White Paper
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Best-practice budgeting

Information Management

Cognos. software

Contents

Abstract

Everybody hates it. Everybody does it.

The first step in your performance management journey

Let's face it—budgeting isn't going to make the top of any manager's "Favorite Things To Do" list. Yet each year, companies invest substantially to create a comprehensive annual budget, spending heavily for specialty software, staff overtime, and temporary help for data entry. Perhaps more costly (but less quantifiable) are the countless hours spent by senior managers, accountants, financial analysts, and department managers in budget preparation, revision, and consolidation.

Overview

In a perfect world, the huge investments of time and money would deliver excellent returns. But since we don't live in a perfect world, too often:

- We spend more time creating a budget than analyzing it.
- The budget bears little or no relation to our underlying business plan.
- After the budget is approved, no one looks at it again.
- Budget holders hate the tedious and lengthy process of creating, revising, and submitting documents.
- Budget holders attribute adverse variances to the finance department and favorable variances to their own performance and managerial skill.

This article suggests a framework for rethinking the budgeting process. It is based it on many years of collective IBM Cognos® experience in analyzing corporate budgeting cycles and studying best practices to maximize budgeting benefits and minimize budgeting pain.

Business problems

Planning vs. budgeting vs. forecasting

Since executives, managers, and finance professionals often use related terms interchangeably, it's worth a moment to consider a few fundamentals.

- Planning is a strategic prediction of business performance at a summary level. Usually, planning is the province of a few savvy senior managers who help the company respond to changing market conditions and opportunities. Accordingly, the process can be fairly frequent and must be completed quickly.
- Budgeting is planning distributed to individual areas of responsibility across the business. As a result, many more people are involved and work at a much greater level of detail. Budgeting is a slower exercise, often taking weeks and performed once—maybe twice—a year.
- Forecasting is essentially a recasting of the budget—perhaps in summarized form—to reflect changing market conditions, strategic plan alterations, error corrections, and revised assumptions in the original approved budget. Companies typically re-forecast monthly, with the process executed by a handful of finance personnel.

The table below summarizes the key aspects of planning, budgeting, and forecasting.

	Centralized or Decentralized	Level of Detail	Frequency	Speed
Planning	Centralized	Summary	Often	Quick
Budgeting	Decentralized	Highly detailed	Annual	Slow
Forecasting	Combination	Mostly summary — light detail	Monthly	Quick

Figure 1. Key aspects of planning, budgeting, and forecasting

Business drivers

Why focus on budgeting?

Given its broad reach and time-consuming nature, budgeting is where dramatic improvements affecting the greatest number employees can be made. Budgeting is hated in many organizations because managers see the process as a recurring setup for executive blame and recrimination in the event of negative outcomes they could neither predict nor control.

Budget holders

Budget holders—the P&L center managers—dread the onset of a budget cycle, the extra work it will entail, and the consequence of getting things wrong. If previous experience has taught them that the budget is likely to be a platform for shame and abuse, they may treat it as game in which they compete with their peers to obtain the most easily achievable targets. The winner of the game will be the one most adept at hiding sandbags—significant over or underestimations that will help them mask inefficiency and ineffectiveness.

Such maneuvering aside, budget holders can find themselves with a formidable problem: how to predict—sometimes in vast detail—variables which they cannot control and may not even understand. Budget holders may be expected, for example, to budget for a range of costs relating to occupancy that are based on centrally negotiated contracts for rent, maintenance, utilities, and so on. Many times, non-financial managers are asked for unfamiliar financial information, rather than the physical cost and income-drivers which they understand so much better.

Problems grow even worse if budget holders feel they are working in the dark, unaware of strategic organizational goals. Not only do they miss the guidance that such information offers, but they can be demotivated by the suspicion that senior management has a hidden agenda.

An inadequate budgeting process provides little benefit to budget holders by focusing, as it does typically, on the mechanics of data collection rather than transparency and ease of participation. And such a process tends to create much additional work in terms of data reentry and version control.

Senior management

Senior managers also regard the budget with a mixture of suspicion and frustration. First, they may be concerned that the budget bears little relation to their carefully prepared strategic plans. This reinforces any misgivings they have that budget holders are quietly padding the budget with sandbags and fears that, as in previous years, the budget will contain substantial inaccuracies.

As a result, senior managers become frustrated by the inability to track underlying assumptions and identify and eliminate the sandbags. An inadequate budgeting system may provide little direct access for decision-makers, making it difficult to track progress. It may also prevent changing conditions—such as a revised management hierarchy or product portfolio—from being reflected in the budget.

A common concern is that the whole budgeting process takes too long. Management is forced to take precious time away from operational duties, and the business suffers. The budget is not finalized before the start of the financial year, and as soon it's completed, it's out-of-date, perhaps because strategic goals have shifted or organizational structure has changed.

Worst of all, executives worry that the predictions they are making to the board and other key stakeholders are not sufficiently substantiated by the targets to which their managers are committed.

Finance department

Like senior management, the finance department is also frustrated by time-gobbling budget cycles. Weeks and months are spent struggling with the mechanics of the process—chasing submissions, checking for incomplete or invalid data, trying to track and control versions—while responding to endless queries from all those involved.

Like budget holders, finance staff must work long hours to complete their tasks on time. Staff workload is even more stressful, because intensity increases towards cycle's end amid struggles to incorporate last minute changes and respond to analysis requests as the budget is finalized.

Finance staff often grapple with myriad problems in fine-tuning the budgeting system itself, which may have been painfully complex to create. Even worse, the system may have been inherited from an ex colleague: Homegrown systems are extremely difficult to maintain when changes are required in the middle of the budgeting cycle. As a result, an increasing level of manual intervention may be needed to deal with tasks that should be performed automatically. And once the budget is in order, staffers may have to re-key the budget data into another system to support variance reporting.

There is a fourth party involved—the IT Department. IT also takes a jaundiced view of the budgeting process, as it creates an unwelcome peak in demand for processing and network resources. IT may also be called upon to help untangle complicated spreadsheet-based systems that bog down at a critical point in the budget cycle.

Budgeting adds real value

Despite such challenges and issues, virtually no major corporation forsakes the budgeting cycle. There is too much value in the end result to simply run the business without a financial plan.

Control

The budget is a fundamental strategic tool for delegating authority through the organization. It ensures that managers clearly understand the quantifiable parameters used to judge their performance, and it alerts managers to areas requiring corrective action.

Beyond spurring corrective action, for many organizations, the budget routinely serves as foundation for periodic forecasts. In its simplest form, a forecast is a revision of the budget—perhaps at a more summary level—that reflects changing business conditions, reassessment of key budget assumptions, or perhaps a significant review of the strategic plan. Although most of the variables in a budget will be financial, there is every reason to include data relating to non-financial goals, which may determine much of the income and expenditure detail that dominates most budgets.

Substantiates information for external use

Although a budget is rarely published outside the organization, certain external parties—such as investors or creditors—will expect that an effective budgeting system is in place to provide detailed support for the business projections supplied. And auditors certainly want to know that the budgeting process ensures a sound basis for the management control mentioned above.

Furthermore, board members, shareholders, and potential investors will welcome the assurance that the summarized business plans delivered to them reflect a budget sufficiently detailed to support management decision-making. Especially in a public company, it's vital that predictions given to market analysts are based on well-prepared budgets (and forecasts).

Identifies mismatches and exceptional changes

By integrating the budgeting process across the enterprise, it is relatively easy to identify and eliminate mismatches. Can production facilities generate the quantities you intend to sell? Can HR recruit people at the rate you need to expand your customer services? Is there sufficient cash to cover expansion of your APAC operations?

Managers of any business will occasionally disagree or "push back" over resource allocations. If there are no arguments, it may indicate that overall targets are too soft, or that managers are not taking the budget seriously. The budgeting process helps to limit conflicts to a discrete period under controlled conditions and forces a solution to be agreed upon or perhaps imposed. The benefit is that arguments can be regarded as "settled" and will not drag on endlessly. The budgeting process also empowers budget holders for the year, because they have provided input, negotiated points of contention, and gained a sense of autonomy.

In addition, the budget helps project year-over-year changes and highlight exceptional growth or decline. Dramatic deviations may stem from simple data-entry errors, but—more seriously—can also arise from erroneous assumptions touching business growth and development. Has the rate of change been budgeted at a level that is unachievable? Does the predicted rate of change force consideration of ripple effects—for example, the need to upgrade the computer network to support a significant increase in employee headcount?

Supports the strategic plan

Senior managers get a long-term view of the business by producing summarized plans for performance over several years. In a dynamic business environment, these plans will change frequently to analyze the potential impact of changing market conditions and opportunities. Often, several versions of the same plan will be produced to reflect a range of potential values for uncontrollable variables, such as exchange rates and inflation.

It follows that the budget should closely reflect the latest strategic plan. If there are discrepancies, the plan may be flawed, or perhaps senior management's key aims are misunderstood by the rest of the organization. The budget acts as a "sanity check" on the strategic plan and as a means of building management commitment to high-level, long-term goals. In a way, the budget becomes a self-fulfilling prophecy, since managers committed to it are far more likely to deliver performance in line with established targets.

Develops understanding of business drivers and constraints

Perhaps the least-recognized reason for preparing a budget is that, in order to succeed, an organization must build a clear view of the interrelationships that drive and constrain its business performance. Too many confuse budgeting with collecting huge volumes of data, adding it all up, and then arguing about the results. By focusing on the mechanics of the budgeting process, it's easy to miss one of its greatest benefits: the identification of the factors vital to an organization's success and the way those factors relate to the key performance indicators used to measure company success.

Success factors may include production capacity, number of field sales representatives, franchisee recruitment rate, inventory limits, or credit constraints. A common understanding of such factors across the organization provides a sound basis for decision-making. Knowledge of their relationship to other measures such as revenue-per-head, customer retention, or employee turnover rates makes it easier to establish causes when actual performance deviates from the budget.

Where does budgeting go wrong?

If budgeting is so important and so prevalent, why does it go so wrong? Most often, difficulties are rooted in ill-conceived choices of budgeting method. There are two common approaches:

- **Base-plus.** Many—even most—organizations simply take the prior year's actuals and make arbitrary adjustments. If the business is in a stable, perhaps even regulated, market, the approach has some validity. Unfortunately, with deregulation, falling trade barriers, and global competition, there aren't many businesses operating in such a static environment. The result is often a wildly inaccurate budget with little management commitment and little relevance to the strategic plan.

- **Zero-base.** When Base-Plus fails, many organizations move to a "zero-base" budget. This method essentially takes the complete chart of accounts from the general ledger and asks each manager to predict figures for each line item. The result is that managers spend far too much time worrying about minutiae and making random guesses for line items about which they know very little. Again, the budget can be wildly inaccurate and irrelevant to the company's strategic goals.

So what are the options? Some sophisticated techniques, such as activity-based costing (ABC) can provide dramatic improvement in accuracy, but only address isolated issues. While they may provide clarity in understanding overhead costs, they don't address budgets for sales, margins, cash requirements, and other important metrics. Unfortunately, as a result of these shortcomings, senior managers can often throw up their hands and simply impose a budget on the organization. That budget may relate well to the strategic plan, but its accuracy is questionable, and it will lack the commitment of managerial budget holders further down the organizational hierarchy.

The solution

A best-practice model for budgeting

As noted, the purpose of enterprise planning is to enable senior managers to see the financial implications of various business scenarios. It is a continuous and rapid cycle that provides a near-real-time response. Indeed, the "most likely" business plan scenario often becomes the target for the upcoming budget cycle.

The first purpose of the budget is to flesh out a summary view of the business plan to a sufficient level of detail so that the plan can be evaluated more rigorously. For example, in the budget, employee salaries in the marketing department might be defined down to the individual level.

It is crucial that the budget holders in our example— managers in the marketing department— "buy in" to the budget. This requires their empowered participation. As a result, budgeting cycles are more decentralized, lengthier, and less frequent.

Once actuals start to roll in, a well-designed budget enables managers and analysts to identify variances, and to understand their underlying causes as well. Actuals reporting is a highly centralized process where GL results are typically downloaded into a data mart for specialized reporting. Users must be able to drill down to the transaction level. Example: Marketing managers might want to see all advertising expenses by line item.

If the variances are significant, it may be appropriate to create a new centrally managed forecast with summary level detail. For example, marketing salaries may only appear as an aggregate figure among all departmental expenses, rather than a figure for each individual employee.

Given the different uses of plans, budgets, and forecasts— as well as actuals— many organizations require separate models to produce each deliverable. They need an effective method for integrating and linking data between these different models.

Use the right tools for the job

For many companies, a spreadsheet is the tool of choice for budgeting. Though spreadsheets are tremendous personal productivity tools, their numerous shortcomings prevent them from adequately managing a budgeting process of any significant size or sophistication. Consider

- **Spreadsheets are two-dimensional.** Best-practice budgeting is inherently multi-dimensional. For example, you may want to budget revenue by customer, product, month, and version.
- **Spreadsheets are hard to maintain.** In budgeting, speed and ease in updating the model are essential for staying abreast of business changes. A simple change such as adding a department or cost center can mean updating hundreds of spreadsheets and macros.
- **Spreadsheets don't integrate well with other systems.** You'll want to import and export budget data to and from other sources, such as GL, ERP, or HR systems. Spreadsheets are not designed to accomplish this with speed and efficiency.
- **Spreadsheet models are difficult to share**. The spreadsheet is inherently a single-user tool. With a spreadsheet, it's not only difficult to share data with other systems; it's difficult just to share data among different worksheets and workbooks. Building a spreadsheet-based solution that consolidates input from multiple users is tedious, time-consuming, and very difficult to change and maintain.
- **Spreadsheet models are hard to understand.** If you've ever used a complex spreadsheet prepared by someone else, you know how tough it can be to understand its rationale, heuristics, and objectives. And chasing cell references around a spreadsheet or workbook to understand just one formula can be an exercise in frustration.

Best-practice budgeting requires a solution that provides flexibility to accurately model your business, can cope with multiple users, and adapts easily to rapid change. Some key features of best-practice budgeting solutions are:

- **Multi-dimensional budgeting.** You want the ability to see revenue by customer, period, product, or region, for example, or expenditures by region, branch, department, or season.
- **Fast adaptation to changing constraints, assumptions, and structures.** For example, if you're halfway through the budgeting cycle and you've acquired a new subsidiary or want to add new products, your budgeting solution needs to rapidly and smoothly adapt.
- **Easy data import and export.** You need a budgeting solution that integrates easily with performance management applications for reporting, consolidation, and scorecarding or popular ERP systems and databases.
- **Simplicity for non-programmers to build models.** You want a budgeting solution that is user-friendly and user-manageable, offers a choice of user interfaces, and requires no arcane programming languages and little-to-no IT involvement.
- **Bi-directional calculation.** A requirement for simultaneous top-down and bottom-up budgeting, it enables you to enter data at a total level and reverse allocate detail items to meet that total.

Build a budget modularly and multi-dimensionally

Since the typical budgeting process can be overwhelming, a strategy for breaking it into more manageable pieces is critical. Different areas of your organization have different needs: A modular budget recognizes varying requirements and makes it easier to distribute the workload among numerous stakeholders.

The advantages are many:

- People with specialized skills, insight, and knowledge can build different modules of the budget.
- Dividing the budgeting process significantly reduces cycle time.
- You can complete the most important modules first and focus on less-important ones as time permits.
- New participants can learn the budget application a module at a time.
- Maintaining—and improving—the model is easier with a modular structure.

A multidimensional budget model reflects the way people really think. You may want to view revenue by product, by customer, by month, or by country. With a multidimensional budget you use a model flowchart to show how components logically link together—a useful tool for explaining the budget to new employees or senior managers.

While a flowchart is a useful tool for analyzing the flow of different budget modules, most budget-holders will be more interested in a personal workflow that takes them step-by-step through the actions that they must complete. A collection of simple, menu-driven process steps eliminates questions like, "What macro do I run?" or "What model do I open?"

Don't drown in detail – find the sweet spot

Think of this practice as, "Beware of the Paperclip Counter." The point is that there are diminishing returns in providing detail. As Figure 2 below shows, you want to budget to a level of detail that maximizes insights while minimizing the costs of delivering them.

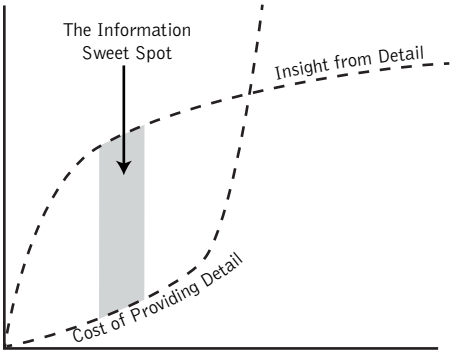

Figure 2. The information "sweet spot"

One of the main frustrations – for accountants and budget-holders alike – is the level of detail they are asked to create. As hardware and software power increases, the problem worsens. Overzealous accountants want to fit increasing levels of detail into their budget models. Budget-holders become victims of such time-gobbling micro-management. And sadly, overly granular levels of detail offer little value and questionable accuracy.

For example, why demand the exact date of a new hire, when the month of a new hire will do? Or – why require detailed line items when a subtotal is sufficient? On the other hand, there is a danger is that a budget can be too summarized and provide insufficient detail. The art of budgeting is to find the "sweet spot," that is, the crossover point (which will differ for virtually every organization and managerial style).

Limit budget-holder input to decision points

Given the bewildering details that can suffocate budget-holders, the best strategy for securing their input and cooperation is to make the process as simple as possible.

One of the key strategies for simplifying budgeting is to limit budget-holders' input solely to the decisions that they themselves must make. Such a strategy:

- Reduces workload
- Forces explicit, rather than implicit, assumptions
- Forces consistent application of assumptions throughout the budget
- Enables assumptions to remain in the hands of experts with specialized knowledge and to hold them accountable

Here's a simple example: In many multinational companies, budget-holders are asked to submit their figures in a standard corporate currency. The implications are not trivial.

- If the finance department supplies exchange rates, budget-holder must perform all currency calculations.
- If no exchange rates are supplied, budget-holders must assume an exchange rate, making it impossible to evaluate subsequent variances in actuals because the exchange rate is undocumented.
- Different budget-holders with the same local currency may assume different exchange rates, so the budget is inconsistent.
- Budget-holders are likely not the best people to estimate future exchange rates and may not have easy access to the specialized expertise required.

A state-of-the-art budgeting solution will enable users to contribute information in their own currency, and will perform conversions automatically.

Another strategy is to require budget contributors to use drivers key to their area of the business. Since most budget-holders aren't accountants, a requirement to budget an income statement may not yield even vaguely realistic outcomes. But by limiting contributors to familiar business drivers, accuracy is greatly enhanced.

For example, a critical budget line item for most managers is salary. But asking non-financial managers for salary projections can be a big mistake: Estimates can be wildly inaccurate and susceptible to "fat" that hides extra funds. Far better for a manager to indicate the number of people she plans to hire, fire, or transfer. A designated budgeting solution can use centralized assumptions to automatically calculate direct-expense implications.

Use different budgeting techniques for different needs

Apply different budgeting techniques for different areas of your chart of accounts. For example:

Employee costs. Decisions from budget-holders will differ between current and new employees. For existing employees, you can download a list of employees and their annual salary and other attributes from the GL or HR system. The technique is to incrementally budget for these attributes, with input required only for changing attributes. For a current employee, answer questions like:

- When will she get a raise?
- How big will her raise be?
- What tax rates should be applied to her salary?
- When and by how much will her benefits change?
- When will she leave the department?

For new employees, there are additional questions:

- What month will he join?
- What is his annual salary?
- What will be his benefits?
- What is the justification for recruiting him?

Some of these questions should be answered by the budget-holder. Others will be dealt with centrally. For example, applying payroll tax rates is a centralized matter. For a visualization, see Figure 3a.

Budget Holder	Budget Holder or Central	Central
Assignment of purchase volume (or amount)	Listing of items to be purchased	Listing of asset categories
Assignment of purchase period	Assignment of asset category	Assignment of purchase prices
		Assignment of asset category life
		Depreciation assuming no capital expenditure
		Depreciation Method for each asset category (e.g. straight line)
		Payment terms by asset or asset

Figure 3a. The decision-making process

Depreciating assets. One of the most discretionary parts of the budget is capital spending. This does not often get the attention it deserves because of its relatively low impact on the P&L. However, its cash flow impact can be significant. There are several different methods for handling the capital budget and resulting depreciation calculation. The following information needs to be collected from budget holders or from group departments (e.g. purchasing for predicted asset prices) so that depreciation and cash flow based on capital spending can be calculated by your budgeting system. If cash flow is important to the business, it may require extensive sensitivity analysis.

Driver-related costs (and revenues)

Try to relate costs to drivers (e.g. headcount). This allows budget holders to budget something understandable and controllable; the financial impact of such assumptions should be calculated automatically. For most purposes, there are two types of costs: centrally allocated costs and volume x rate costs. Their relationship to driver volume is shown in Figure 3b.

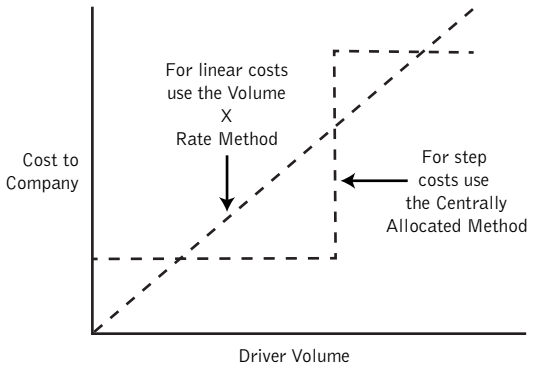

Figure 3b. The decision-making process

Centrally allocated

This method is common when costs have a stepwise relationship to driver volume as shown in Figure 3b. For example, if one cost center adds a few more employees, it does not mean you have to go out and rent new space. It just means you have to squeeze in a few more desks. But if all cost centers increase headcount, a decision to increase office space is a budgeting decision to be made centrally.

If rent is allocated to different cost centers based on headcount, individual budget holders should not have to budget for rent. The rent for the entire budget should be does input centrally—usually from an agreed contract, and the individual allocations calculated based on budgeted headcount, a decision to headcount.

Volume x rate

Volume x rate costing is the method to use when there is a linear relationship between driver volume and costs as shown in Figure 3b. For example, adding a few employees will probably result in an increase in telephone costs. A budget holder would not budget for telephone costs—a rate per employee would be applied to headcount budgeted earlier. This rate may be a default supplied centrally (possibly based on history) which the budget holder may be empowered to edit.

Non-driver-related costs (and revenues)

When a cost item cannot be associated with a driver, other budgeting techniques have to be used. As noted previously, the most common approaches are Base-Plus and Zero-Base.

Base-plus. In this model, the budget line item is derived from the actual expenditure in a previous period. This is typically used on items with high volume, low discretion, and low unit costs. The budget holder merely indicates a percentage or dollar difference. A useful advancement of this technique is if the budget holder can do it just for the full year and if a known seasonality curve can be applied.

Zero-base. Here the budget holder is asked to budget in detail the expenses for certain cost lines. This technique should be used when expenditure history is not necessarily a good guide to the future and the expenditure is highly discretionary, low volume, and high unit cost. For example, a budget holder may be asked to give details of a proposed software expenditure, which might include items such as purchase of a new GL system.

Finally: how to judge the excellence of your budgeting process

You are able to deal swiftly and effectively with change.
Both during the budget cycle and as the financial year progresses, you will need to reassess the budget to reflect ongoing movement in underlying assumptions, mistakes made in the original budget, and fundamental changes to your business direction and structure. Wherever possible, such change should be achievable by flexing the budget, but an effective budgeting system will be easily adaptable to significant realignments in the organization and the marketplace it serves.

Your budget is consistent with the strategic plan
The budgeting system makes it easy to compare your budget with the strategic plan and identify anomalies. It allows reconciliation by either by making top-down adjustments to the budget, or by adjusting the strategic plan to agree with bottom-up budget changes.

Every budget-holder feels empowered within clearly agreed-upon boundaries.
The key here is "agreed-upon." The motivation of individual budget holders to contribute effectively to the budgeting process and subsequently to deliver performance in line with, or better than, their targets is critical. Motivation will be maximized if budget holders are able to contribute their judgment on the variables that they control and understand how to use a system that makes the most effective use of their time.

Your budget has been completed on schedule.
A common criticism of budgeting is that it takes too long and in particular, that it always seems to overrun. Participants' motivation—and the quality of their input—drains quickly when the intensive exercise appears to be unending. Using the right software, budget deadlines can be met through a process measured in weeks rather than months.

Everyone agrees that the process was worth the time and effort.

This somewhat nebulous objective cannot be achieved overnight. The budgeting process should be subject to continuous improvement based on detailed feedback at the end of each budget cycle, from all sections of the organization who have participated. The feedback mechanism should consist of a brief questionnaire, which will generate useful ideas for improving the budgeting process and will also help to build commitment to the budget cycle.

Budgeting software can make or break the organization

While many software solutions have been developed to simplify the task of budgeting, choosing the right one can be complicated. Certainly, ease-of-use is an important consideration, as is the ability to customize to meet particular business needs. But even more important is how well the software enables you to connect budgeting with other critical functions that drive company performance—monitoring and measuring results, analyzing performance, and planning for multiple scenarios. And if a budgeting software solution can't easily tie together data from organizational divisions and facilitate communication across the company, chances are it will be ineffective.

IBM Cognos software connects budgeting with planning, reporting, scorecarding, and analytics

Budgeting is just the first step in your organization's performance management journey. IBM Cognos software is the world leader in performance management solutions, offering world-class budgeting software as part of a product suite specifically designed to improve enterprise performance. IBM Cognos solutions can be deployed individually to address specific issues, or collectively to support performance management initiatives. The effectiveness of IBM Cognos solutions is evidenced in our customer base, which includes nine of the top ten consumer goods companies, 80 percent of the top 25 pharmaceutical companies worldwide, nine of the top ten banks in the U.S., and many more. Enterprises have saved millions with IBM Cognos software and solutions, and cut lengthy budget cycles by months.

Conclusion

Make budgeting dynamic with powerful software tools

IBM Cognos solutions offer three major advantages:

First, they enable organizations to create dynamic budgets that can be updated in real time as conditions change and opportunities arise. This shortens the budgeting cycle and enables more rapid response to shifting trends and changing markets.

Second, IBM Cognos solutions enable companies to create a single, collaborative budgeting process that can involve participants throughout the organization—a marked improvement over aggregating multiple spreadsheets developed across every department. Collaboration facilitates buy-in and enhances communication across the enterprise.

Finally, IBM Cognos solutions tie budgets to business drivers instead of outcomes, enabling you to better anticipate the effects of unexpected business events and remain competitive by moving quickly to seize new opportunities.

Figure 4. Performance Management Across the Enterprise.

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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.

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