A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT

Harvard Business Review

# DRIVING BUSINESS GROWTH WITH FINANCE-LED, INTEGRATED BUSINESS PLANNING

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## INTRODUCTION

As Richard Dobbs and his co-authors pointed out in a *Harvard Business Review* article[1] published in October 2015, “Although we can expect global revenues to grow by 40 percent or more over the next decade, increased competition from the Far East and disruptors invading traditional markets will cause global profit margins to drop by a couple of percentage points.”

Good or bad, disruption has become a common business term that has threatened many traditional organizations. Companies such as Uber, Spotify, and Airbnb are disruptors—using digital technology to create new business models to upset the value inherent in existing markets. The phrase “the new normal” has been used to describe the business environment created by this uncertainty, volatility, and disruption. But companies may see this as “the new abnormal,” presenting organizations with new challenges to deliver the predictable and sustainable returns that investors expect.

In this new market, every business function will be tested, with finance facing a kaleidoscope of different growth rates, regulations, reporting, currencies, and tax practices. It will be a major test to manage their financial and nonfinancial performance across all parts of the enterprise.

To achieve this, planning needs to become a continuous process that spans departmental boundaries and enables managers to collectively realign resources to market changes. This strategy will provide the business a full understanding of how the changes it makes will impact future financial results.

In order to grow in this rapidly changing economy, companies face the need for innovation—not just in products, but also in their business models and strategies. Organizations must streamline disparate sales

“Finance has the opportunity to be the enterprise information navigator. However, finance leaders can’t come to the table with old tools. We need new ways of defining business intelligence in a data-driven world where business users expect and demand near real-time information.”

**ALLAN HACKETT, CO-FOUNDER, THE HACKETT GROUP**

1 “The Future and How to Survive It,” Richard Dobbs, Tim Koller, and Sree Ramaswamy, *Harvard Business Review*, October 2015.

> "I think our challenges were common among many companies that have outgrown their traditional planning solution or Excel® model. We were providing analysis that was not real-time. There were issues with collaboration across the organization in the team. Data was not transparent across companies."
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> **JARED WATERMAN, VICE PRESIDENT, FINANCIAL PLANNING AND ANALYSIS, PANDORA**

and operational planning with traditional financial planning and analysis (FP&A) by using technology to connect people, data, and processes across the organization. These shifts in strategy will deliver a more holistic way to view and manage the business, providing the agility needed to create and sustain a competitive advantage. This new way of doing things has been called integrated business planning—something that every business can greatly benefit from achieving.

## WHAT BLOCKS BETTER PLANNING?

As organizations look for new ways to plan and forecast, technology is often one of the strategies they use to achieve a new way to plan and forecast. They know that traditional budgeting is time consuming and costly and keeps them from adjusting quickly to shifts in the business environment. Forecasting is difficult at best—and often comes too late. For instance, a recent Ventana Research survey found that 43 percent of organizations remain at a basic, tactical level in their planning process, with only 11 percent operating at the highest innovative level where their companies could be agile and responsive to the marketplace.

Chief financial officers and their teams find themselves buried in the demands of basic finance, such as cost control, budgeting, and reporting. This limits their ability to become the strategic business partners they want to and know they need to be. This is unfortunate as CFOs are in a unique position to understand the levers that drive their business—and make it possible for leaders to identify, analyze, and act upon the vital information.

Although individual departments have a thorough understanding of their business drivers, the majority of business plans are in spreadsheets and stand-alone systems, which rarely connect at the enterprise level, limiting the understanding of how shifting strategies impact functional units. On top of that, too often, the information held in different systems is inconsistent, and companies may lack the resources to coordinate, consolidate, and share it in a timely manner.

Bart Hughes of Deloitte Consulting LLP sees more and more companies recognizing that planning must become a "near-real-time endeavor" rather than a near-static annual budget exercise that often fails to connect all the activities of the organization. To overcome this near-static annual budgeting exercise, companies must strive to achieve integrated business planning. Hughes defines integrated business planning as "repeatable, functional, and cross-functional activities connecting strategic plans, financial plans, and operational execution plans."

## THREE STEPS TOWARD PLANNING THAT DELIVERS GROWTH

Moving forward, FP&A teams will continue to be assessed on how quickly they complete the annual budget or how many iterations it took, but they will also be more heavily measured on how they have partnered with the business to make better decisions about acquiring customers and growing the business. In recent research, 72 percent of CEOs said they expect finance to become more strategic in the future.[2] Now finance needs to take concerted actions to deliver on the expectation. To meet these new expectations, leading finance organizations are taking three steps to better integrate the planning process across the business.

### 1. Focus on metrics and analytics tools that drive growth.

Analyze the metrics and tools currently in place that analyze the business's performance. Both the drivers and the resulting metrics should emphasize the many dimensions of the business that ultimately drive growth goals (e.g., revenue per unit, expense per headcount, revenue per customer, customer retention, customer satisfaction). According to Forrester Research,[3] companies that layer the right tool and process (hint: not spreadsheets) on top of the right metrics will enable themselves with the trifecta of historical and current insight to performance, as well as, forward-looking visibility.

### 2. Increase business-user collaboration for continuous forecasting.

With the right metrics and tools to support forward-looking visibility, the next step should be to ensure you are including as many contributors to the planning process as possible. Spreadsheets, while good for personal productivity, are less than ideal for collaborating. Consider new technology that embraces the connectedness of our global world today. Systems that let the process be more collaborative enable frontline decision-makers—those with direct knowledge of what is really going on in the business—to provide more frequent updates to plans and even forecasts. Enabling collaboration begets better forecasting, which yields better visibility into the future and better attainment of goals.

> "When designed correctly, integrated planning can help an organization react quickly to market changes, adjust on the fly, and execute incisively. This is because modeling both the operational and financial outcomes of the most likely scenarios reduces much of the hesitancy that traditionally comes with uncertainty. Integrated business planning also provides a single version of data and information across the organization—customer, product, employees, and plans—so the whole organization can track, measure, and refine plans in a dynamic fashion."
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> **BART HUGHES, DIRECTOR, DELOITTE CONSULTING LLP**

2 "The View from the Top," KPMG, December 2015.

3 "Craft Your Future State BI Reference Architecture," Boris Evelson and Noel Yuhanna, Forrester, November 2012.

"By converging sales, ops, and finance information … you can make faster decisions to run your business … [which] results in better margin because you're running your business much better, making better-informed decisions, and that's a good thing in terms of margin improvement."

ANDY MAIN, DIRECTOR, DELOITTE CONSULTING LLP

"Number one, my team is spending more of their time on the value-added FP&A and providing the analytic support to our business partners. Number two, we are doing it in a way that's timely and accurate, providing true value-added insight to the business."

MIKE LEMBERG, VP FINANCE, SERVICESOURCE

### 3. Treat integrated business planning as an enterprise-wide initiative.

In addition to a tool that connects people, you need to consider a system that connects across your business. Bringing people and data together into a streamlined process in one central place is what leads to achieving integrated business planning. This does not mean implementing integrated business planning necessitates an all-in, expensive, big-bang, IT-driven investment. Companies must consciously move toward un-siloing the planning process by first integrating those aspects. First, integrate those aspects of sales that directly impact revenue and operational departments with highly variable costs, and then extending this strategy to back-office functions where costs are largely fixed. They should also recognize that implementing an integrated business planning strategy can be approached incrementally in agile sprints with a focus on specific departments, products, or emerging markets based on business priorities.

## CONCLUSION

Finance has a mandate to become a strategic business partner. Integrated business planning offers organizations the ability to align operations and sales strategy with the company's continuous financial performance. An increasing number of organizations have shown that even small steps toward integrated business planning have helped them deliver immediate benefits to the business, including light-touch forecasts, rapid "what-if" analyses, and more accurate budgets. Improved collaboration between departments, driving more awareness and shared understanding of potential issues, allows the business to take the prompt and incisive actions needed to keep performance on track. The question to consider is not "When are we going to do this?" but "Why don't we start now?" because time is ticking away.

No matter what acronyms or adjectives you choose to describe the business world of the future, it is important that companies have a strategy in place to stay competitive and that they are able to respond to internal and external changing market dynamics. Whether the needed shift is driven by process-based changes or technology-based changes, this new approach to business planning will result in better visibility into future financial performance and deeper insight into the actions needed to achieve a company's ambitions and objectives. CFOs who choose to leverage new technologies and new frameworks to better understand their business will enable the business to make planning, analysis, and decision-making a continuous process, ensuring a sustainable, competitive advantage in today's topsy-turvy, hyper-change world.

## SPONSOR'S PERSPECTIVE

When it comes to planning and budgeting methodologies, integrated business planning (IBP) is the nirvana that many organizations aspire to. At a time when corporate agility and deep insight into business performance are paramount, IBP's attraction is that it weaves together all the disparate strands of strategic, operational, and financial planning that are typically managed in a plethora of stand-alone spreadsheets and siloed applications.

Organizations can incrementally work toward fully integrated business planning by first introducing driver-based models for all forms of planning and budgeting, then linking them together. However, achieving fully functional IBP has still proven daunting for many businesses. Why? Until recently, there were no solutions that allowed companies to follow an evolutionary path and grow into IBP. The only option was for companies to set out on an expensive and complex enterprise-wide implementation of a full ERP replacement. Understandably, most organizations balked at that idea and made do with other tools. Today, all of that has changed.

According to Accenture's 2014 High Performance Finance Study,[1] finance can address many of its integrated planning priorities by investing in new technology solutions—those that embrace cloud, software as a service (SaaS), analytics, and more. Taking advantage of these newer technologies, finance and operations can come to share a single planning and forecasting platform to incrementally deliver integrated business planning.

When looking for an IBP solution, companies should not replicate the "all or nothing" approach of the past, but instead look for solutions that leverage three critical elements of functionality:

- **User-friendly modeling:** Embedded modeling logic that users can manage themselves is essential. That way, with just a few clicks, and no coding and no dependence on IT, users can adjust business rules, update drivers, and refresh dimensions and hierarchies.
- **Process a lot of data:** The ability to process large volumes of data across multiple dimensions is also key. The growth of data, across the world and also within individual businesses, is not slowing down. The ideal system can grow with the business, handling millions or billions of pieces of data without having to rip and replace as the company continues to grow and succeed.
- **Immediate ripple effect:** Beyond just data roll-up, businesses need real-time calculation so changes instantly ripple through all connected plans to reveal the impact right across the enterprise—all the way to the profit and loss account and cash flow forecast.

Today, businesses need to stay ahead of the competition, stay ahead of market demand, and be adeptly responsive to change. To do this, decision makers need to plan, analyze, decide, and act collaboratively and in real time. Anaplan recommends a solution that allows the entire business to plan in one central platform—combining metrics across finance, sales, HR, operations, and marketing. Our customer results have proven that integrated business planning can be a reality—arming finance to become the value-added business partner that executives need to drive expected and aspirational organization growth.

1 Accenture 2014 High Performance Finance Study, The CFO as Architect of Business Value, Delivering Growth and Managing Complexity, Accenture, 2014.

### ABOUT ANAPLAN

Anaplan is the enterprise planning cloud. Anaplan brings together an unrivaled planning and modeling engine, collaboration in the cloud, and a simple interface for business users. Anaplan customers can choose from over 100 pre-built planning apps from the Anaplan App Hub or easily build their own apps. Anaplan is a privately held company headquartered in San Francisco, CA, with global offices on four continents. To learn more, visit anaplan.com. Follow us on Twitter: @anaplan.

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