DYNAMIC PLANNING: LIVE IN THE MOMENT TO SUCCEED IN THE FUTURE

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Report Highlights

p2

The number one challenge in planning today is market volatility.

p3

Leaders are 24% more likely than Followers to perform "dynamic planning".

p4

Dynamic planners are 46% more likely to have predictive analytics.

p6

Dynamic planners are 3.7 times as likely to have the ability to perform "what-if" scenario analysis.

This report defines the qualities of organizations that are dynamic planners, and describes how these organizations utilize key technologies to improve their planning processes.

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Successful businesses understand that accuracy in planning is the foundation for smart and confident decisions in support of the business.

The pace of change is ever-increasing in the modern business environment. Top-performing organizations are digitally transforming their business today by examining new business models, entering new markets, and utilizing new technology.

Unfortunately, this makes it extremely difficult to both forecast and evaluate different courses of action when planning for the future. Many organizations find that by the time they come up with a plan they are happy with, the plan is no longer feasible due to events that occurred while the plan was being composed. They also find that they are ineffective at evaluating current trends to predict future performance and the impact of transformative initiatives.

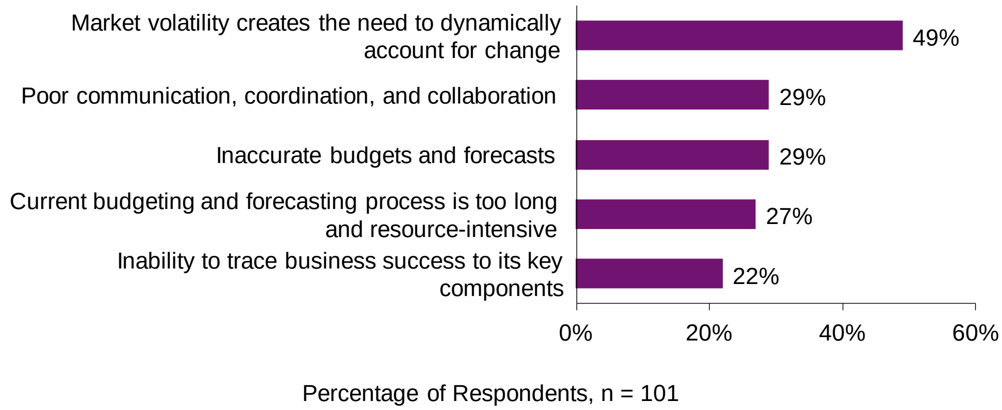
Successful businesses understand that accuracy in planning is the foundation for smart and confident decisions in support of the business. Therefore, top performing organizations are dynamic in the ways that they update their forecasts to react to business events. These dynamic planners utilize advancements in technology to quickly access the information they need and utilize predictive capabilities to gain a better understanding of the impact of their actions, as well as the risks. The result is greater accuracy, productivity, and profitability.

This report defines the qualities of organizations that are dynamic planners, and describes how these organizations utilize key technology to improve their planning processes.

A Need for Agility

In a recent study, survey takers were asked to indicate the top two challenges they face during their planning, budgeting, and forecasting processes (Figure 1).

Figure 1: Top Challenges in Planning



Source: Aberdeen Group, May 2017

In this report, Aberdeen groups respondents into two maturity classes:

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

By a wide margin, the number one challenge is market volatility. In today's changing business world, conditions change very quickly, and forecasts that are made today can become completely unrealistic tomorrow. Forecast and budget inaccuracy, tied for the second leading challenge, can severely hinder an organization's ability to make confident decisions. Many organizations are not adequately able to analyze trends and make predictions for the future. For these reasons, today's organizations must be able to react to business change to dynamically alter plans.

Unfortunately, there are other top challenges that can severely hinder an organization's ability to dynamically update forecasts. Many state that the current forecasting and budgeting process is too long and resource-intensive. It takes too many people too long to gather the information they need to budget and forecast, and also to actually create those budgets and forecasts. This could be because of poor communication, the inability to find and access relevant data, or simply because they do not have defined or automated workflows for planning and forecasting. These delays

Survey respondents were ranked on the following criteria:

- **Percentage of financial reports delivered in the time needed for decision-making**:
    - Leaders – 89%
    - Followers – 66%
- **Percentage whose actual costs are within budgeted costs (above or below):**
    - Leaders – 5%
    - Followers – 15%
- **Percentage whose actual revenue is within forecasted revenue (above or below):**
    - Leaders – 6%
    - Followers – 17%

could also be because there is a disconnect between ERP and transactional data from planning and analytics applications, leading to an inability to make decisions based on real-time data. These challenges must be addressed to facilitate these processes and enable real-time updates.

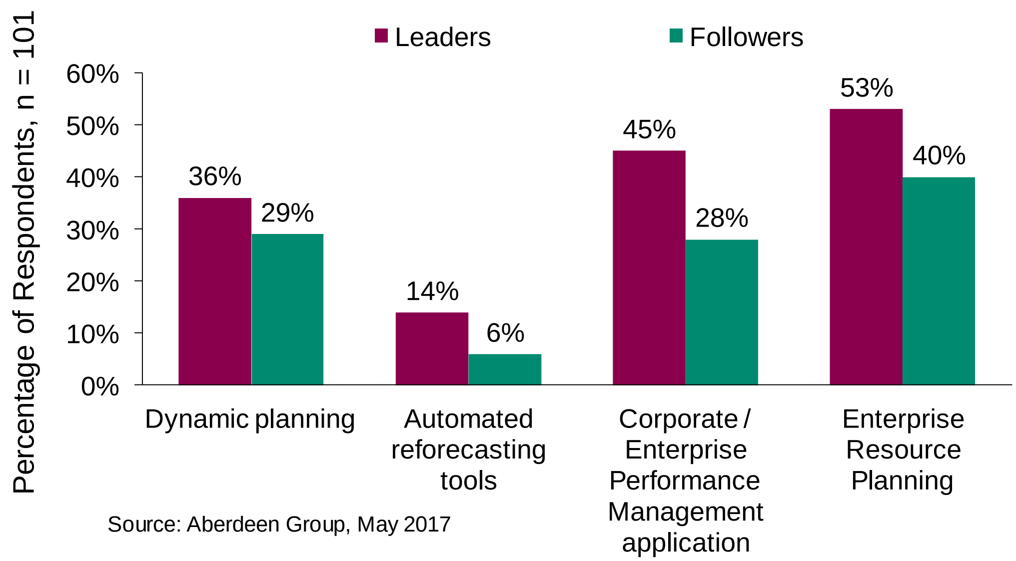
A "Dynamic Planning" Strategy

Due to these issues, successful organizations are more dynamic and agile to account for changes in their plans, budgets, and forecasts. In fact, Leaders are 24% more likely than Followers to be able to reforecast as conditions change, which we refer to as "dynamic planning" (Figure 2).

Some have automated reforecasting tools, but the basis for dynamic planning comes from the reliance on technology for real-time access to performance data. Leaders are 61% more likely to have Enterprise Performance Management (EPM) tools.

Combining these tools with Enterprise Resource Planning (ERP) creates an integrated single source of truth for decision-makers to rely on when making plans. When integrated effectively, planners can remove the barriers to plan directly on the transactional data contained within ERP, significantly reducing reaction times. Planning directly within these tools creates a platform for dynamic planning.

Figure 2: Leaders Utilize Dynamic Planning

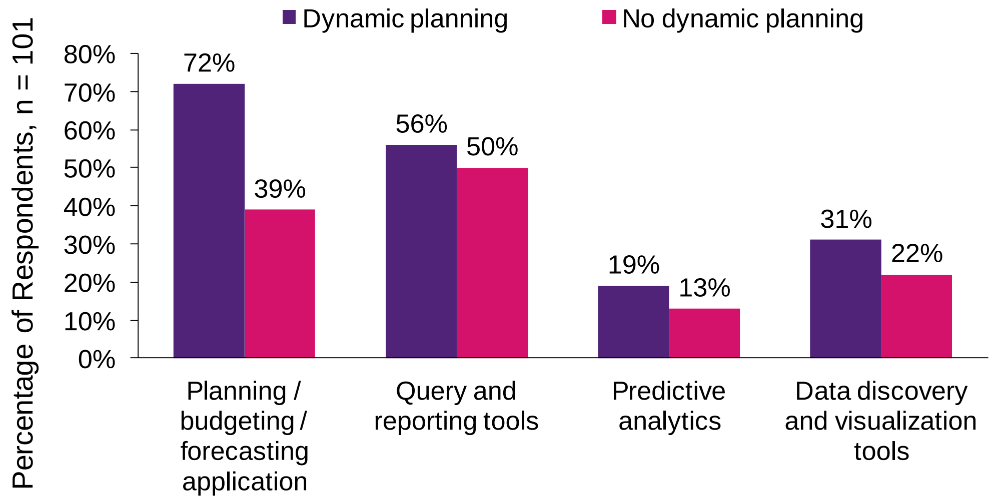


Source: Aberdeen Group, May 2017

To truly take advantage of dynamic planning, top performers look to individual capabilities and features within their technology platforms that make it easier to access information in a timely manner, as well as utilize that information effectively. Those with dynamic planning are 85% more likely to have tools that facilitate the planning, budgeting, and forecasting processes (Figure 3).

Utilizing dashboards, reporting, and visualization tools, dynamic planners can quickly get the data they need and integrate it into their forecasts while ensuring the planning process doesn't become too long and/or resource intensive. Further, dynamic planners are 46% more likely to have predictive analytics. This enables enhanced analysis that will more accurately make forecasts to inform decisions and improve confidence.

Figure 3: The Essential Tools

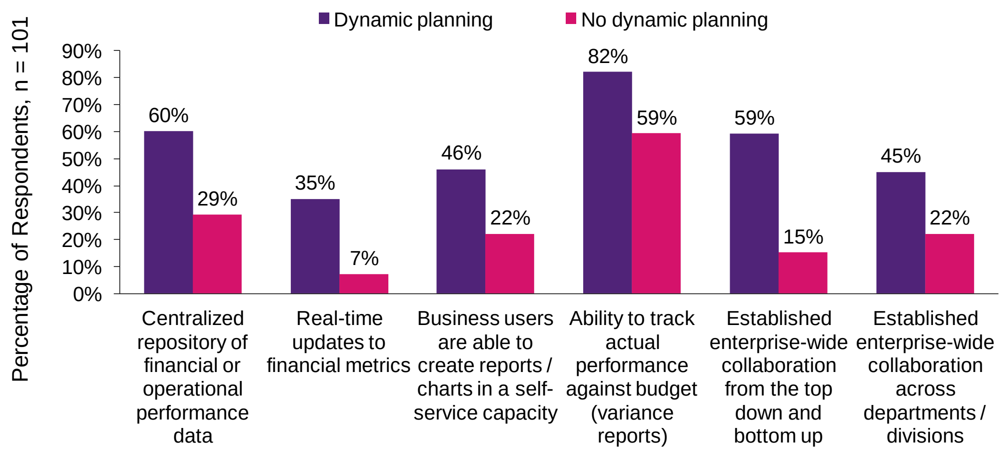


Source: Aberdeen Group, May 2017

Agility starts with providing real-time data to decision-makers so that they know precisely when to react. It needs to be as easy as possible for business leaders to find the information they need and integrate it into updated plans. Dynamic planners are more than twice as likely to have a centralized repository of performance data, and five times as likely to ensure the data is updated in real-time (Figure 4).

In the most effective cases, this means relying on transactional data in real-time to get a true picture of what is going on at the moment. Further, by enabling users to explore the data themselves and providing them with variance reports, users can quickly understand when plans need to be updated.

Figure 4: Improving Visibility and Collaboration

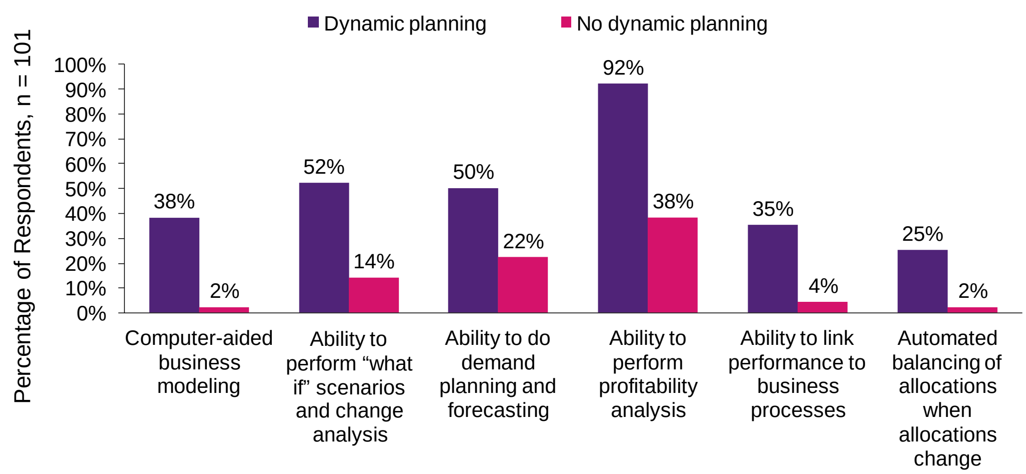


Source: Aberdeen Group, May 2017

While providing users across the enterprise with real-time data is crucial for dynamic planning, it should also be noted that these users should not be planning in a bubble. Dynamic planners are also multi-dimensional. This is important, for example, because areas such as manufacturing operations rely on functions like supply chain management to forecast their performance. Dynamic planners are more likely to have a holistic plan that encourages collaboration from the top-down and bottom-up, along with across functions.

Easy access to real-time data and connecting stakeholders is just the beginning of a dynamic planning strategy. Dynamic planners also utilize software to improve predictive decisions through enhanced analysis. Through computer-aided business modeling, dynamic planners are 3.7 times as likely to have the ability to perform "what-if" scenario analysis (Figure 5). Not only can these organizations quickly update their projections using advanced formulas, but they can create contingency plans ahead of time to become more dynamic. By analyzing the results of varying scenarios, dynamic planners can predict demand and profitability, then tailor their decisions accordingly. This capability provides greater insight into the correlations between specific actions and financial performance, and allows business leaders to automatically adjust their plans across the entire operation without throwing off their balance.

Figure 5: Enhanced Analysis Capabilities



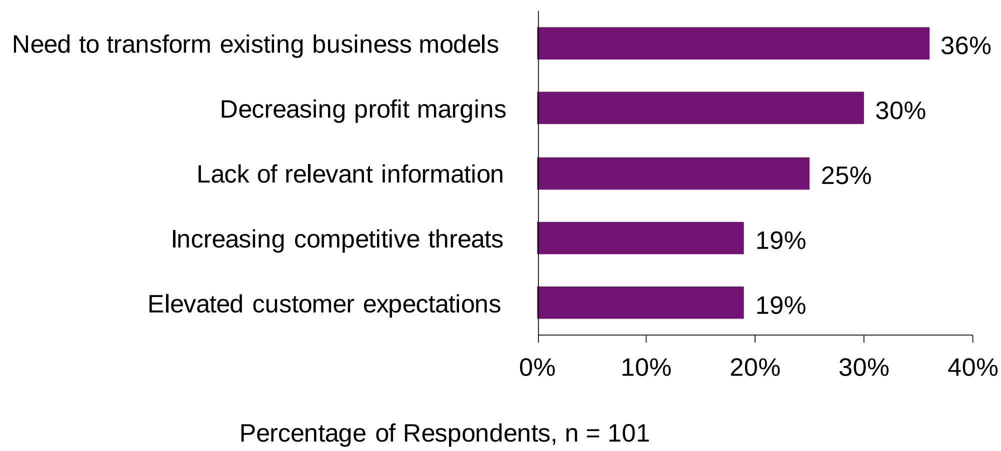
Source: Aberdeen Group, May 2017

The Results

Dynamic planning is an invaluable capability, enabling decision-makers to consistently roll with the punches and guide their organizations toward success. As an integral part of dynamic planning, EPM is essential for driving business transformation in the current business environment. Note that the top business driver in EPM initiatives is the need to transform existing business models (Figure 6).

EPM not only helps organizations to make decisions that will transform the business; these tools are also a central part of digital transformation, as organizations attempt to make data a basis for operations. Organizations can justify an EPM implementation as part of a dynamic planning strategy by citing business transformation, as well as the performance improvements noted below, as key drivers.

Figure 6: Enabling Digital and Business Transformation



Source: Aberdeen Group, May 2017

In a volatile business environment, it is critical to be flexible enough to dynamically alter plans and decisions based on relevant business information. By utilizing tools that enable them to perform planning activities based directly on transactional data, organizations have seen improved performance in their ability to utilize real-time information and create accuracy in planning (Table 1). This is mostly due to organizations having the ability to provide more accurate, relevant data to key stakeholders when they need it.

For example, those organizations that plan dynamically are able to create forecasts that are 4% more accurate than those that cannot (Table 1). This can translate to a miss by millions of dollars. If an organization creates a forecast this inaccurate, it can seriously hinder the organization's ability to make decisions that would help them to grow. Accuracy is improved by providing more stakeholders with relevant data. Those with dynamic planning provide 76% of stakeholders with data that is 85% accurate. This is in comparison to those without dynamic planning, who provide 66% of stakeholders with data that is 77% accurate.

Table 1: The Results

Average Improvement	Dynamic Planning
Accuracy of actual revenue to budgeted revenue (+ or -)	29%
Accuracy of actual costs to budgeted costs (+ or -)	25%
Accuracy of actual revenue to forecasted revenue (+ or -)	8%
Change in time it takes to complete forecasts	117%
Change in time-to-decision over the past year	100%
Change in productivity over the past year	40%
Percentage of stakeholders with access to performance data	15%
Percentage of financial reports that are accurate	10%

Source: Aberdeen Group, May 2017.

Key Takeaways and Recommendations

In today's business environment, things move too fast to take a set-it-and-forget-it approach to planning. Ignoring changes in conditions creates inaccuracy, and without accuracy your business leaders cannot guide the organization towards success with any confidence.

This is why Leaders are 24% more likely to plan dynamically. This has resulted in greater accuracy, improved productivity, and, ultimately, profitability. In order to reap these rewards, heed the following recommendations:

- **Create a seamless financial management system to facilitate the ability to plan on real-time data.** By connecting transactional data with planning and analytics, users can be sure that they are making decisions based on accurate data, perform more accurate analysis, and act quickly.

- **Make it as easy as possible for employees to put together plans, budgets, and forecasts.** The planning process itself is a major hindrance in producing accurate plans, budgets, and forecasts. Since these workflows take so long and are so resource intensive, the product is often based on outdated business conditions. Dynamic planners utilize solutions that remove the hurdles in these processes.

- **Identify and incorporate business drivers.** Your business is driven by certain key metrics that most influence financial performance. Look both internally and externally, using internal performance, supplier and customer data, and industry indexes. Identify these factors and account for them when creating plans.

- **Involve all key stakeholders.** The top of the organization is often unaware of what is happening on the front lines. The line of business is often unaware of long-term strategy. Further, functions that impact each other are often working in silos. To succeed, dynamic planners must foster effective collaboration between different organizational functions to ensure that plans are complete. Further, utilizing software to automate allocations based on changes helps to avoid logic gaps.

➔ **Create contingency plans.** No plan is perfect. Utilizing predictive analytics and scenario analysis, your organization can be prepared to quickly update plans when conditions change.

With dynamic planning, your organization can react in the now to set a foundation for future success.

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