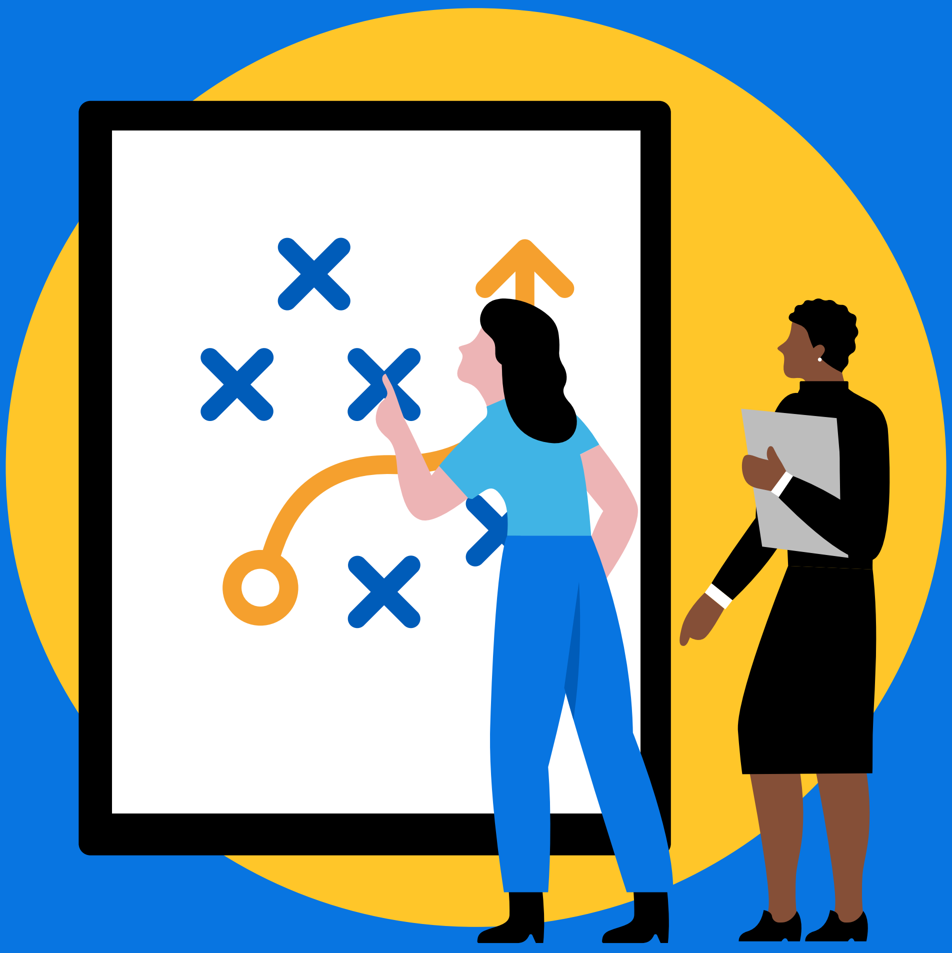
eBook

The game-changing power of scenario planning

Five best practices for business agility



Is your organisation agile enough to keep up with the speed of modern business?

Now more than ever, agility is key in business. Businesses need to be able to adjust revenue and expense assumptions over time, model multiple scenarios simultaneously and see the impacts of new markets, staffing changes, or new government regulations. Without this, companies simply won't have the ability to weather whatever comes next – much less respond to changes in real time.

In other words, FP&A needs to harness the power of scenario planning to help their organisations thrive amidst uncertainty and become true strategic partners to the business.

Powerful, streamlined scenario planning gives finance the ability to incorporate changes as they happen – without skipping a beat. By asking what-if, you can turn data into a single source of truth, model the financial impact of various decisions, test scenarios and assumptions and see how they will affect critical initiatives.

Read this eBook to learn how organisations like yours have replaced one-off annual plans with agile forecasts and timely data, so your organisation can sharpen insight, reduce risk and operate with agility.

Best practice #1

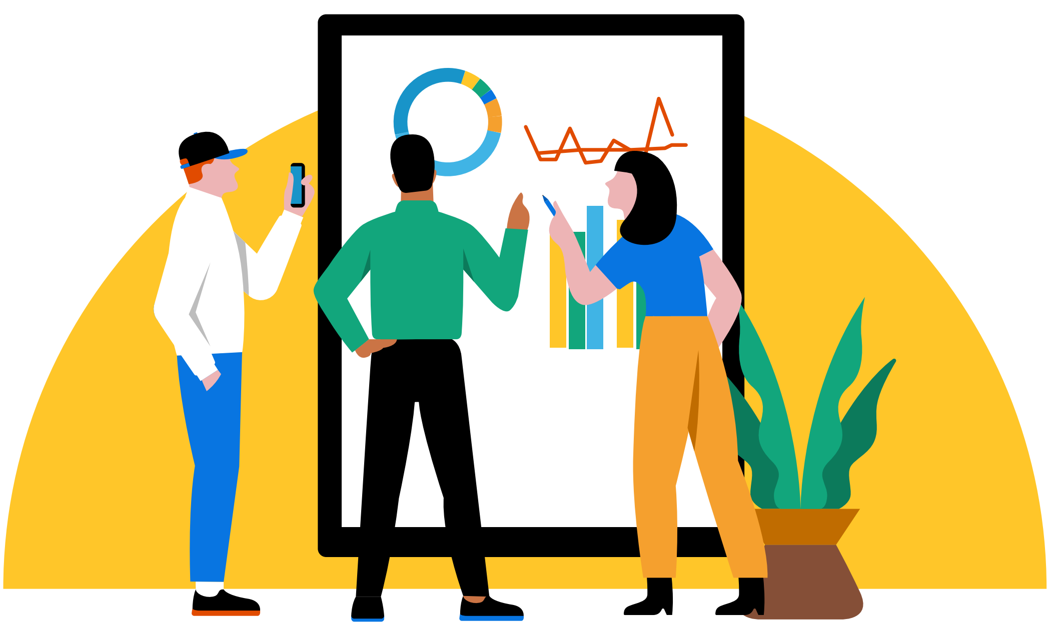
Model multiple what-if scenarios concurrently

Today's finance teams need the flexibility to explore multiple scenarios at a moment's notice to assess the implications of possible strategic decisions.

Models should be able to answer questions like: what happens if we expand into a new market? Or, what's the impact of expanding the sales team in a particular region? Since driver-based models incorporate numerous financial and operational metrics, you need to be able to adjust assumptions and see results quickly – all within the context of your models. With the power of driver-based planning, you'll be able to compare multiple scenarios and identify the best path forward.

> "Streamlining the production of budgets and forecasts has helped tremendously, but it's the modelling and scenario planning we're now able to do that's made the biggest difference to the business.
>
> Finance Manager, Power Nelson

With the right platform, this kind of complex planning can be fast and easy, and far more flexible than traditional spreadsheet-based planning. You can easily change assumptions and quickly see results, giving you all the time you need to analyse the implications.



Best practice #2

Enable rolling forecasts

Automating your actuals import shortens forecast cycles and helps you run faster what-if scenarios. If you update your business drivers to reflect your Q1 actuals, you also need to revise your revenue numbers and consider how this will impact your Q4 cash position. It should be easily done, but this one 'small' change triggers a waterfall of updates that can take hours, days or even weeks – particularly if you do your planning on spreadsheets.

Spreadsheets work well for individual back-of-the-envelope analysis, but for an organisation relying on a web of lookups stuck together with copy-and-paste, they can make forecasting time-consuming and prone to error.

According to the Association of Finance Professionals, it takes an average of 77 days to complete an annual budget, and 20 more days to perform a forecast. With a cycle that slow, it's difficult to provide a rolling view of the organisation or make time for strategic analysis.

Implementing a process that allows you to ingest actuals on an automated basis will allow you to easily adjust drivers in your model, so you can provide an always-on rolling forecast.

> "A couple of months after we went live with our annual budget process, we pivoted to month-to-month forecasting in just four days.
>
> Director of Financial Planning and Operational Analysis, Christiana Care

77 days working up annual plan

20 days preparing forecast

Day 98 plan is obsolete

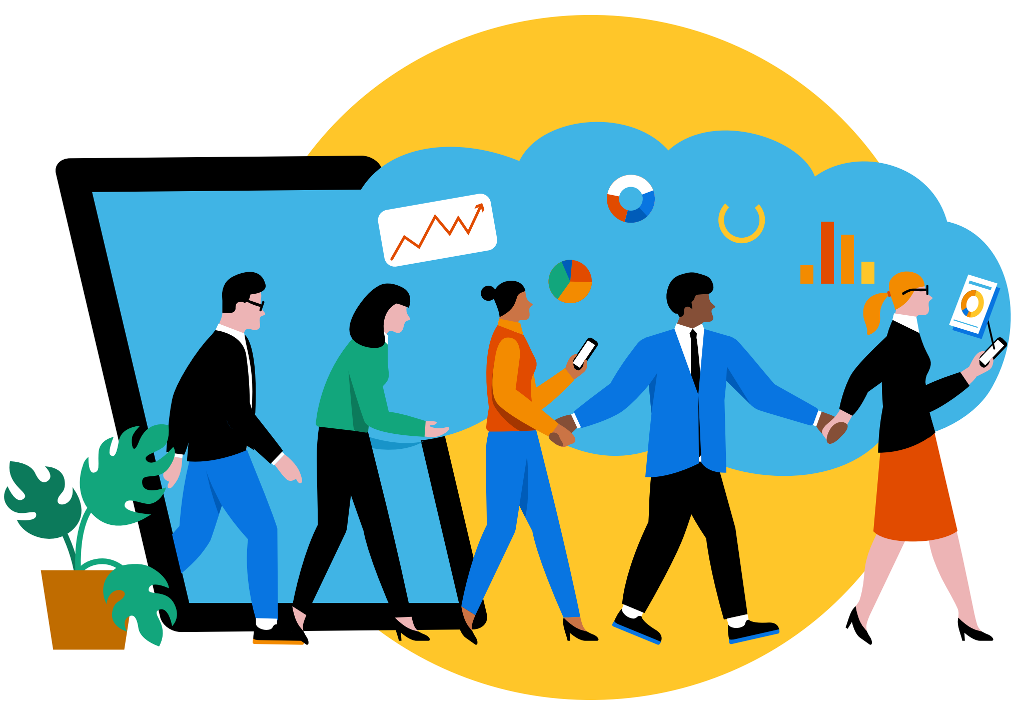
Best practice #3

Keep everyone on the same page

Is everyone aligned on the numbers? A solid plan requires a comprehensive model to ensure that everyone is on the same page and has access to the latest data. And with data coming from multiple sources – revenue and expenses from your ERP, personnel costs from your HR or payroll system and sales data from your CRM system – relying on disconnected spreadsheets becomes problematic. You can end up with decisions that are delayed or based on stale data.

Do away with spreadsheets and use a specialised platform that incorporates the latest data to drive your KPIs. Establish a single source of truth for the entire organisation, so everyone's on the same page.

> We can respond to board requests quickly and easily, slicing and dicing data to generate insight for the business. What's even more indicative of our success with Workday Adaptive Planning is the fact that we use it all the time – that really is the proof in the pudding.
>
> Group Reporting Analyst, INTO



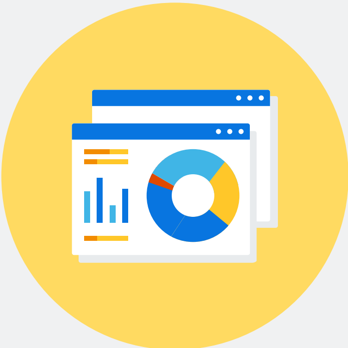
Best practice #4

Get business partners to own the plan

When plans are locked up on an FP&A analyst's hard drive, business owners have difficulty accessing their KPIs. This creates a lack of ownership and accountability for the results – it becomes 'finance's number' instead of their own.

Critical KPI data such as changes to your workforce plan, consumer demand assumptions or cash position needs to be accessible to decision-makers. And answering ad hoc questions shouldn't be a multi-day, one-off exercise for an FP&A analyst.

Empower stakeholders with real-time, self-service access to the data they need and the plan will become theirs. A dashboard allows budget owners outside of finance to easily review KPIs and see the impact of their decisions without having to put requests into finance.



"Now that we're using Workday Adaptive Planning within our finance team, we're able to work more collaboratively and don't have any individual – whether it's me or someone else – acting as a bottleneck for our planning process.

Senior Director FP&A and Treasury, Harry's

Best practice #5

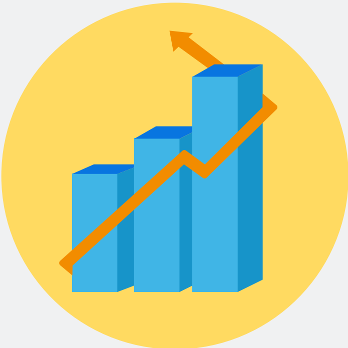
Combine top-down with bottom-up models and assumptions

Guidance from executives and board members typically starts with top-down metrics – net revenue, capital plans, volume drivers, market changes and more. But building an operational plan that you can execute against also requires detailed ground-up assumptions.

So, when it comes to building a model, the FP&A team is left with a choice: start from a growth rate and make margin and ratio assumptions (top-down)? Or begin with a detailed personnel roster and trial expenses (bottom-up)?

Picking one leaves you with a plan reflecting only half the business. Doing both in spreadsheets is tough because the two models remain disconnected, leaving you with a manual goal-seek or a copy-and-paste exercise to make sure everything syncs up.

Instead, combine high-level, top-down growth and margin-based models with a detailed bottom-up model that includes variables like staffing requirements, net revenue by product line or production capacity in a particular region in a single platform. This will allow you to quickly and easily reconcile differences and identify gaps.



> Workday Adaptive Planning helps us meld our financial data and non-financial data together to create a unified plan, which we could not do before.

Director of Finance & Accounting,
UCF College of Medicine

Your journey to agile planning starts here

Modern cloud enterprise planning solutions like Workday Adaptive Planning allow you to:

- Gather data in real time – invest your time in picking the right planning system that eliminates the need for manual data gathering so you can become efficient enough to produce rolling forecasts.
- Involve everyone in planning – get everyone in the organisation involved in the planning process by giving them access to real-time data. And let business partners 'own' their numbers.
- Utilise multiple scenario planning versions – your driver-based models should be flexible enough to allow you to change multiple assumptions and immediately see the impacts across the business, so you can respond accordingly.
- Take advantage of the best of both worlds – combine high-level top-down growth and margin-based models with detailed bottom-up personnel rosters and pipeline forecasts in a single platform so you can quickly reconcile differences and identify gaps.

Learn more about how planning is transforming organisations like yours.

Workday is a leading provider of enterprise cloud applications for finance and human resources, helping customers adapt and thrive in a changing world. Workday applications for financial management, human resources, planning, spend management, and analytics have been adopted by thousands of organisations around the world and across industries – from medium-size businesses to more than 45 percent of the Fortune 500.
For more information about Workday, visit workday.com

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Workday | South Africa : +27 80 017 2954 (toll free) | +27 10 500 2224 (Local Jo'burg) | workday.co.za

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