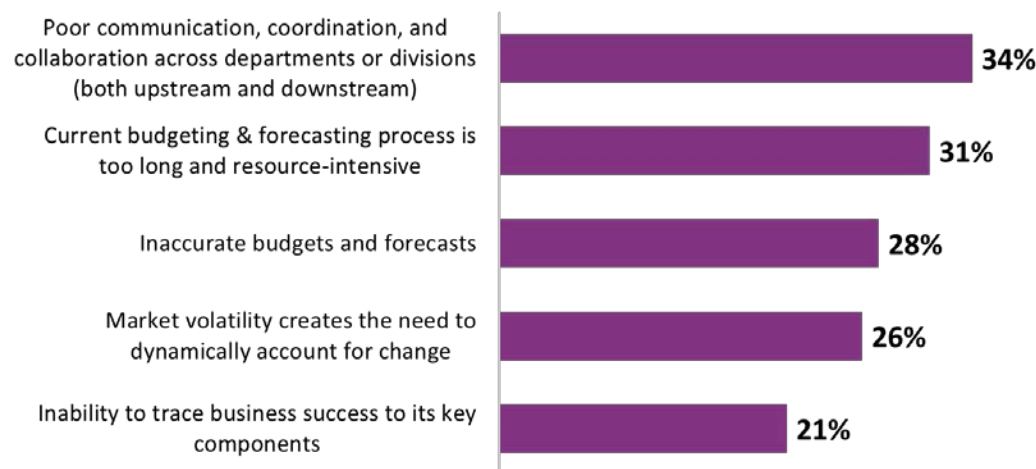
The Aberdeen maturity class framework is comprised of three or two groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of two categories:

- ▶ Leaders: Top 35% of respondents based on performance
- ▶ Followers: Bottom 65% of respondents based on performance

The Drawbacks of Complacency: Why Followers Falter

Aberdeen's 2017 *Enterprise Performance Management and Financial Planning, Budgeting, and Forecasting* study asked those surveyed to list the top two challenges they faced when it came to financial planning and analysis (Figure 1).

Figure 1: Top Challenges in Financial Planning and Analysis



% of Respondents n = 165, Source: Aberdeen, December 2017

For Figure 1, Aberdeen survey data reflects responses to a question in which respondents could answer with 2 choices.

While 34% of All Respondents selected poor communication, coordination, and collaboration as their top pressure, a deeper dive into survey data reveals that Followers were 86% more likely than Leaders to feel this pressure. The fact of the matter is, without effective communication, coordination, and collaboration between different stakeholders, there is no way to improve organizational performance.

There are additional challenges that are worth addressing in Figure 1. First of all, long and resource-intensive budgeting and forecasting processes are an unnecessary drag on operations. And frankly, given the availability of time-saving automation in this space, such processes actually amount to a waste of resources.

Secondly, inaccurate budgets and forecasts are an entirely avoidable problem. Unfortunately, the traditional reliance on spreadsheets in financial planning, as useful as they can be, contribute to this issue. For example, the manual nature of data input can too often introduce inaccuracies into the process. Formulas can be broken when spreadsheets are passed from one employee to another. And due to version control issues, employees never know when they are working with old, inaccurate, or simply redundant data.

To drive accuracy in planning, budgeting, and forecasting, CPM solutions allow companies to overcome these data issues and provide the tools for both monitoring and optimizing organizational performance.

CPM Strategies: Why Leaders Prevail

So, what do Leaders do to overcome the challenges faced by Followers? How do they promote coordination and collaboration, and more importantly, effectively forecast and manage company performance? Figure 2 lists some of the capabilities that these organizations cultivate, in order to ensure and maintain superior performance.

First and foremost, Leaders focus on democratizing data to increase forecast accuracy. Because they understand that decisions must be data-driven, and that searching for necessary data can be a time sink, they focus on making information more accessible. They do so, for example, by integrating data from their ERP, CRM, payroll, and other systems, thus breaking down data silos. This is a dual-pronged approach. First, they enable visibility by drawing data from typically siloed sources. Then, they ensure that business stakeholders are given access to this data so that budgets and forecasts can be built collaboratively using the most up-to-

In this report, respondents were ranked on the following criteria:

The percentage that actual costs were within budgeted costs:

- ▶ Leaders – 3%
- ▶ Followers – 8%

The percentage that actual revenue was within forecasted revenue:

- ▶ Leaders – 3%
- ▶ Followers – 10%

The change in productivity over the past two years:

- ▶ Leaders – 8% increase
- ▶ Followers – 1% decrease

For the purposes of this report, Aberdeen defines CPM as the platform that organizations use to monitor key financial and operational performance data. Through this information, organizations are able to better understand prior performance in order to inform decision-making as well as financial plans, budgets, and forecasts.

date numbers and figures, while simultaneously giving stakeholders the ability to course-correct in the process.

Figure 2: Leaders Democratize Data and Assign Responsibility



Promoting data accessibility and effective communication is only the beginning for Leaders. They also formalize planning, budgeting, and forecasting workflows. By doing so, these organizations encourage a sense of structure and transparency. Formalized and automated workflows allow for record audit trails that reduce the cycles of clarification involved in the budgeting process. Since they understand that top performance is everyone’s job, they also emphasize transparency with regard to progress towards goals along with recognition of important achievements.

In addition, Leaders aim to improve communication between key stakeholders in order to drive accountability across the organization. Effective communication can mean many things in this context, from a clear articulation of goals and responsibilities, to timely reporting on activities and the achievement of critical milestones. It also means that, when problems arise, they are quickly acknowledged and collaboratively addressed.

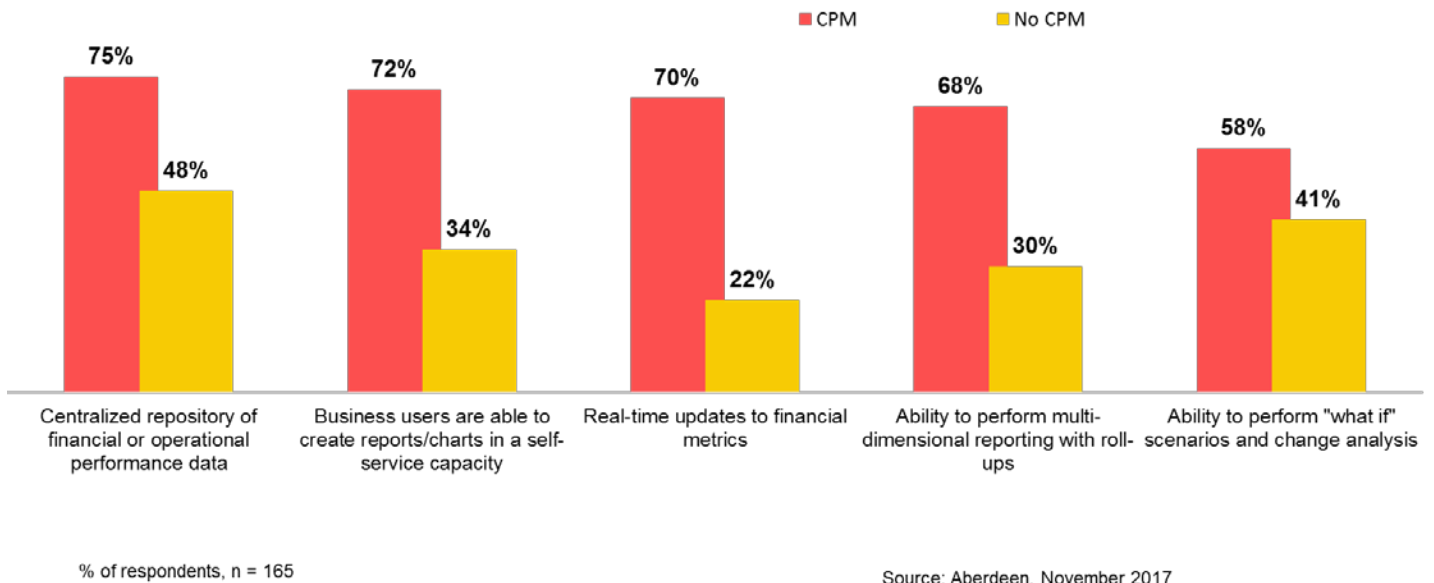
Finally, when making decisions, they don’t rely solely on information they have in-house. Instead, they evaluate their options based on both internal and external data, creating a comprehensive picture of what is to be done.

Leaders perform well because they understand that from a process standpoint, effective corporate performance management depends on a continuous feedback loop, in which objectives are defined, performance is measured, and the organization is developed.

CPM: Turbocharged Through Technology

To support the organizational behaviors these top performers cultivate, Aberdeen research shows that Leaders are 30% more likely than Followers to invest in CPM solutions to support meaningful planning, budgeting, and forecasting. Indeed, Aberdeen found a number of stark differences in capabilities possessed by organizations using CPM solutions and those that do not (Figure 3).

Figure 3: The Advanced Data Capabilities of CPM Users



As you can see in Figure 3, CPM Users are:

- ▶ 56% more likely to have a centralized repository, or financial or operational performance data
- ▶ 2.1 times more likely to provide business users with the ability to create reports / charts in a self-service capacity
- ▶ 3.2 times more likely to have real-time updates to financial metrics

- ▶ 2.3 times more likely to have the ability to perform multi-dimensional reporting with roll-ups
- ▶ 41% more likely to have the ability to perform “what if” scenarios and change analysis

The numbers in Figure 3 are important for a few reasons. Leaders democratize data and create access guidelines that facilitate performance-bolstering cohesion. The insight derived from the data reduces guesswork, while the analytics capabilities of the CPM platform work to increase the accuracy of forecasts. This is precisely why Leaders see a closer alignment between their plans and their actuals.


Having a centralized repository of performance data enables cooperation and coordination between different stakeholders and business drivers. The ability to create reports in a self-service capacity means the elimination of organizational bottlenecks. Improving workflows by reducing the amount of time that typically goes into building plans and budgets, while increasing the accuracy of these plans, enables CPM Users to make decisions more quickly and accurately. This increases trust in the plans, thereby making them strategic tools for driving business performance. The agility afforded by CPM thus allows companies to accommodate changes and adapt instantly.

As mentioned, CPM Users are 3.2 times more likely to have access to real-time updates to financial data. This, along with their multi-dimensional analysis capabilities, allows them to monitor performance and adjust forecasts, as market or business conditions change. As result, these companies are better positioned to pursue appropriate modifications to their tactical and strategic approach. In order to adequately vet such modifications, CPM Users are more likely to perform “what-if” scenarios, and compare potential outcomes of their strategic choices.

Finally, the data tied to business drivers frequently resides in disparate systems (ERP, CRM, etc.), or countless spreadsheets. With a centralized repository of data, CPM Users can accurately model these drivers and provide all stakeholders with a comprehensive, reliable view of company performance.

Measurable Performance is Key

Aberdeen’s survey findings show that the use of CPM has a tangible impact on operational and financial performance. On the operational front,



Followers spend 15% less time on the end-of-month close. They also see 11% greater accuracy in the financial reports they produce.

Finally, these companies see 100% greater improvement, year-over-year (YOY), when it comes to the amount of time it takes to complete a financial forecast.

When looking at YOY changes in company performance, the survey findings reveal significant gaps between Leaders and Followers. In fact, Leaders enjoy:

- ▶ 40% greater improvement YOY in “time to decision”
- ▶ 100% greater improvement YOY in operating margins
- ▶ 167% greater improvement YOY in revenue

Key Findings and Recommendations

Success in financial planning, budgeting, and forecasting really comes down to providing employees with the tools they need in order to be fully informed, agile, and efficient. Accurate forecasts, budgets, and plans lead to smarter decisions and investments.

Below are the common characteristics of Leaders in company performance management:

- ▶ **Leaders have foresight.** Leaders are 41% more likely to have the ability to perform “what if” scenarios to model changes in the business environment and potential outcomes of business strategies. This means they can more rapidly adapt to adverse changes and capitalize on emerging opportunities.
- ▶ **Top performers value data integration and accessibility.** Leaders provide real-time data to decision-makers, taking the guesswork out of forecasting. They are also far more likely to emphasize data integration, creating comprehensive, actionable visibility into overall company performance.
- ▶ **Leaders are efficient.** Business moves fast, so the time it takes to complete budgeting and forecasting activities must decrease. Shortening process times not only mean that Leaders are more efficient, it also means that they have more accurate forecasts.

- ▶ **Top performers are agile.** Leaders are able to reforecast as market conditions change, preventing missteps caused by market volatility. Leaders are able to increase their agility through process automation, which is used by 40% of Leaders that have reforecasting tools.

If your organization is not using or considering a CPM solution, planning, budgeting, and forecasting will remain a challenge. Leaders understand that effective and consistent performance management requires the cultivation of the best organizational behaviors and the deployment of technologies capable of supporting and optimizing these behaviors.

As a result, they enjoy true competitive advantage and enviable business results.

Related Research

Dynamic Planning: Live in the Moment to Succeed in the Future; June 2017

Enable Collaborative FP&A for More Accurate Forecasts and Budgets; March 2017

Don't Take Your Eye Off the Ball: Aligning Short and Long-Term Planning; January 2017

Flexibility Matters in Accurate Planning: Putting the "A" Back into FP&A; December 2016



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