

āzdan

FP&A GUIDE

9 TYPES OF PLANNING

TO

SUPERCHARGE YOUR
BUDGETING PROCESS

AZDAN



Plan on the right track

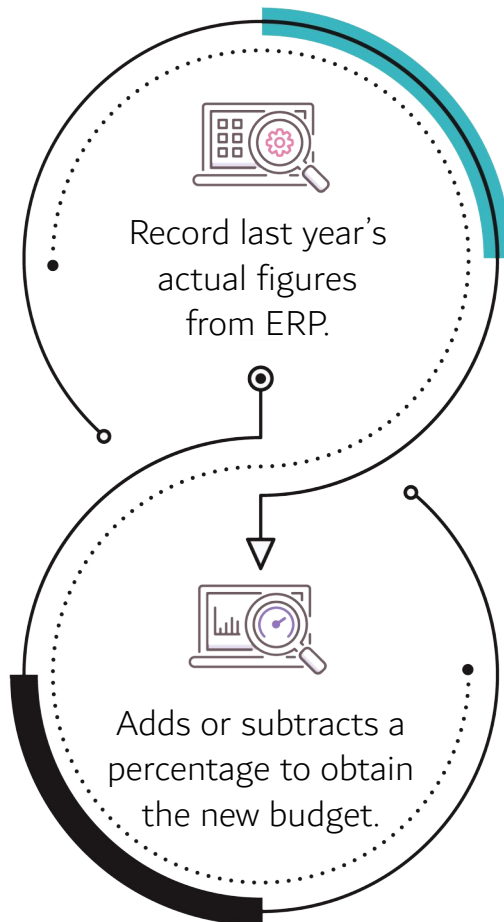
Do you remember your last budget meeting? If you're similar to many finance professionals, it was a long, exhausting process that was not particularly ineffective. When your budget contains multiple categories and a variety of decision-makers, things can get a little complicated.

To ensure that budgeting succeeds, you have to select the correct planning technique at the perfect time in the right place. **It's our hope that this guide will help you in your planning efforts - and bring you the success you seek in your organization.**



Traditional Budgeting

“ Traditional budgets are easy to prepare as they take the previous year's budget as a base.



When can you use an incremental budget?

Traditional -incremental- budgeting is easy and fast to implement as no many changes are required in the previous year's budget.

You can use this tactic if you are seeking stability when the financial activities are executed with coordination with multiple teams and every team knows what should be done. It gives the opportunity to consolidate various projects together into a single larger one.

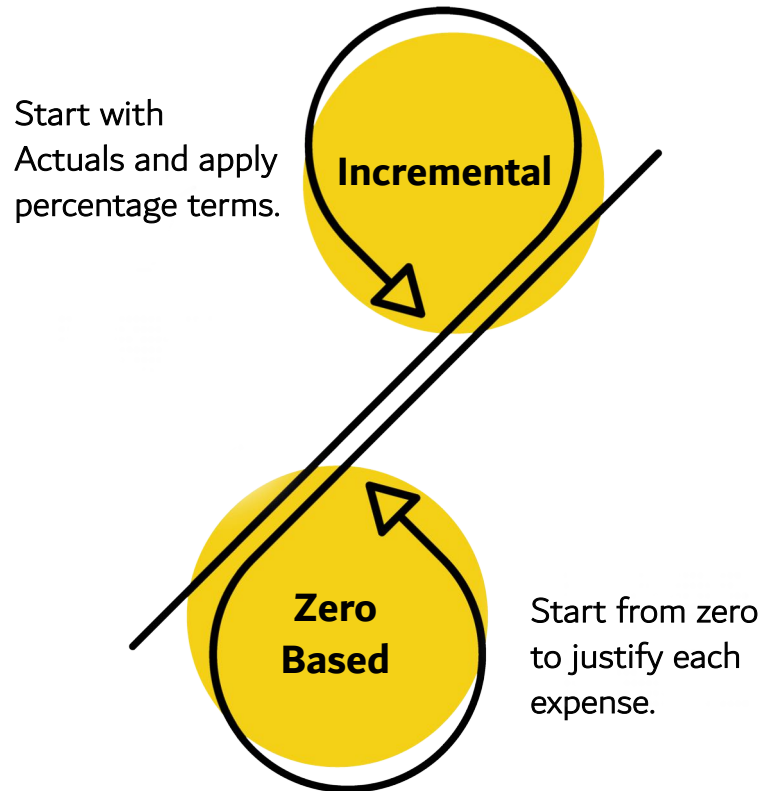
What are the top key barriers?

Traditional budgeting tactic is rigid. Don't use it if you are facing new market dynamics, new competitors or marketing changes, as the budget will remain the same.

In addition, the top management can prepare it easily by adjusting a few changes in the previous year's budget. So other people in the organization might feel ignored or unimportant, this acts against the motivation of the employees.

Zero Based Budgeting

“ ZBB justify each expense before adding it to the new budget, this lets you focus on operations.



Fuel growth with Zero-waste budget

Zero-based budgeting does not aim to consider any base. Each expense has to be drilled down and analyzed well before the actual allocation of the budget. It is known as need analysis.

ZBB ensures that the resources of the organizations are economically and efficiently allocated. Moreover, it does not consider the fact that the previous budget was lower or higher than the current budget.

It takes a lot more time and effort

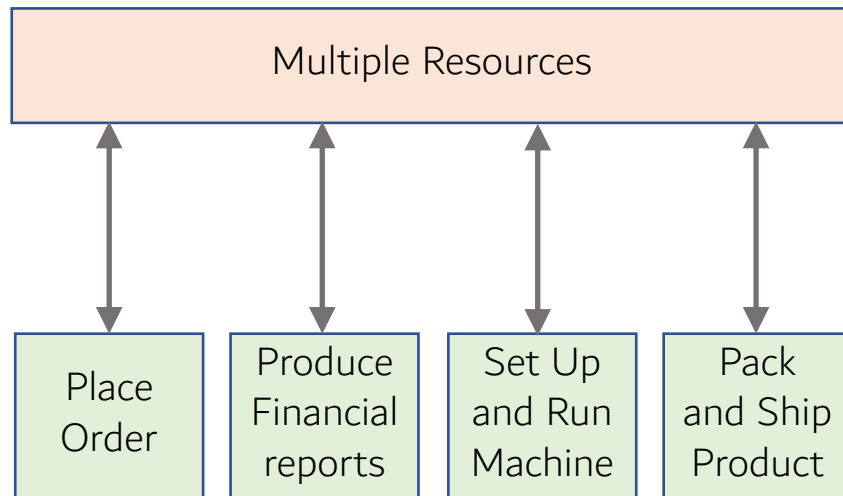
Management conflicts may arise since zero-based budgeting requires a large amount of time and effort from the managerial and executive staff.

ZBB requires skills and experience to prepare zero-based budgets. The management shall make proper training and involvement of qualified and experienced staff to participate in the ZBB process.

Activity Based Budgeting

“ Activity based budgeting is useful for newer companies and services firms undergoing material changes.

Assign activity costs to resources.



Identify activities and activity pools

Eliminate unnecessary activities

New established companies that have no access to historical budgeting information can consider activity based budgeting as an option.

You will have control over the budgeting process and to align the budget with overall company goals. Revenue and expense planning occurs at a precise level that provides useful details regarding projections.

It may not conform to GAAP

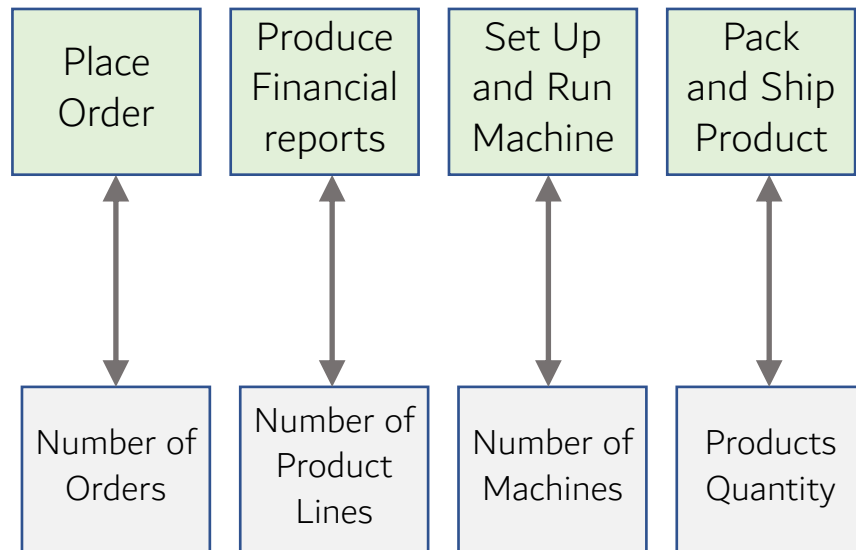
If your overhead is small in proportion to total operating costs, activity based budgeting might not be useful for you.

The main key barrier is the data produced may conflict with managerial performance standards previously established from traditional costing methods, as it may not conform to generally accepted accounting principles and you can't use it for external reporting.

Driver Based Planning

“ Driver based planning can turn a business into a wealth creator, rather than a cost administrator.

How each department makes activities?



Define operating drivers that impact business.

Get benefits from the agility

Driver-based budgeting allows you to assess the impact of internal or external changes very quickly. The drivers will better align the finance team across the organization and provides more consistency across various functions.

You are going to like DBB because of agility. you will understand challenges and opportunities so you can respond quickly to changes in the market, productivity, and sales.

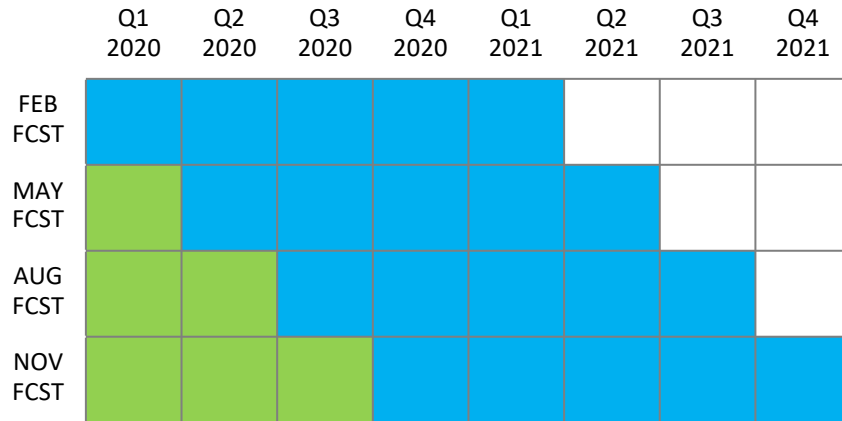
You need experienced resources

The resources, experience and time needed to identify the key drivers can be very intensive. You need experienced staff to build operating equations that tie back to the actual data.

Moreover, If you are using spreadsheets to prepare your budget, it will be difficult to manage large amounts of data required to consolidate and analyze driver-based budgeting and planning information.

Rolling -Continuous- Budgeting

“ You’re always looking ahead, able to make tweaks to your budget as predictions change.



 **Actual**

 **Forecast**

 **Plan**

Make quick tweaks easily

Rolling forecasts allow you to make quick tweaks along the way rather than letting mistakes mount up and only giving yourself one shot to make those changes annually.

The forecast is no longer based on past results. Rather, the metrics like Revenue, market share, and human capital are fed into the budget. Any fluctuations in operational activities will account throughout the year, instead of just once.

It is a repeatable ongoing process

Rolling budget is similar to preparing a new budget again and again. This is very disturbing for employees, they may ignore their core functions and other pertinent issues while continuously preparing and updating the rolling budget.

Rolling budgets require robust enterprise performance management solutions and skilled personnel to extract accurate information for the various subcategories.





Operational Planning

“ It shows how a team, section or department will contribute to the achievement of the organization's goals.



Wide range of operational plan types

Unlike long term strategic plans, operational Planning is achieving goals in the shorter term as it is department-focused not company-focused.

Once the the top management create the strategic plan, it will be pushed forward to an operational plan by cross-functional teams to ensure the strategy is successful. These might reach procurement, production, services, or demand plan.

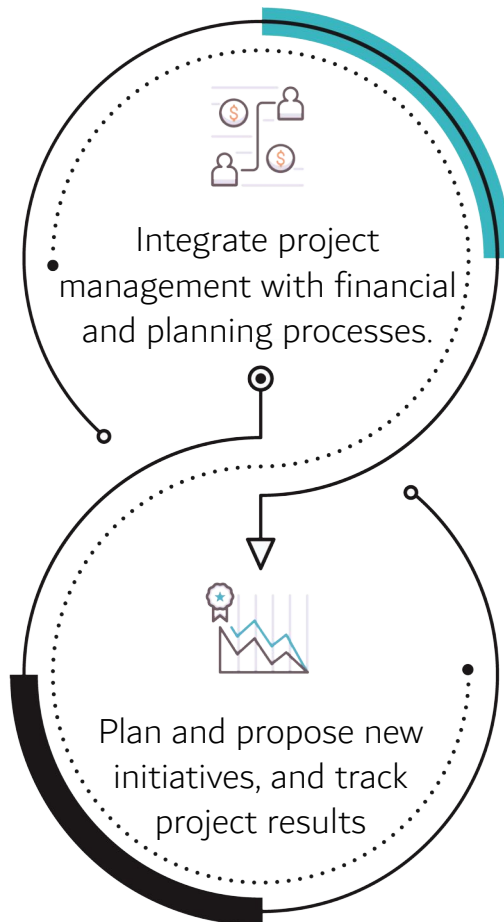
No time left for execution

Some managers lost in the operational planning process because they spend an excessive amount of time planning and little time executing what they planned for.

Preparing operational plans may cause a slow down in the internal operations if the plan is extensive. This may possibly lead to a decrease in profits.

Financial Projects Planning

“ Many organizations need to plan and forecast on a project basis, instead of accounts and cost centers.



Connect project planning to the finance office

Financial project planning overcomes any issues between your project management team and financial office, to support the complete project financial management life cycle for the contract, capital, and indirect projects.

This tactic enables project participants to identify project-related expenses and revenues, plan and propose new initiatives, manage the funding process and perform what-if analysis on financial results over time.

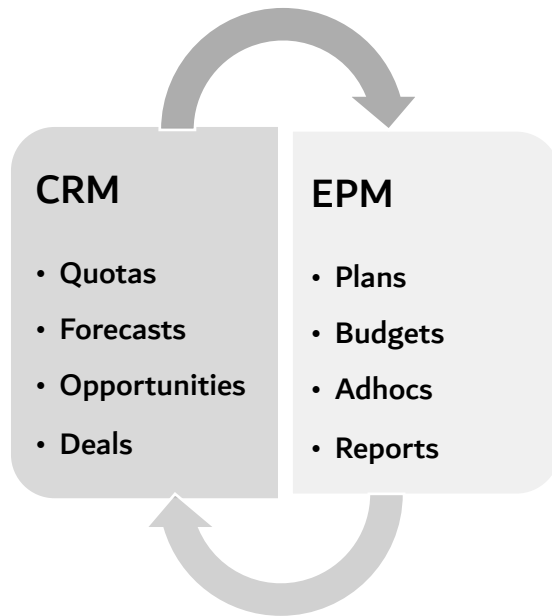
You can't scale using spreadsheets

Project planners may monitor their revenue and expenses in separate spreadsheets or project systems that are not integrated with the financial planning and approval system.

These spreadsheets prevent FP&A team from having full visibility into the impacts of the project financials when project approval and funding decisions are being made.

Sales and Marketing Planning

“ The whole budget process hinges on an accurate, timely sales plan. It predicts the volume of attainable sales



Connect data from CRM with ERP and other sources for performance report versions such as target, actual, and forecast.

Align Sales with finance and business

Sales planning can help you plan ahead by forecasting your future revenue growth, it uses historical data, but if your company has only a small data pool they may include other factors such as wider industry/economic trends.

Enterprise performance management tools have revolutionized sales planning using statistical and mathematical models. You can now execute complex data analysis, thus reducing the risks and pitfalls prevalent in the past.

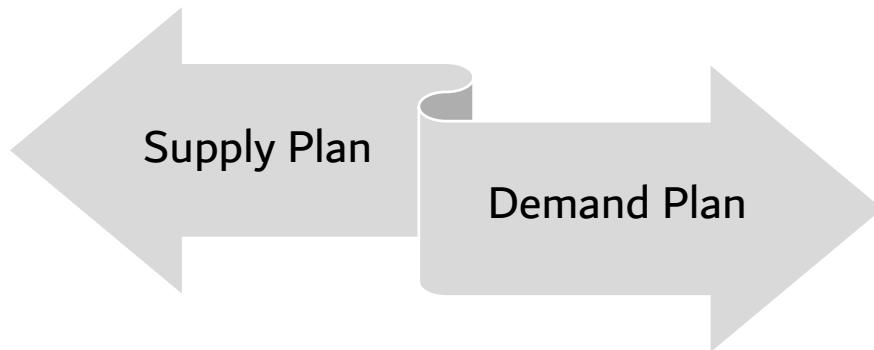
Integrating CRM with EPM requires experience

For today's sales teams, you have to rely on a robust CRM to manage sales operations.

Translating your strategic and financial goals into specific sales targets, quotas, and product segmentation. this will done in case you have a well-defined process and perfectly clear integration points.

Workforce Planning

“ The Workforce planning goal is to get the optimum use of your most valuable asset, your employees.



Supply Plan

Consider:

- Staffing Levels
- Workforce skills
- Demographics
- Employment trends

Demand Plan

Identify:

- Workforce skills
- Staffing Patterns
- Anticipated programs
- Workload changes

Eliminate unexpected talent shortage

Workforce planning is ensuring for the human resources department the right person is in the right job at the right time. It anticipates talent shortage issues early, avoiding disruptions and unexpected costs.

It identifies the gap between the workforce the organization needs in the future and its current workforce. Once this gap identified, actions are taken to reduce this gap.

Don't plan your workforce excessively

Workforce planning can be quite expensive, time-consuming and resource-intensive do it excessively.

Moreover, the risk of excessive planning in the short run can plague the human resource team. It becomes counterproductive to the company or organization. This, however, is not the case in the long run.

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AZDAN BUSINESS ANALYTICS

Azdan Business Analytics

Azdan Business Analytics has undergone a remarkable evolution in the past 10 years, as we've pursued our vision to become one of the region's leading consultancy firms.

But one of the most profound changes over this time has been the richer understanding of - and deeper commitment to - financial planning and analysis consultancy that has come into focus before technology as we have refined our views of what it means to being a leader.

What is clearer than ever before is that we cannot achieve planning and budgeting implementation success without Building four equal strong commitments to customers, partners, consultants, and the shareholders. we believe these are the essential prerequisites to maintain the long-term health and growth of our beloved Azdan.

The logo for Azdan, featuring the word "azdan" in a green, lowercase, sans-serif font. A horizontal bar is positioned above the "a", extending from the left edge of the letter to the right edge of the "z".

REFERENCES

AZDAN BUSINESS ANALYTICS

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