A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT

Harvard Business Review

THE NEW GAME PLAN FOR STRATEGIC PLANNING

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The results of this survey are quite fascinating, but they aren't altogether surprising because, as the report rightfully points out, today's business dynamics are quickly evolving. Accommodating an emergence of disruptive innovations and increasing globalization means that companies need to leverage strategic planning to better adapt to market changes and achieve their short- and long-term financial objectives.

In the survey, 385 business and IT leaders echoed sentiments similar to what Anaplan customers share with us all the time: Companies need to make forward-looking decisions based on data rather than on gut instincts and previous experiences. This means that collaboration across teams and functions has to be easy and seamless, and processes need to be executed with real-time information—which is near impossible to do with spreadsheets and siloed processes and IT systems.

However, we found that 90 percent of respondents still use spreadsheets as a primary planning tool in their organizations—and fewer than a quarter of that 90 percent reported satisfaction with their siloed spreadsheets and homegrown processes. How can businesses better solve for this all-too-common scenario? At Anaplan, we believe this can be achieved through a platform approach to planning that connects data, people, and plans across the entire enterprise. A connected planning approach allows your organization to:

- **Connect your data** for shared planning and decision-making data, stored securely in a central data hub that meets the needs of business users and IT.
- **Connect your people** for clearer visibility into how cross-departmental decisions can positively impact the business and to collaborate in evaluating alternative strategies.
- **Connect your plans** to enable dynamic and continuous planning in any area of your business, and integrate top-down financial models with bottom-up operational plans for continual alignment.

Using a platform-based planning approach also provides FP&A teams with the tools they need to analyze business performance and adapt to fluctuations in the business. This is mission critical, as 81 percent of respondents reported that their plans typically require changes during execution, but only 31 percent view their company as extremely effective in analyzing performance and making ongoing adjustments.

By investing in an innovative planning platform, you can enable your business to make informed and incisive decisions based on current and forward-looking data. Your business can plan and reforecast faster, and more frequently, to keep strategy, tactics, and resources in step with internal and external changes. And by liberating people from manually reconciling and validating data from disparate spreadsheets and limited legacy solutions, your financial team can be more productive by contributing better insights and value to the business.

But don't just take our word for it: Check out what our customers already know by reading about their results with the Anaplan platform: Anaplan.com/Customers.

THE NEW GAME PLAN FOR STRATEGIC PLANNING

Disruptive innovation, new business models, and globalization have accelerated the rate of change for every business. To stay competitive, organizations are revising their business models, product sets, and other critical aspects of their operations on a much more frequent and continuous basis.

These organizations realize that real-time strategic planning and performance management are not just "nice to have" but "must have" capabilities. Yet many organizations still struggle to implement these capabilities. As a result, they're unable to quickly revise their strategies, implement plans, and monitor results.

One key culprit is the state of today's strategic planning tools, often including spreadsheets and other cumbersome legacy technologies. These can block executives from collaborating easily and reacting quickly to market changes. Business leaders not only dislike these tools, they also distrust the data such tools provide.

These are among the key findings of a recent survey conducted by Harvard Business Review Analytic Services. The survey drew responses from 385 business and IT leaders worldwide in both medium and large organizations across a wide range of industries.

Fortunately, leading organizations have found a better way forward. They're moving to a more dynamic planning approach that uses technologies and planning philosophies that allow business plans to be changed with relative ease and speed. This approach includes new tools that support easier data-sharing, improved accuracy, and greater collaboration across the organization. These improvements, in turn, can boost speed and productivity in ways that dramatically aid the bottom line.

"Forward-looking plans, forecasts, and budgets enable organizations to manage financial resources, chart strategies, and model changes to the business," says Paul Hamerman, an analyst with Forrester Research. "These planning and modeling capabilities are increasingly relevant across the entire enterprise."

LINEAR NO MORE

Here is one challenge facing managers: Although much of their business planning is still done as a linear process, it's an approach that's quickly becoming obsolete. In a slower-moving business environment, the linear process worked fine. First, plans were assembled, typically on an annual basis. Next, the plans were broken into periodic goals for different business units. Finally, the plans were left to stand—or, more likely, be forgotten—until the next annual planning cycle.

But today, that's overly rigid and slow. "Too many companies still use the annual budget as their primary performance-management tool," says Mary Driscoll, a senior research fellow at business-benchmarking and best-practices firm APQC. "The plans are developed in August and launched on January 1—and out of date by the end of January."

"Planning has to change," agrees Steve Player, founder of Player Group, a management-consulting firm. "Top companies are well beyond recognizing the problem, and they're moving very aggressively to revise their approach."

Respondents to the survey back up his claim. A large majority of respondents said they need to plan more frequently than in the past. They also said their plans need ongoing and frequent changes, including at the execution stage. Looking to the future, a similarly large majority of respondents said they expect this pace to quicken further over the next 12 to 18 months. figure 1

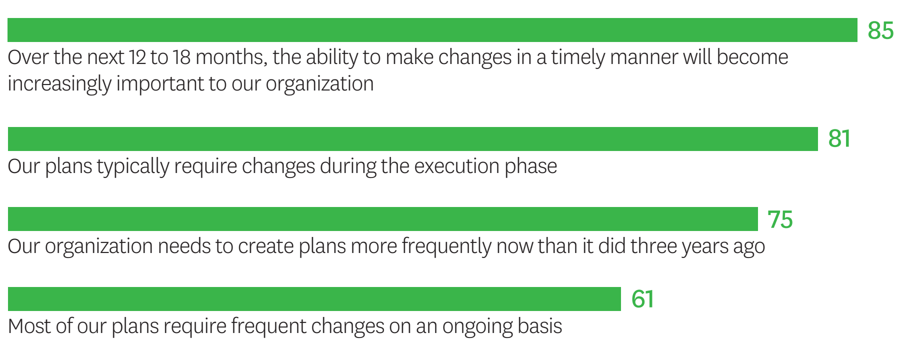
But while business-planning speed and flexibility are increasingly important, many business leaders still find these goals difficult to achieve. Fewer than half the survey respondents believe their organizations can make changes to business plans in a timely manner. And more than half believe their organization lacks the tools and skills needed. figure 2

The challenge is not in identifying the tasks most important to executing and revising plans, but in completing those tasks. A large majority (79 percent) of survey respondents claimed to have the ability to identify these tasks. But only about half that number (41 percent) said their organization has typically done well at completing those tasks. figure 3

FIGURE 1

FAST, FLEXIBLE PLANNING IS THE NEW NORMAL

Percentage of respondents agreeing with these statements.

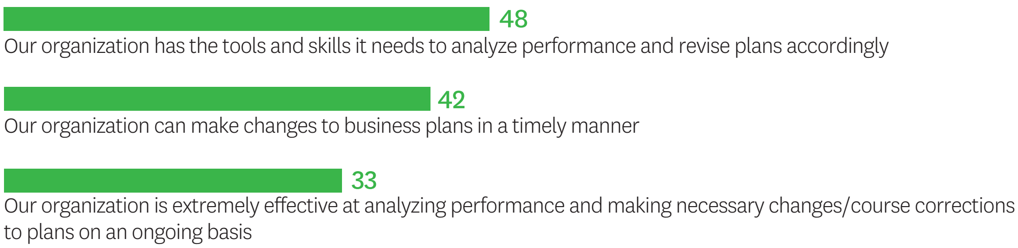


SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2016

FIGURE 2

COURSE CORRECTION, OFF COURSE

Percentage of respondents agreeing with these statements.

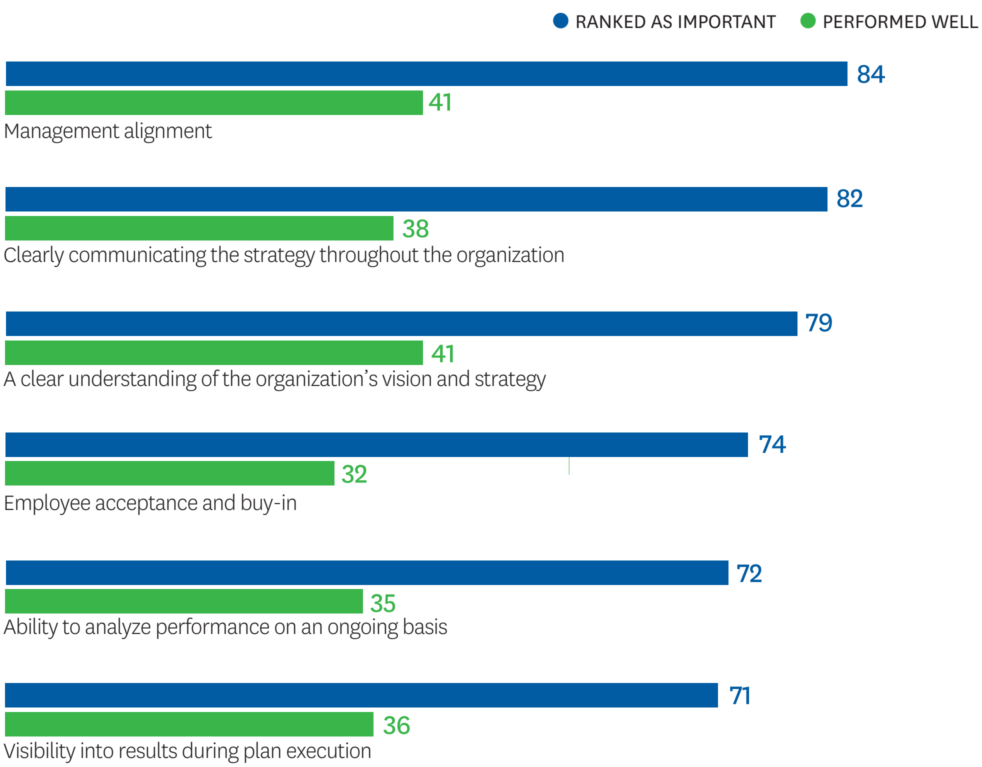


SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2016

FIGURE 3

KNOWING WHAT TO DO: EASIER THAN DOING IT

Percentage of respondents ranking these tasks as very to extremely important to their organization, versus the percentage saying their organization performed well on these tasks when executing plans. [Ranked 8 or higher on a scale of 1 to 10]



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, SEPTEMBER 2016

> “Clients with an ownership culture identify and execute change faster because they’re empowered to do so. They don’t wait for the process to set or reset direction.”
> Nat Brooks, Managing Partner, SynFiny Advisors

Some industry observers say they’re well aware of such disconnects. “A few of our clients do planning well, but a lot of them don’t,” says Nat Brooks, a managing partner with finance-management firm SynFiny Advisors. “Clients with an ownership culture identify and execute change faster because they’re empowered to do so. They don’t wait for the process to set or reset direction.”

Part of the issue is that senior executives often have a much rosier view of their companies’ agility than do managers closer to the front lines. In the survey, 41 percent of directors and vice presidents gave their organizations high marks for being able to analyze performance on an ongoing basis. But only 28 percent of mid-tier managers and analysts said the same.

Similarly, more than a third (35 percent) of executives in the survey gave their organizations high marks for the ability to adjust course midstream. But only about a quarter (28 percent) of managers and analysts felt the same way.

These executives also didn’t seem to grasp how agility and being able to make course corrections relate to planning. For example, about two-thirds (64 percent) of mid-level managers and analysts agreed that their plans require frequent changes on an ongoing basis. But among the higher-level executives, only about half (52 percent) agreed.

SPREADSHEET TROUBLE

What’s causing the disconnect between business leaders’ desire for more agility and their inability to quickly revise plans?

The culprits include both the current state of planning tools in use and users’ dissatisfaction with them. Nearly 90 percent of respondents said their organization still uses spreadsheets as a primary planning tool. Similarly, nearly 60 percent said they use homegrown systems. Yet fewer than a quarter of the respondents said they’re actually satisfied with either spreadsheets or homegrown systems. figure 4

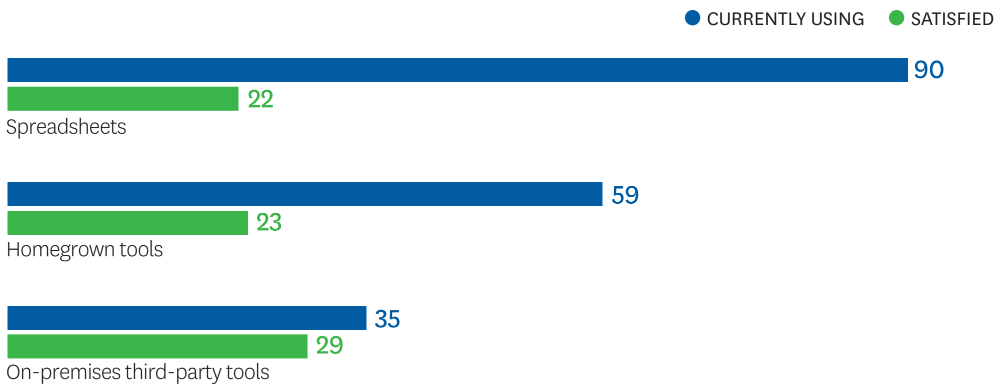
One essential challenge is that spreadsheets were designed to be personal productivity tools. Spreadsheets are fine for performing one-off analyses that involve simple models and small amounts of data. But when organizations use spreadsheets for collaboration, complex modeling, and enterprisewide tasks, they push these tools far beyond their limits.

“While most companies are comfortable with spreadsheets and know how to make them sing, spreadsheets have mind-boggling error rates that often go unnoticed,” says Cindy Jutras, head of Mint Jutras, a research and advisory firm. “Sometimes operating from old or outdated data is worse than giving no data at all. If you have no data, at least you’ll be observant of your surroundings. If you think data is cast in concrete, bad data can make a situation worse.”

FIGURE 4

SILOED PLANNING TOOLS FAIL TO SATISFY

Percentage of respondents currently using these tools for planning, and percentage of that group who say they're satisfied with the tools. [Ranked 8 or higher on a scale of 1 to 10.]



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Spreadsheets have other issues too. For one, they can be slow—very slow. Jutras cites one client with a spreadsheet so vast, simply opening the file took a full 10 minutes. When the mechanics of simply accessing and sharing data become so cumbersome, it's virtually impossible to be nimble in executing and revising plans.

IMPROVING DECISIONS

Having the right tools is a big step toward easier data-sharing and improved collaboration, both of which are fundamental to accurate, flexible planning and improved employee productivity. And some companies are taking such an approach.

For example, consider a major airline interviewed for this report that handles an average of 5,000 flights to more than 370 destinations each day. The company needed to constantly juggle routes and schedules as fluctuating exchange rates influenced consumers' travel plans. But using spreadsheets, the airline found it could not move fast enough when redeploying staff at hundreds of airports. So the airline switched to a cloud-based planning and performance management platform that allows for a deeper level of information to be quickly shared throughout the organization. The results have been both impressive and quick. Tasks that previously took nearly two days with a spreadsheet are now being completed in just an hour.

Somewhat ironically, because the tool gives executives at the airline company much more time to make decisions, they're actually making those decisions faster than ever before. In the past, huge blocks of time were taken up with collecting, preparing, and correcting the data. "Now there's more time for analysis," explains a business analyst at the airline. "With better information, we can now make better course corrections."

In addition, the new cloud-based planning platform empowers managers at the airline to conduct real-time "what if" scenarios. They can rapidly view data on different dimensions, shifting among

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currencies to see how fluctuations in exchange rates could affect the bottom line. Financial forecasts have become more accurate, too, allowing the airline to provide better earnings guidance to its investors.

PLANNING FOR ENHANCED PRODUCTIVITY

One other factor can be important when changing an approach to planning, and that's the organization's culture. "If finance can be liberated from having to focus so heavily on transactional work, CFOs can allow really smart people to do insightful business analysis," says Driscoll of APQC. "But this requires a big cultural shift. It's hard to do unless you have the right people, equipped with the right systems, doing the right jobs."

This kind of cultural shift was precisely what one large healthcare company interviewed for this report sought in its approach to planning. The company faced enormous pressure from both investors and Medicare officials to operate more efficiently. But its cumbersome planning processes prevented officials from making the necessary course corrections.

For example, the healthcare company's budget process swelled to include some 2,500 Excel spreadsheets, with long-term planning requiring an additional 250 templates. "It was incredibly inefficient, because people were doing an enormous amount of non-value-added work trying to consolidate the information," says a financial-planning executive at the company. "When a mistake went out on one spreadsheet template, we had to collect and correct them all."

Now the healthcare company has switched to a cloud-based platform for planning. Among the benefits, the company can now involve more managers in its planning. Previously, using spreadsheets, just 50 directors were involved. Now the planning process has expanded to also include some 250 frontline managers. The healthcare company has also increased buy-in, collaboration, and engagement. "In the past, frontline managers could say, 'I didn't make this plan, so I'm not accountable to it,'" the analyst says. "But now they're involved and committed."

CONTINUOUS COURSE CORRECTION

With continuous planning now part of the new normal, many managers seek intuitive, cloud-based solutions that make year-round planning easier and more effective. Known as a living plan, it's "an extension of continuous planning and improvement," says researcher Jutras.

For example, Capco, a large financial services consultancy, relied so heavily on spreadsheets that its staff could not provide the timely and detailed information executives needed for accurate planning. As a result, Capco analysts needed a full week to pull together information for the weekly management review. This left executives operating with information that was at least a week old. Often, frustrated executives would bypass the finance department and pull their own numbers, leading to arguments about whose data was correct. "As our company grew, our management needed to do plans in a more complex manner," says Chanjala Sudhakaran, Capco's global director of financial planning and analysis.

To meet this challenge, the consultancy moved to a flexible, cloud-based platform that allows easy data-sharing and collaboration. Capco now enjoys real-time access to information across departments, so that everyone can view the same data. "Rather than spending four days pulling the information, we gather it in one day and then spend three days reviewing it and coming up with a story," Sudhakaran says. "We can now present [our findings] to management with meaningful insight, rather than just presenting a spreadsheet."

These kinds of business benefits can reward organizations across a wide range of industries. Departmental silos can be eliminated too. This could empower, for example, a sales forecast to be instantly radiated out to not just sales, but all affected departments. In this way, the entire organization works from what practitioners call "a single version of the truth." They use and share data that's current, accurate, and trustworthy.

Siloed spreadsheet-based planning, complete with system crashes and version-control issues, can no longer support today's scale or pace of business. Instead, flexible and agile planning can happen only when companies have a more connected view of data that springs from a common source and then flows across the organization. This can provide deep and immediate insights able to fuel game-changing collaboration and "what if" scenario planning. Companies that embrace flexible and agile planning can react quickly, increase productivity, and compete effectively.

And those that don't? They will likely be left behind, and fast. The rapid pace of change is also speeding the need for improved strategic planning. Managers need to answer this clarion call today—or risk finding themselves displaced by more agile competitors tomorrow.

METHODOLOGY AND PARTICIPANT PROFILE

A total of 385 respondents were drawn from the Harvard Business Review audience of readers (magazine and e-newsletters, customers and users of HBR.org) from organizations with 500 or more employees. Some demographic segments may not equal 100 percent due to rounding.

ORGANIZATION SIZE

Just over one-half (51 percent) of respondents were from organizations with 5,000 or more employees. Slightly more than one-fifth (22 percent) were in organizations with 1,500 to 4,999 employees, and roughly one-quarter (27 percent) were in organizations with 500 to 1,499 employees.

SENIORITY

Nearly one-third (32 percent) of respondents were managers of non-IT departments or functions. About one-fifth (22 percent) were vice presidents or directors. Ten percent were executive managers, with titles including executive VP, senior VP, and general manager. Other titles were represented by 9 percent or less of the respondent base.

KEY INDUSTRY SECTOR

Thirteen percent of respondents were in technology, 11 percent were in manufacturing, another 11 percent were in healthcare, and 10 percent were in government or not-for-profit. Other sectors were each represented by 9 percent or less of the respondent base.

JOB FUNCTION

Roughly one in five (22 percent) respondents were in sales or marketing, and nearly as many (21 percent) were in operations. Nine percent were in administration, 8 percent each were in finance, HR, and R&D. Seven percent were in IT. The remaining 18 percent were distributed across other functions.

REGION

Slightly more than one-half (52 percent) of the respondents were located in North America, about one-quarter (26 percent) were from Europe, the Middle East, and Africa (EMEA), and 17 percent were from Asia. Five percent were from the rest of the world.

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