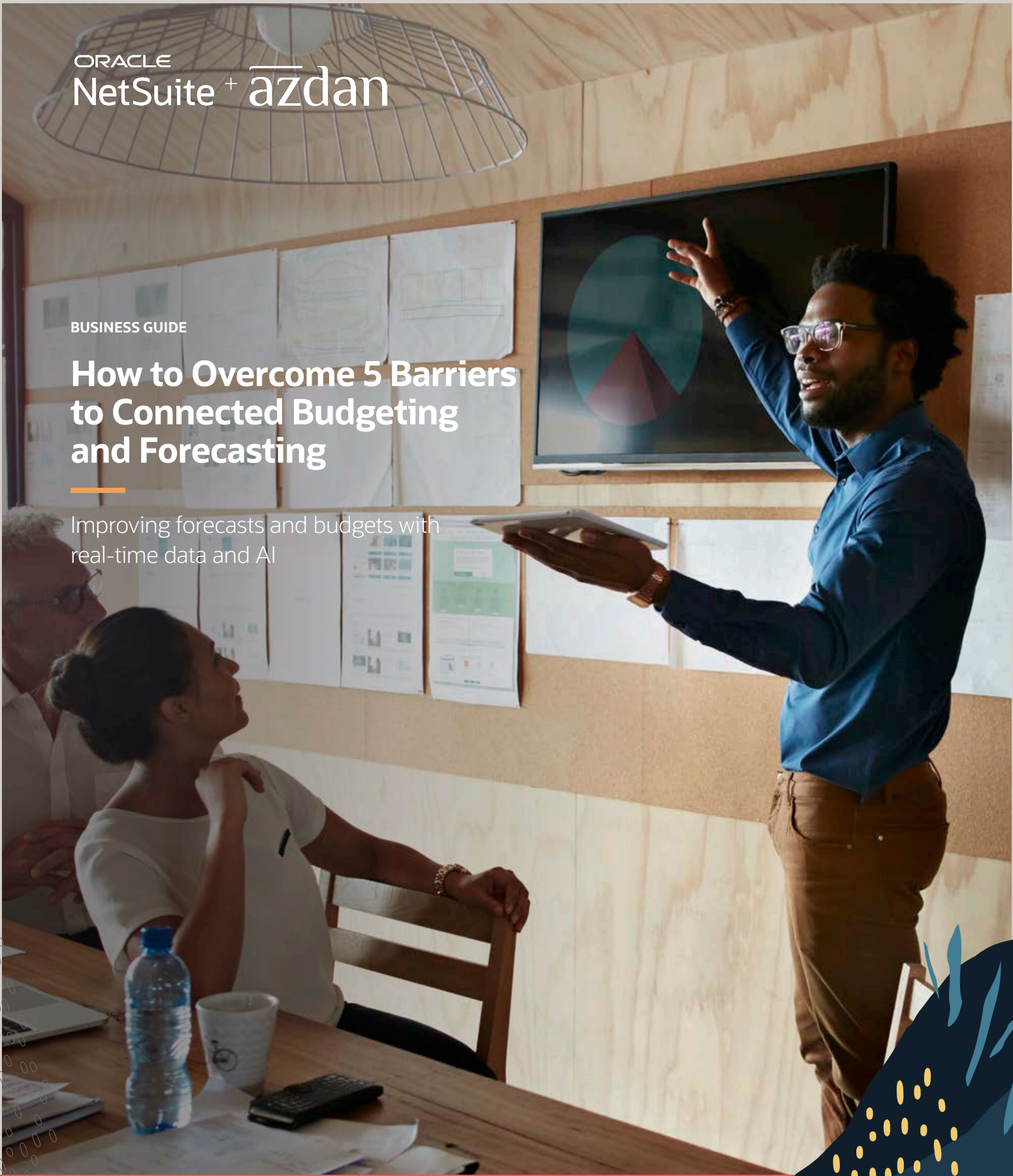


BUSINESS GUIDE

How to Overcome 5 Barriers to Connected Budgeting and Forecasting

Improving forecasts and budgets with real-time data and AI





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Read Time: 5 minutes

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Optimism is increasing in the C-suite—in early 2024, CEO confidence reached its highest level in two years, per The Conference Board. For the CFO, however, there's a looming concern: 84% of CFOs report their businesses need to improve forecasting accuracy, according to a recent FTI Consulting survey.

CFO's concerns reflect the need for companies to respond swiftly to emerging opportunities and risks, putting a spotlight on financial forecasting. As finance heads try to pull off the balancing act of optimizing costs, strategically allocating capital, and fine-tuning workforce dynamics, they're adopting rolling forecasts and running scenario plans more frequently. But they say the current skillsets of FP&A professionals and a lack of integrated reporting and planning are the biggest barriers to these efforts, per the FTI Consulting survey.

The volatility of the past few years has highlighted the vulnerabilities of traditional approaches to planning, budgeting, and forecasting and surfaced many new challenges. When most couldn't gain access to better options, companies could get by with sending each department a static, spreadsheet-based template that finance would consolidate periodically (often quarterly) for a corporate plan while departmental leaders focused on executing their individual plans. Now, with potential disruptions always lurking and competitive pressures

rising, planning teams inside finance and in business operating units must have the flexibility to continuously adjust and hone their outlook. It's less about creating the perfect plan, and more about refinement and reforecasting.

51% of organizations cited disconnected systems as their top challenge in moving from siloed planning to a cross-functional approach to planning.

Source: Deloitte Global planning, budgeting, and forecasting survey

As business leaders set near- and long-term goals, they must align financial and operational plans. Connected and continuous planning across the company is critical to identifying revenue-generating initiatives, maintaining agility, and staying resilient in the face of change. Organizations that excel at planning are constantly running multiple scenarios and planning for contingencies, and they're doing this with more input from various lines of business to help guide them. We'll walk through common planning and forecasting challenges and explain what you can do to make this vision of unified planning a reality.

5 Common Challenges in Traditional Budgeting, Planning, and Forecasting

Traditional budgeting, planning, and forecasting processes face several hurdles that can ultimately hamper overall organizational performance.

These include:

- 1. Static plans.** Traditional budgets typically sit in documents or spreadsheets, based on fixed assumptions, and lack the flexibility to easily pull in and adapt to changing market conditions and other unforeseen events. Budgets that can't respond to market changes quickly become obsolete.
- 2. Time-consuming and resource-intensive processes.** Budgeting processes are time-consuming when they require extensive data collection, analysis, and coordination among departments. The resource-intensive nature of these efforts can divert valuable time and energy from strategic activities, overloading finance teams and stalling overall organizational efficiency.
- 3. Lack of alignment with business strategy.** A disconnect between budgeting and strategic planning can lead to budgets that don't align with

the big-picture business objectives. Misalignment may result in resource allocation that doesn't give the business the best chance of reaching its goals, creating barriers in pursuing and achieving them.

- 4. Limited collaboration and communication.** Siloed planning processes hamper collaboration between departments and limit communication across the organization. This lack of collaboration can result in suboptimal decision-making, as departments may not consider the broader implications of their plans on different groups.
- 5. Dependency on historical data.** Traditional forecasting often relies heavily on historical data and neglects forward-looking indicators that could shed light on what's coming and how it might affect your business. Depending solely on historical data may reduce the accuracy of predictions, especially in rapidly evolving markets where historical trends may not accurately reflect future scenarios.

By recognizing and addressing these common challenges, organizations can pave the way for a more dynamic, collaborative, and strategic approach to budgeting, planning, and forecasting.



4 Ways Technology Can Improve Budgeting, Planning, and Forecasting

The right planning and budgeting software can mitigate many of the challenges described above by putting all your budgets and forecasts in one place and using the same source of accurate and up-to-date data as the basis for them. In fact, 86% of CFOs cited finance technology and automation as the top area for improvement in their function, according to FTI Consulting's report. Let's take a closer look at how the right technology can benefit decision-makers across the company.

1. Aligning global and business unit financial plans.

FP&A professionals are exploring new approaches to budgeting, planning, and forecasting by applying advanced predictive modeling, data streaming, and AI. FP&A groups need a holistic view of the company but also the ability to drill down into data about specific operations and investments. These FP&A professionals are no longer settling for legacy planning tools that require manual processes and mundane administrative work. They are looking for enterprise performance management software capable of helping them develop financial plans at the global level while also allowing different business functions to plan at the level of detail they need to run their department. The right system can provide all of this within the same unified application and experience.

2. Strategic planning and modeling. Adopting a strategic planning process that ties resource allocation to the company's priorities and long-term goals is much easier with a unified planning solution. With financial plans and detailed operational plans living in a single system, corporate finance and teams across the business can easily analyze information and develop alternative value creation scenarios on the fly. Finance teams can develop baseline plans for organic growth strategies, M&A, and capital plans and then immediately see the predicted impact to P&L, balance

3 Keys to Building Operational Plans That Advance Financial Goals:

1. Automate data collection so you have more time to analyze results and share insights.
2. Build predictive models accessible to all teams.
3. Leverage one solution for comprehensive financial and operational planning, budgeting, and forecasting.

A Unified Planning Solution Helps:

- Use forecasts to create more detailed operational plans.
- Support agile planning such as rolling forecasts, driver-based plans, and scenario modeling.
- Help companies adapt to business changes quickly.

sheet, and cash flow plans. Finance teams can quickly create what-if scenarios to analyze the sensitivity of cost structure, revenue, or capital structure to external factors such as commodity prices and interest rate exposure.

3. Collaborative, iterative budgeting and forecasting.

Rigid plans and budgets aren't very useful in a time when companies must continually monitor performance and recast operational plans to new realities. An effective planning application can support top-down, bottom-up, and driver-based planning, rolling forecasts, predictive analytics, and other advanced planning techniques. These tools let finance professionals collaborate with others across their business to identify opportunities and risks while guiding decision-making by monitoring companywide results and business-level drivers.

Driver-based planning means that finance leaders prioritize identifying and analyzing the key operational drivers that directly influence financial performance. Top finance leaders are leveraging driver-based planning to empower business partners to manage their operational plans at the level of granularity they require while also providing these nonfinance leaders with more transparency into financial results. They can instantly seed budgets and forecasts with powerful predictive models. And with deep analytics, finance organizations are gaining visibility into how sales, production, price, insurance, or tax changes could affect profitability and future plans.

4. Applying the latest AI technologies. Technology that, with the help of AI, applies data science techniques such as pattern detection and machine learning can help with financial reporting, analysis, and decision-making by continually monitoring plans, forecasts, and variances for anomalies or hidden correlations. Ideally, these insights are automatically generated and delivered in a dashboard so that finance can focus on developing responses and taking action in collaboration with other leaders from across the organization. This helps finance teams eliminate rote work and deliver value with their unique expertise and insights.

More Efficient Budgeting, Planning, and Forecasting With NetSuite

Managing through the uncertainty of today's business environment requires companies to knock down barriers that prevent them from tying operational plans to financial goals. [NetSuite Planning and Budgeting](#) helps organizations conquer this complexity by bringing together detailed operational plans and financial goals from across the business in a single system. NetSuite Planning and Budgeting unifies budgeting, planning, and forecasting so organizations can respond quickly to new market opportunities and take corrective actions to reduce risk.

NetSuite's planning and budgeting application alleviates key pain points with features such as:



- **Automated data sync and calculations.** The system offers a centralized place to input and manipulate budget data directly, eliminating the need for manual data collection and spreadsheets at risk of errors and inconsistencies. A native integration with NetSuite ERP improves data accuracy and accessibility so all plans, budgets, and forecasts have up-to-date financial and operational data, account structures, and dimensions.
- **Expansive collaboration.** Multiple employees can work on the same budget and forecast concurrently, and the system automatically tracks all changes. Staffers from different departments are always viewing and updating the latest version of the budget or forecast in real time. This eliminates the need to send files back and forth, reducing confusion and ensuring that everyone has access to the latest information.
- **Scenario modeling.** Perform scenario modeling and multidimensional planning with any number of dimensions, such as location, product, customer, or expense. Easily model complex calculations including projected revenue, operating and capital expenditures, headcount costs, cash flow, and sales without the risk of formula errors.
- **Predictive planning (AI).** Leveraging embedded AI, staff can automate data analysis to improve and accelerate decision-making. Prediction algorithms continually monitor and analyze plans, forecasts, and variances to uncover and highlight trends, anomalies, and hidden correlations, so you can quickly analyze large amounts of data. With these insights, finance can act faster, have better data for planning, and significantly reduce the time spent on analysis.
- **Advanced data visualization and reporting.** The finance team can create customized reports and dashboards to extract meaningful insights from the budget data. This makes it easier for decision-makers to understand the budget's impact, identify trends, and communicate effectively with other departments.

Gachina Landscape Management uses NetSuite Planning and Budgeting to eliminate what was previously a painful, labor-intensive budgeting process conducted in spreadsheets that required the assistance and costs of an external consulting firm. Branch managers now create their own budgets in NetSuite annually, then adjust them throughout each month. This rolling budget means they no longer wait until month-end to gauge profitability and make corresponding adjustments to how they run the business.

Highstreet Insurance Partners handles all budgeting, forecasting, and month-end reporting in NetSuite Planning and Budgeting. Highstreet estimates that it saves 120 hours of work a quarter because instead of spending time entering and validating numbers, the finance team can focus on the content of the reports. Freeing up that time and getting critical numbers faster lets Highstreet give its local insurance offices the resources they need while keeping its corporate staff lean.

Trustworthy and adaptable financial plans and forecasts are increasingly critical to the success of organizations navigating the complexities of today's business environment. More accurate projections that help your business proactively prepare can even serve as a competitive differentiator. The power of NetSuite Planning and Budgeting is that it helps businesses align operational plans with financial goals to keep everyone rowing in the same direction. The right strategy and technology help organizations respond promptly to market opportunities, mitigate risks, and make more informed decisions.

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