

TRENDS

Modern Planning Platforms Drive Business Agility and Better Outcomes

Modern Platforms Combine Scenario Planning and
Predictive Features to Keep Performance on Track



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EXECUTIVE SUMMARY

“If you fail to plan, you plan to fail.” It’s an old maxim, but it bears repeating. In fact, the whole point of modern planning is to go through the iterative cycle of planning, analysis, reforecasting and proactive action as frequently as necessary to ensure agile execution and stay ahead of dynamic business conditions.

Modern planning platforms facilitate best practices by easing if not eliminating the time-sucking manual tasks of data collection and validation. This frees up time for value-driving activities such as modeling and what-if scenarios analysis. By envisioning and preparing for what’s ahead, organizations can be far more agile, proactive and successful.

This report examines planning best practices and how they are supported by modern planning platforms. It explores the features and functions of these platforms, including planning, modeling, analysis and forecasting as well as consolidation and reporting. Constellation also provides recommendations related to people and cultural changes, technology implementation and deployment best practices.

Business Themes



Data to Decisions



Technology
Optimization

SUCCESSFUL BUSINESS LEADERS PROACTIVELY PLAN

“Plan” should always be a verb. Plan to succeed, and then keep right on planning. The minute plans become nouns—something fixed and unchanging—they are liable to go out of sync with the latest conditions and business circumstances and become failed plans.

Successful chief financial officers (CFOs), financial planning and analysis (FP&A) professionals and performance-accountable business leaders keep on planning so they can be pragmatic and proactive. They look forward, not back. Yes, they want to help set the goals for the company—or their line of business or department—but they know that the agenda may change. They get out ahead of shortfalls and challenges by quickly adapting and shifting plans to keep performance on track.

Leaders and teams adopting this proactive mindset increasingly are embracing modern planning, forecasting and analysis platforms that support continuous planning and anticipatory and preventive action. These platforms help leaders and teams drive not only better-conceived strategies but also better-integrated financial and operational plans. Modern planning platforms also help leaders track progress toward goals, anticipate a range of scenarios and predict future results—increasingly with the aid of artificial intelligence (AI). Finally, they help leaders adapt to the unexpected with corrective responses to ensure better outcomes.

“Better than what?” you ask. These modern planning platforms clearly serve organizations better than traditional spreadsheet-based budgeting and planning methods do. Organizations still relying on spreadsheets alone waste too much time gathering data and attempting to reconcile top-down expectations and bottom-up interpretations of “the numbers.” Their manual budgeting and planning processes are longer, slower and subject to email communication gaps, version confusion and data-entry errors.

Modern planning and forecasting platforms are also a better option than legacy corporate performance management (CPM) systems dating from the 1980s, 1990s and 2000s. Some of these legacy products are still in use by accounting teams within large organizations. But incumbent vendors and challengers alike are putting all their investment into—and delivering all their innovation via—modern, cloud-based platforms.

BRING AGILITY AND FLEXIBILITY TO PANDEMIC RECOVERY

The rapidly evolving business conditions of the COVID-19 pandemic have only underscored the need to be proactive rather than reactive—and it's an imperative that's sure to have lasting impact. The organizations that were the most successful in surviving and succeeding during 2020 stepped up their planning and analysis activities from quarterly or monthly to weekly or even daily to respond to changes in sales, supply chains, human resources requirements, working capital requirements and financial results.

Constellation's Post-Pandemic Playbook details business-recovery imperatives that are closely tied to the need for easier data access and more frequent financial and operational planning (see Figure 1). Scenario modeling based on a range of assumptions is a best practice that has been a boardroom-level topic during the COVID crisis.

Figure 1. The Constellation Research Post-Pandemic Playbook Includes These Data Management and Financial and Operational Planning Imperatives

Data Management	Financial and Operational Planning
<ul style="list-style-type: none">• Integrate and consolidate. Eliminate silos and integrate disparate systems. Reassess company-standard platforms with an eye toward the future and reduce cost through consolidation.• Ease and automate data access. Move from slow, manual data-collection and data-integration approaches to automated data collection. Build data-quality and data-standardization steps into the collection process so analysts, executives and business users can focus on planning and analysis based on reliable data.	<ul style="list-style-type: none">• Embrace continuous planning. Regularly monitor and reset plans based on weekly or daily progress toward goals. Don't wait for the end of the month or quarter.• Create "what-if" scenario plans. Plan next steps based on base-case, best-case and worst-case scenarios.• Set thresholds for proactive action. Don't wait until it's too late; set predetermined milestones by which you'll trigger appropriate responses.

Source: Constellation Research

SEVEN REASONS TO CHOOSE A MODERN PLATFORM

The benefits of modern planning and forecasting platforms are many, ranging from providing a single platform for data to supporting robust yet broadly accessible and collaborative planning, budgeting, analysis and forecasting capabilities. Detailed below are seven areas where these modern, cloud-based platforms offer business advantages.

1. Spend Time on the Right Tasks

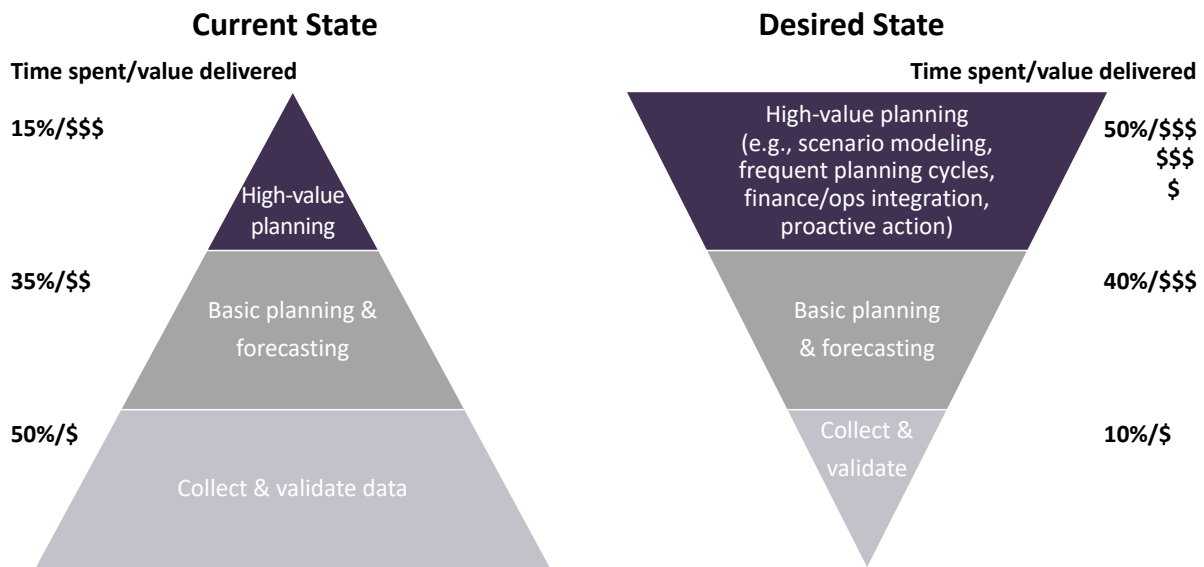
The first and most fundamental advantage modern platforms offer over spreadsheet-based methods is in providing a single platform and consistent processes for data. Modern platforms include prebuilt integrations for leading data sources such as popular enterprise resource planning (ERP) and human capital management (HCM) systems. This ensures low-latency consistency with critical systems of record. For less popular applications and bespoke sources, these platforms typically include integration utilities and prebuilt ties to leading extract/transform/load (ETL) and cloud/API-centric integration products.

Organizations lacking a centralized platform spend as much as 20% of their “planning and analysis” time collecting data and as much as 30% validating that information. Validation is particularly challenging when reconciling corporate and business-unit versions of data and extracts from inconsistent time periods and versions of analyses.

A modern, centralized platform enables organizations to slash the time spent on low-value data-collection and data-validation efforts. That time and energy can then be shifted to more frequent planning and analysis and, as shown in Figure 2, higher-value activities such as what-if scenario planning, cross-functional collaboration and contingency planning, and integration of financial and operational plans.

Liberated from manual drudgery and poor-quality data, planning teams and collaborators have more time and are far more likely to go through the iterative cycle of planning and analysis. This process goes full circle from setting strategy and goals, to following through with frequent forecasting and analysis based on interim results, to taking preventive and mitigating actions to stay on plan, and

Figure 2. Modern Platforms Enable Organizations to Spend More Time on High-Value Planning Activities.



Source: Constellation Research

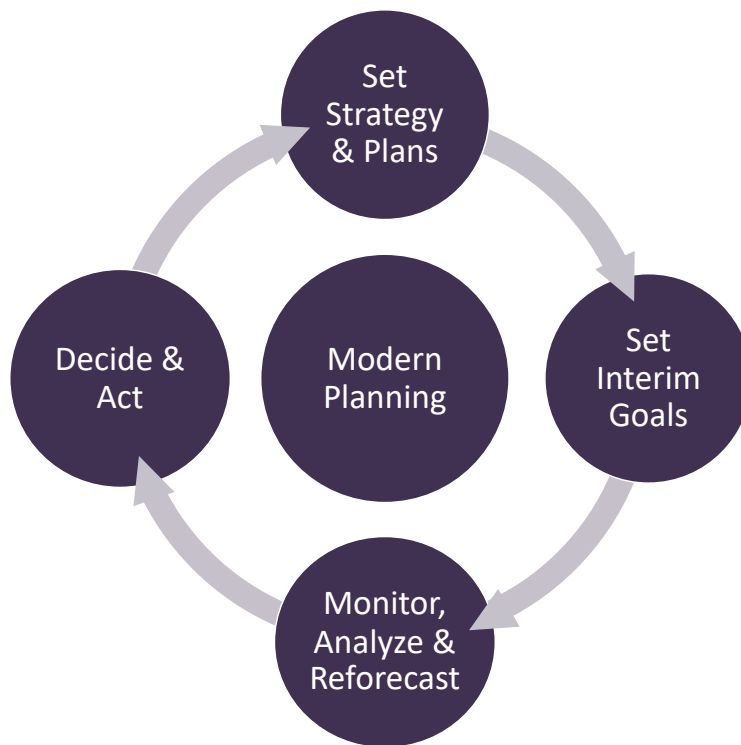
finally, back to planning, as shown in Figure 3. With each iterative cycle, you may need to adjust plans or even higher-level strategy, as required, to seize opportunities and ensure best-possible performance.

2. Build Better Plans and Set Stretch Goals

It all starts with establishing, reviewing and approving plans and budgets that are in line with the organization's overarching business strategy. It's all about translating strategy into financial and operational plans and actionable, performance-driving expectations. Modern planning, forecasting and analysis platforms help teams:

- Tie strategic imperatives to financial and operational plans and goals.
- Identify required resources to meet plan goals and build them into budgets.
- Identify key performance measures and targets via driver-based modeling.

Figure 3. Modern Platforms Speed the Cycle of Planning and Analysis



Source: Constellation Research

- Develop long- and short-term plans, setting goals that are ambitious yet realistic.
- Perform what-if scenario analysis to detail base-case, best-case and worst-case outcomes (at a minimum) and prepare contingency plans in line with each scenario.
- Harness both financial and non-financial data to support planning and modeling.
- Address capital planning and budgeting, particularly in capital-intensive industries in which depreciation and labor cost modeling demands are complex.

Modern planning, forecasting and analysis platforms provide a single, integrated system with powerful modeling capabilities. Such systems can roll up plans developed by specific business units, regions, departments and operational units into bigger-picture operational and strategic plans.

Agile platforms let you adapt and change organization structures, hierarchies, accounts and assumptions without help from IT. They are also intuitive, supporting collaboration both within finance and accounting and with teams in operational areas including sales and HR.

3. Integrate Financial and Operational Plans

Financial plans are more realistic and achievable when they are coordinated with operational plans. What's more, the best planning is achieved by the people who are closest to the business unit or department, so data-ingest, data-analysis and planning capabilities should extend beyond the office of finance.

Financial goals cannot be met if sales plans are not in sync with revenue expectations or if required human resources are not available to execute on the plan. Furthermore, financial modeling can benefit from the addition of operational data. For example, product usage data is a leading indicator of renewals for subscription-based businesses, so it has emerged as a reliable predictor of future revenues.

It's important to document how operational plans will drive financial results (so progress can be monitored) and to hold people accountable for financial and operational performance. All the better if incentives are tied to achieving the planned outcomes.

Modern planning and analysis platforms support the integration of financial and operational plans via features and functions designed to:

- Capture, set and monitor both financial and operational goals.
- Cascade goals from high level to low level and show the connections in between.
- Set business-unit, departmental and individual goals and set incentives (either natively or integrating with HCM or performance management systems).
- Track performance against goals, replan/reforecast and help set new operational goals and initiatives to keep overall financial performance on track.

- Support collaborative communication of changes in strategy and short-term and long-term goals.

A key benefit of a modern planning and analysis platform is that it's a single system in which teams can roll up budgets and plans developed by specific business units, regions and departments into bigger-picture corporate budgets and strategic plans. Prebuilt applications for capital, sales and workforce planning are commonplace, and supply-chain planning apps are gaining in popularity.

4. Analyze and Forecast as Conditions Evolve

Frequent planning, monitoring, analysis, forecasting and replanning based on the latest forecasts can make the difference between proactive course correction and too-little, too-late, reactive management. Forecasting considers progress against plans and projections on the range of likely short-term and long-term outcomes. Accurate forecasts are built on in-depth analysis that reveals what's driving or dragging down results.

“A modern platform gives you all the advantages today's weather forecasters get from powerful computer-based modeling and Doppler radar.”

Modern platforms support frequent forecasting and analysis by providing the following capabilities:

- Interactive, graphical dashboards, key performance indicators (KPIs) and monitoring capabilities to track progress toward goals and support variance analysis.
- Drill-down, drill-across and roll-up analysis capabilities to spot trends and root causes of variances and, via reforecasting, potential impacts on outcomes.
- Self-service reporting capabilities for financial and operational management.
- Flexible and intuitive scenario analysis, rolling forecasting and replanning capabilities that enable companies to reset goals and course-correct plans more frequently.

- Narrative and storytelling capabilities to capture the business reasons for variances and the rationale for revised goals and proactive initiatives.
- Compatibility with spreadsheets and spreadsheet-style interfaces to broaden access to the platform's data and capabilities and promote frequent, ad hoc analysis.

5. Harness AI and Automation to Drive Better Outcomes

Using spreadsheets for planning and forecasting can be likened to predicting the weather using just a barometer—an old-school approach offering limited insight. A modern planning platform gives you all the advantages that today's weather forecasters get from powerful computer-based modeling and Doppler radar. And the predictive tools employed by these platforms are only getting more sophisticated and powerful, with AI and automation features now emerging and in development.

Available examples of AI-powered planning, forecasting and analysis include:

- Predictive anomaly-detection features designed to provide early detection of variances and spot the biggest risks to reaching targets and goals.
- Automated machine learning (AutoML) features that test myriad algorithms behind the scenes to yield more-accurate models without requiring data science expertise.
- Predictive sales-planning features that harness AI to spot the most promising sales targets, sales capacity requirements and appropriate sales goals and incentives.
- Predictive workforce planning applications that guide head count, skills development and compensation planning.

On the horizon are more-powerful AI capabilities through which systems will learn from past performance and variances and then automate baseline planning. The technology will provide starting-point plans that human financial and operational experts can then refine. AI-guided actions

and self-healing planning also are in the works, as are continuous updates and autonomous course correction. The future will bring systems that are always in sync with the latest data and that take action automatically, within human-defined guardrails. Instead of waiting for human review and action, the platform will alert and inform humans about the state of the business and the actions taken by the system to keep performance on track.

6. Keep the Books and Report Results

Modern, proactive CFOs are focused on defining business strategy and guiding execution at the right hand of the CEO, but they are still responsible for closing the books and reporting on the financial condition of the business. This is where consolidation, disclosure and statutory reporting capabilities come in. These aren't strategy- or plan-driving aspects of modern platforms, but they are must-have capabilities, particularly for large, public corporations.

Many leading ERP vendors offer their own financial close and reporting options as well as planning capabilities. These vendors invariably tout tight integration with their own core systems of record. Supporting all activities via a single platform or vendor could well simplify tech deployments and activities such as consolidation and reconciliation, but keep in mind that homogeneous tech landscapes are rare.

The question even for mid-sized organizations is how many ERP systems and general ledgers exist across the organization, and how many other systems can be considered to offer crucial financial and operational data. And in an era that is rife with merger-and-acquisition activity, how pure is the tech landscape likely to remain? In Constellation's view, tech heterogeneity is inevitable over time, so even "unified" platforms and suites must be able to integrate with third-party systems and homegrown software.

Many planning-focused vendors also provide financial close and reporting capabilities, and here, too, the promise is tight integration, reduced latency and better consistency. In other cases, planning vendors partner with third-party specialty vendors that provide all the workflow, audit trail and disclosure management capabilities needed to meet statutory reporting requirements.

Accounting standards and reporting requirements around the globe are moving targets, so be sure that the vendor is on top of these requirements. Look for fresh knowledge bases and active community support and participation wherever your organization does business. Where planning vendors partner rather than offering their own financial close and statutory reporting capabilities, scrutinize the integrations to ensure they are seamless and low-latency and will require minimal technical support.

7. Deploy Quickly Without Disrupting the Business

Modern platforms are invariably subscription-based, offering both lower initial system cost and lower cost per user than legacy systems. Deployments often extend beyond the office of finance to planners and budget-savvy executives and analysts within line-of-business units and departments.

IT involvement may be required for the initial deployment and integration with systems of record, but cloud-based platforms ensure that ongoing software and underlying infrastructure updates are handled by the vendor. Modern platforms are also easier to administer, enabling power users to change organization structures without help from IT.

Time to value varies depending on the size and complexity of the organization, but modern platforms are set up via configuration settings rather than via the coded customizations required by legacy systems. Tactical use-case deployments can take as little as four to six weeks to set up, while companywide rollouts at midsize companies can be completed in as little as six to nine months, versus the 12- to 24-month deployments of old.

As noted in the Recommendations section that follows, poorly planned implementations are a leading cause of failed planning deployments, so be sure to think big and companywide even if you start with a tactical, departmental deployment. Vendors and systems integrators can help organizations plan for companywide use even if they are starting small.

RECOMMENDATIONS

In Constellation's view, people and culture changes may be the biggest impediment to building a modern, planning-driven, agile organization. To be agile and proactive, your organization will need business-savvy and business-focused leaders, not just financial acumen.

Accountants focus on history and compliance, whereas proactive CFOs and FP&A professionals focus on the future and what's driving the business. As shown in Figure 4, modern leaders embrace collaborative planning with frequent analysis and forecasting to drive proactive action. They work well in teams and make a point of communicating and partnering.

Here are four other recommendations for evolving your planning technology and culture:

- Deploy with the help of consultants or systems integrators. The leading cause of failed planning deployments is poor implementation. Constellation has heard all too many war stories about cross-wired data dimensions and departments set up as locations. Follow the vendor's lead on deployment best practices, and midsize and

Figure 4. Legacy Planning Norms Versus Best Practices in a Modern Planning Culture

Legacy planning	Modern planning
<ul style="list-style-type: none">• Manual data collection• Static models• Top-down planning• Finance-centric• Infrequent forecasting• Disparate reporting• Reactive adjustment	<ul style="list-style-type: none">• Automated data collection• Agile models• Collaborative planning• Financial & operational• Frequent forecasting• On-demand analytics• Proactive adjustment

Source: Constellation Research

larger organizations should not go it alone. Partner consulting and systems integration firms that are experienced with a platform will ensure that you breeze through the deployment basics and make the most of higher-level scenario-planning, modeling and forecasting capabilities.

- Don't let perfection get in the way of productivity. Think of your deployment as a journey rather than a destination. Start small with a focused area or operating company to get a taste of the platform before taking on the entire corporate view. Even then, focus on getting into production with the 80% of business requirements that are crucial. The other 20% and the final fit and finish can wait, and they will only benefit from experience your team has gained in using the platform.
- Make the most of automation capabilities. Whether it's capturing the latest data or calculating the latest KPIs, automate wherever possible. Here's where consultants and systems integrators can help, drawing on their experience with built-in or third-party automation capabilities. Time saved on repetitive drudgery can be returned to higher-value planning activities.
- Focus on the future: When "plan" is a verb, the focus is on active and ongoing modeling, forecasting and analysis. Stay focused on the future and on driving to your desired destination. If your business can be likened to a car, think of planning, forecasting and analysis as the steering wheel and not as a rearview mirror.

RELATED RESEARCH

Doug Henschen, "Why the Digital Era Demands Agile Planning," Constellation Research, November 29, 2018. <https://www.constellationr.com/research/why-digital-era-demands-agile-planning>

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Doug Henschen is Vice President and Principal Analyst at Constellation Research, Inc., focusing on data-driven decision making. His Data-to-Decisions research examines how organizations employ data analysis to reimagine their business models and gain a deeper understanding of their customers. Data insights also figure into tech optimization and innovation in human-to-machine and machine-to-machine business processes in manufacturing, retailing and services industries.

Henschen's research acknowledges the fact that innovative applications of data analysis require a multi-disciplinary approach, starting with information and orchestration technologies, continuing through business intelligence, data visualization, and analytics, and moving into NoSQL and big data analysis, third-party data enrichment, and decision management technologies. Insight-driven business models and innovations are of interest to the entire C-suite.

Previously, Henschen led analytics, big data, business intelligence, optimization, and smart applications research and news coverage at *InformationWeek*. His experiences include leadership in analytics, business intelligence, database, data warehousing, and decision-support research and analysis for *Intelligent Enterprise*. Further, Henschen led business process management and enterprise content management research and analysis at *Transform* magazine. At *DM News*, he led the coverage of database marketing and digital marketing trends and news.

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