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# Budgeting: Beyond spreadsheets

## Abstract

Corporate budgeting, forecasting and reporting can be a major contributor to a company's success or failure. Yet, the annual budgeting process for most companies is hardly ideal. It usually involves investing a great deal of time to coordinate with line managers who typically see little benefit because the results are usually an outdated budget that has little effect on the company's business. Spreadsheets and e-mail, chosen as a quick fix, create more problems.

With new technologies—such as planning and analysis solutions powered by IBM Cognos® software—companies are automating the process, getting faster reports and data that fuel “what is” and “what if” scenarios.

## Overview

For most companies, regardless of size or industry, the corporate budgeting, forecasting, and reporting process presents a formidable challenge. Finance professionals and line managers alike most often describe budgeting as burdensome and time-consuming. Yet most would like to believe that this process is also a crucial element of financial management—and can be a major contributor to a company's overall success or failure.

Companies that are able to address budgeting obstacles and improve their processes are rewarded with more reliable budgets, more timely re-forecasts and improved decision-making. This more disciplined financial management culture often delivers two other results—a true competitive advantage and optimized allocation of resources.

How are companies improving budgeting? By applying budgeting and forecasting best practices along with new technologies, such as planning and analysis solutions powered by IBM Cognos software, they are reducing their planning process times by as much as 70 percent.



## Business problems

For most organizations, the annual budgeting process is fundamentally broken and requires months to complete. Line managers typically see little benefit in the budgeting effort. After investing a great deal of time in the process, they still lack the information to support their decisions. When finance centralizes the process, line managers typically refuse to buy in, and the plan loses credibility. Then, when the agonizing process is finally complete, the budget is already outdated.

The result is the same in either case—rather than being a useful decision-making tool, the budget is a disconnected document that has little impact on a company's business.

Compounding these broken processes are the underlying budgeting technologies, which in many companies are simply spreadsheets and e-mail. These technologies are ubiquitous and appear to be a quick fix, but they foster inaccuracies caused by broken formulas, unstable macros, manual consolidation, multiple versions that are difficult to track and outdated communications between key stakeholders.

## Business drivers

Organizations need a faster way to pull together information from all functions to create a budget that is timely and relevant. Only then can the budget serve as a source for the “what is” and “what if” scenarios critical to forecasting and anticipating the future performance.

## The solution

### Break the logjam

For many companies facing complex budgets, the solution is simple—a planning and analysis solution powered by Cognos software. These planning solutions are fully integrated, state-of-the-art and highly scalable for budgeting and forecasting.

With such a planning solution, even companies with the most complex business models can simplify the process. Operational and financial planning are integrated on demand so you have immediate visibility of resource requirements and future business performance. Contributors in different locations, business units and functions can participate together in a single, secure planning environment. Imagine a completely unified and automated budgeting process—one that takes days, not months.

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*“According to the BARC 2009 Performance Management Survey, “Planning, budgeting, and forecasting processing seems to be especially problematic [of all performance management processes]: 47% of companies surveyed see the need for faster reporting, shorter planning cycles, and a faster close.”*

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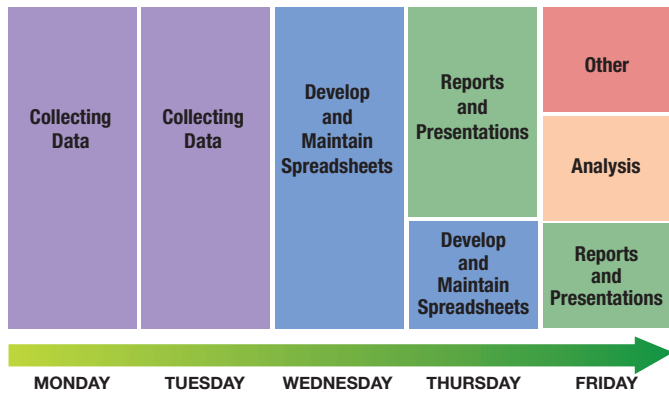
But automation is just the beginning. You can also:

- Create, compare and evaluate business scenarios, conditions, drivers, rates and assumptions.
- Build interconnected, highly complex business models.
- Access current actual data to assess fiscal performance.
- Develop personalized “what-if” scenarios critical to forecasting future performance.

The results break the logjam of disjointed, spreadsheet-based planning. You eliminate unproductive spreadsheet activities such as tracking down numbers, fixing broken links and debugging macros. Your company can capitalize on more participation with greater accountability that spans your enterprise, timeframe-appropriate plans, a wider and deeper view of planning processes and increased predictability in business performance.

**How are you spending your budgeting time?**

A recent IBM survey indicates that companies can spend up to 40 percent of their budgeting time in the data collection process alone, which leaves far less time for the important iterative analysis, plan setting and approval cycles. That doesn't even count the process of probing, analyzing and understanding resource issues in key operational areas and processes, such as supply chain, sales, headcount or distribution.



*Data collection and spreadsheet management consume 80.7% of a financial analyst's time during the planning cycle*

**Modeling built for business change**

Cross-functional planning processes rely on complex logic and dependencies. Enter the Cognos solution and its advanced modeling capabilities. With these capabilities, you can quickly deliver sophisticated linked models that accurately reflect your business in all its complexity and detail, in a finance-friendly development environment. You then have more time to focus on actual evaluation of the information instead of worrying about accuracy and timeliness.

Rather than forcing you into a solution that might not fit your business model, the Cognos planning solution easily adapts to your organization's environment—even as your business grows and changes. You can create your own business rules

and structures and modify your model as your organization evolves—in minutes or hours, not months. In addition, you can import data definitions from sources such as enterprise resource planning (ERP) and general ledger systems to accelerate the process further.

**Fewer process headaches, more value-added analysis**

A planning and analysis solution powered by Cognos software draws on a high-speed, bi-directional calculation engine that helps you evaluate models and test assumptions in minutes to support truly informed business decisions.

With sophisticated features such as on-demand aggregation, spreading, multidimensional slicing-and-dicing and drill-down, you can explore data fully and efficiently. The Cognos planning solution enables on-demand information flows for flexible rolling forecasts and greater visibility of future operating performance.

The Web-browser interface offers line managers and staff simple, controlled participation in planning, budgeting, and forecasting with minimal disruption, enabling them to focus on what they do best—running their areas of your business. For added flexibility, there is also the Microsoft® Excel interface, a familiar, convenient alternative to the browser interface.

*“About 80% of finance executives say their departments are spending more time on forecasting revenues and other financial metrics in response to the economic uncertainty, with an equivalent number ramping up scenario planning in an effort to gauge the impact of alternate realities.”*

From “Imperfect Futures,” CFO Magazine, July 15, 2009.

### **Streamlined workflow management**

When you use Cognos planning solutions, those driving your budgeting and planning process can monitor the entire planning process to view the status of every participant, so that you can quickly understand the maturity of the cycle. The solutions even promote helpful dialogue among participants, streamlining cycles even further

For complicated processes that involve input from many people, Cognos planning solutions provide the option of saving work for later or submitting it for review. You can also track participation easily. At any point, intuitive, color-coded icons inform designated reviewers about workflow status—not started, in progress, or ready for review.

### **Powerful reporting and analysis**

Your planning process is scalable because you have access to the IBM Cognos Performance Management platform. The result is a consistent scorecarding, reporting and analysis environment—the complete picture from goal setting and planning to measuring progress and reporting. Without compromising high standards in IT for conformance, compliance and cost effective scalability, the platform drives best-practice planning, performance management process excellence and, thus, better business optimization.

### **Conclusion**

Automating your budgeting process with a planning and analysis solution powered by Cognos software creates a faster, more reliable and inclusive budgeting, forecasting and reporting process. You achieve better results and are free to focus on adding business value. Request a demo today to see how you can transform your business.

## About IBM Cognos BI and Performance Management:

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

### For more information

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To request a call or to ask a question, go to [www.ibm.com/cognos/contactus](http://www.ibm.com/cognos/contactus). An IBM Cognos representative will respond to your enquiry within two business days.



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3755 Riverside Drive  
Ottawa, ON, Canada K1G 4K9

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March 2010  
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