A Financial Planning System is one of the core financial analytics applications that an enterprise needs.
What is Financial Planning & Analysis?

Companies of all sizes must plan for the future and continually measure their performance against those plans. This process, though essential, is often seen as a burden by those users who are asked to contribute projections of their departmental expenditures and revenue projections. And, those responsible for bringing together these projections and comparing them to actual performance may be frustrated by the lack of consistency, detail and accuracy of the data that is submitted by those users. More time may be spent simply managing this data rather than using it to pinpoint and quickly address problems with a company’s financial performance or changes in the marketplace.

A Financial Planning system is one of the core financial analytics applications that an enterprise needs, along with management and statutory reporting and, often, financial consolidation. A Financial Planning system uses a consistent structure and workflow to both model the entire business as well as support complex reporting requirements. Financial models can be built in a Financial Planning system in order to capture and understand unique relationships that drive the business (if demand spikes, what impact will it have on inventory levels in subsequent months?), and also to run what-if scenarios in order to simulate different courses of action. The best Financial Planning solution is one that can grow and evolve with the company.

Features of QueBIT’s Financial Planning & Analysis Solution:

<table>
<thead>
<tr>
<th>Standard features:</th>
<th>Optional features:</th>
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<tr>
<td>• Budgeting &amp; Forecasting</td>
<td>• Rolling forecasts</td>
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<td>• Departmental Expense Planning</td>
<td>• System support for top-down and bottom-up processes, and their reconciliation</td>
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<td>• Workforce Planning</td>
<td>• Departmental Allocations by Line of Business and Product</td>
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<td>• Currency Translation</td>
<td>• Line of business and product profitability analysis</td>
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<td>• Workflow and Approval Process Management</td>
<td>• Advanced industry specific financial modeling, for example premium planning (insurance), merchandise planning (retail), recurring revenue projections (subscription based models)</td>
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<td>• Financial Analysis and Reporting in Excel and the web</td>
<td>• Integrated Financial Reporting and Consolidation solution using QueBIT ControlWORQ</td>
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<td>• Department level security</td>
<td>• Customized Web user experience using QueBIT WebWORQ</td>
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<td>• Available On-Premise or in the Cloud</td>
<td>• Configurable Automated Excel or PDF report distribution using QueBIT ReportWORQ</td>
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<td>• Customized documentation package</td>
<td>• Integrated predictive Demand Planning</td>
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<td>• Administrative and End User Training</td>
<td>• Integrated predictive Assortment Planning</td>
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<td>• Support</td>
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**State of the Art Financial Planning & Analysis:**

First some definitions of what we mean by these words here, since there can be different interpretations:

- **Budgeting** is the process by which an organization sets and measures its goals. Most companies do an annual budget once a year for the upcoming year, before it begins.
- **Forecasting** is the process by which the organization checks its progress against the budget as time passes, and updates its goals for the remaining months of the year to reflect new realities in the business environment. Some companies forecast monthly, quarterly or less frequently.
- **Financial Planning** is a general term that encompasses both budgeting and forecasting as an integrated business exercise.
- A **Financial Planning system** is one of the financial analytical applications that an enterprise needs, in addition to financial consolidation, management and statutory reporting.

When selecting or configuring a financial planning system, there are many things to consider, for instance:

**What level of detail should we budget at?**
- It is important to balance the desire for information against the effort to create it.
- Remember that more detail does not necessarily add more accuracy when you are thinking 12 months ahead.

**How long should it take?**
- In our experience most companies complete their annual budgets in 1-2 months. Some take 4-6 months!
- If the budget process takes a very long time, it is worth asking whether it is adding value to the business.

**How many people should be involved?**
- Involving more people, especially people closer to the front line, improves commitment and accountability
- But managing a process that involves more people adds complexity

**Should we budget from the bottom up or top down?**
- Probably both: senior management can set targets from the top to provide guidance, and/or the budget can be built up from the bottom and then flexed from the top.

**Balanced scorecard – non-financial measures**
- For example customer retention, employee morale

**Financial modeling and the relationships between drivers, accounts & other measures**
- The key to budgeting, and often overlooked
- By understanding key drivers and building a true model of your business, you can quickly understand the impact of external factors, and make better decisions.
  - For example – How will profitability be impacted if the Euro drops by 20% against the US dollar? How should products be priced if the commodity price of our biggest raw material goes up by 30%
Another factor is understanding what is appropriate for your organization, at its current stage of growth. What is the right balance between investment and return?

It is useful to imagine a financial analytics maturity curve that extends along a continuum between these two extremes:

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<th>Nascent</th>
<th>Mature</th>
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<tr>
<td>• Smaller privately held or venture capital funded start up</td>
<td>• Larger established company, may be publicly traded or owned by a private equity firm</td>
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<tr>
<td>• Small or part time finance organization</td>
<td>• Well-developed Office of Finance, with CFO, Controller(s), Staff accountants, Financial Analysts</td>
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<tr>
<td>• Relatively little overhead</td>
<td>• Overhead including IT, Human Resources and other administrative staff</td>
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<tr>
<td>• Small sales organization</td>
<td>• Large, professional sales organization</td>
</tr>
<tr>
<td>• Few or no external reporting requirements</td>
<td>• External reporting requirements and board reporting</td>
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<tr>
<td>• Primary operational focus is expense management</td>
<td>• All operational areas need information, clear goals, metrics and to be held accountable; revenue, expense and balance sheet planning are all important</td>
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<td>• Founders/senior management hands on in all parts of the business: “fingers on the pulse”</td>
<td>• Founders/senior management rely on management reporting to understand the business</td>
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Since companies change and grow all the time, the best financial planning solution is one that can grow and evolve with the company.
Data Management

There can be many 100s or 1000s of entities, and millions of line of detailed data. Some will be extracted from the general ledger (GL) or Enterprise Resource Planning (ERP) system, while others may come from other data sources which could reside in another system, a data warehouse, or be provided as flat files or Excel files.

All this data must be collected, organized and validated, because data that is inaccurate will not be trusted which will undermine the purpose of the system. Having processes and controls in place to assure validation is known as data governance.

The engine that drives the QueBIT Financial Planning & Analysis Solution is IBM Cognos TM1 which is a multi-dimensional analytical database technology in which financial and non-financial data can be organized and stored. TM1 has a built-in calculation capability which enables it to aggregate and re-aggregate large quantities of data along many dimension hierarchies very quickly and efficiently. Other calculations like currency translation and overhead allocations can also be built into the TM1 database. It’s Extract, Translate and Load (ETL) tool, Turbo Integrator can pull data in from GL, ERP and data warehouse systems housed in relational databases (Microsoft SQL Server, Oracle, IBM DB2 etc) very efficiently. Its tight integration with Excel enables data to be sent directly to TM1 from Excel using “Send” formulas.

Data Capture & User Interface

How will end users submit and update their plans? A successful planning system will be:

• Easy to deploy
  • For example a web based interface means that software does not need to be installed on individual computers

• Allow for customized user interfaces for each type of budgeteer
  • For example, a busy sales executive may want to type her numbers into a mobile device on the go, while a financially savvy manager may prefer to interact with the system through Excel

• Include validation rules

• Allow for capture of supporting documentation or notes
  • For example, WHY will travel expenses go up next year?

• Support workflow controls/approval processes
  • So that managers can be notified on completed submissions so that they can review them, and the system does not change after review
Financial Modeling

Financial models are built in order to capture and understand relationships that drive the business (if demand spikes, what impact will it have on inventory levels in subsequent months?), and also to run what-if scenarios in order to use simulations to test out different courses of action. As part of a planning process, financial models are a way to increase efficiency, consistency and accuracy by reducing the number of inputs needed, and deriving dependent data from those inputs (rather than coming up with those data independently). Microsoft Excel continues to be the most pervasive budgeting and financial modeling tool in use today, despite its many well documented shortcomings including the fact that it is:

- Poor at auditability
- Poor at data management
- Poor at multi-dimensional reporting beyond 2 ½ dimensions
- Poor at modeling beyond 2 dimensions

Nonetheless financial analysts continue to depend on Excel because it is a powerful data manipulation and presentation tool, and it is often the only tool they have that empowers them to build financial models that answer the complicated questions they are asked every day.

A successful financial modeling tool would need to address Excel's weaknesses while extending beyond its reporting and modeling capabilities. IBM Cognos TM1 gives you the best of all worlds because:

- The calculations are embedded centrally in the database together with the data so that the same calculations are available to everyone, and both captured data and calculated data can be reported on together.
- TM1 Rule calculations (which can cross multiple dimensions) and dimension aggregation calculations are processed immediately in real time. This means that you can change a forecasted exchange rate, and see the impact on the consolidated P&L immediately.
- TM1 Turbo Integrator (TI) can be used when you wish to calculate, move or otherwise process data in a batch. For example if you want to trigger an external process to rerun a statistical demand forecast in real time after you have changed some model assumptions, and then have that forecast updated TM1.
- The close integration with Excel means that you still have all of Excel’s financial modeling and formatting capabilities available to you in addition to what TM1 has to offer. TM1 takes care of data management and governance, while still allowing you to perform an ad-hoc one-off analysis that may not need to be part of the TM1 model.
Process Control & Security

Process control is essential to manage the process. Typically planning cycles – both the budget and forecasts – will go through more than one iteration, with each one being tracked and possibly compared to ones that went before.

Examples of other considerations:

- Did we account for the consolidation of the Treasury department in Pittsburgh?
- How do we know that the data did not change?

Reporting

Web and mobile reporting are valuable for ease of access, geographic spread, and ease of use/minimal training requirements.

Excel ad-hoc and standard reporting is essential because financial planning is a finance driven activity, and there will always be complex analysis needs that can best be met in Excel. Excel is also a powerful formatting tool, and is the de-facto standard for financial statement formatting.

Additional Options

The QueBIT Financial Planning and Analysis Solution can also be combined with Financial Reporting and Consolidation functionality to get the full benefit of a single powerful financial analytics platform that is IBM Cognos TM1.

Not only does this save on software license and training costs (by leveraging the existing software investment) but it is also the best possible architecture for your financial analytics system strategy as:

- Data reconciliation need only be done in one place
- Data does not need to be moved around or manipulated (for example to do consolidated actual vs. plan reporting)
- Calculations including hierarchy aggregations only need to be maintained in one place
- The TM1 platform is a powerful business modeling tool and scalable, which means that additional financial analytic capability can be added and integrated over time to increase your organization’s ability to understand and respond quickly to changes in the business environment.

The QueBIT Financial Consolidation Solution can also be integrated with:

- IBM Cognos Disclosure Management for board and narrative reporting
- IBM Cognos Business Intelligence for enterprise reporting and dashboarding
- QueBIT ReportWORQ for configurable scheduled TM1 report distribution by email or to Sharepoint, or network folders
- QueBIT WebWORQ for creating web based custom and controlled user interface experiences on top of TM1 with no programming
- QueBIT ControlWORQ for posting auditable, controlled journal entries to TM1.
About QueBIT

Trusted experts in analytics strategy and implementation, QueBIT is dedicated to helping organizations improve their ability to make intelligent decisions that create value. An IBM Premier Partner, QueBIT has conducted hundreds of successful implementations of IBM® Cognos® TM1®, IBM Cognos BI and IBM SPSS—we are one of few partners that offer such a broad range of analytics solutions. Financial, sales, marketing and operations departments in over 350 organizations in all types of industries say QueBIT’s singular approach to business analytics produces tangible results—which is why we are repeat recipients of IBM’s Business Analytics Partner Excellence Awards.