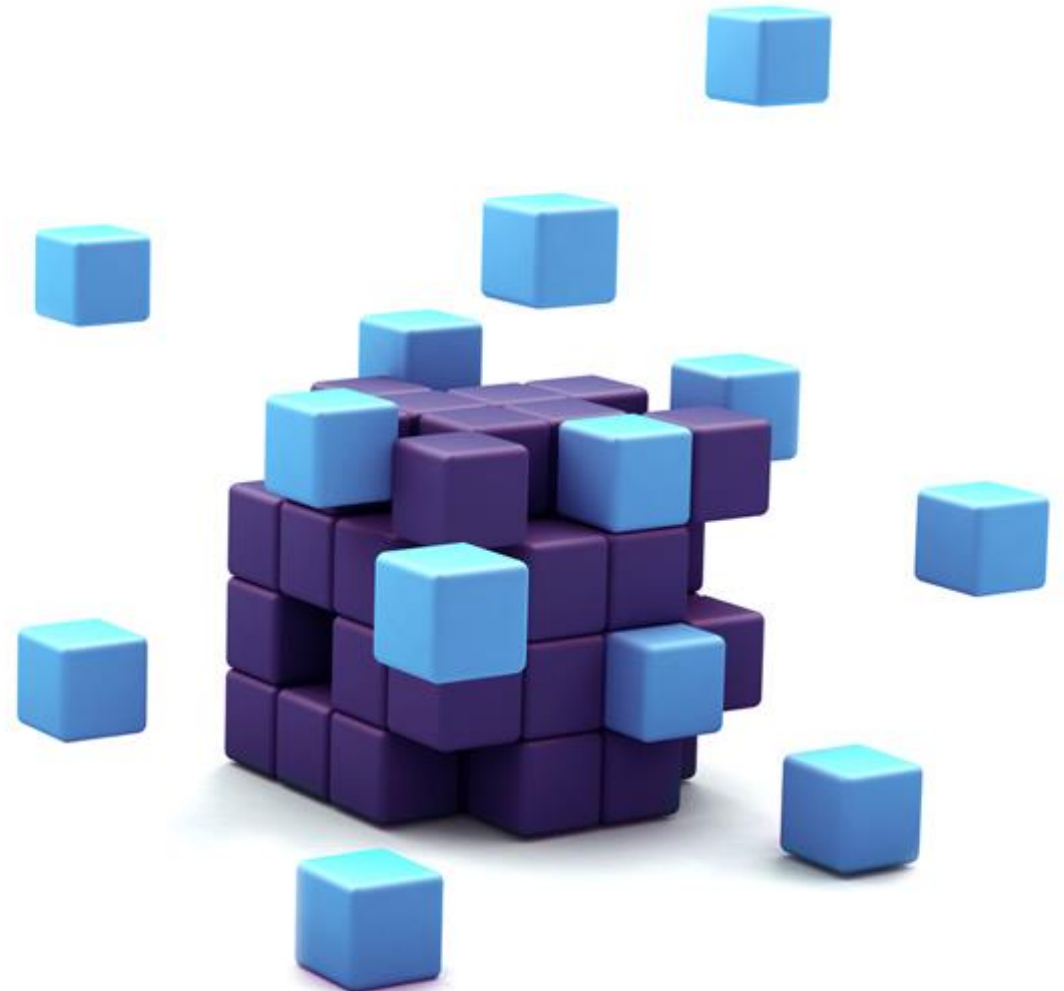


PLANNING, BUDGETING AND FORECASTING 101

SEPTEMBER / NOVEMBER 2018 - 6 CFU

LESSON 2



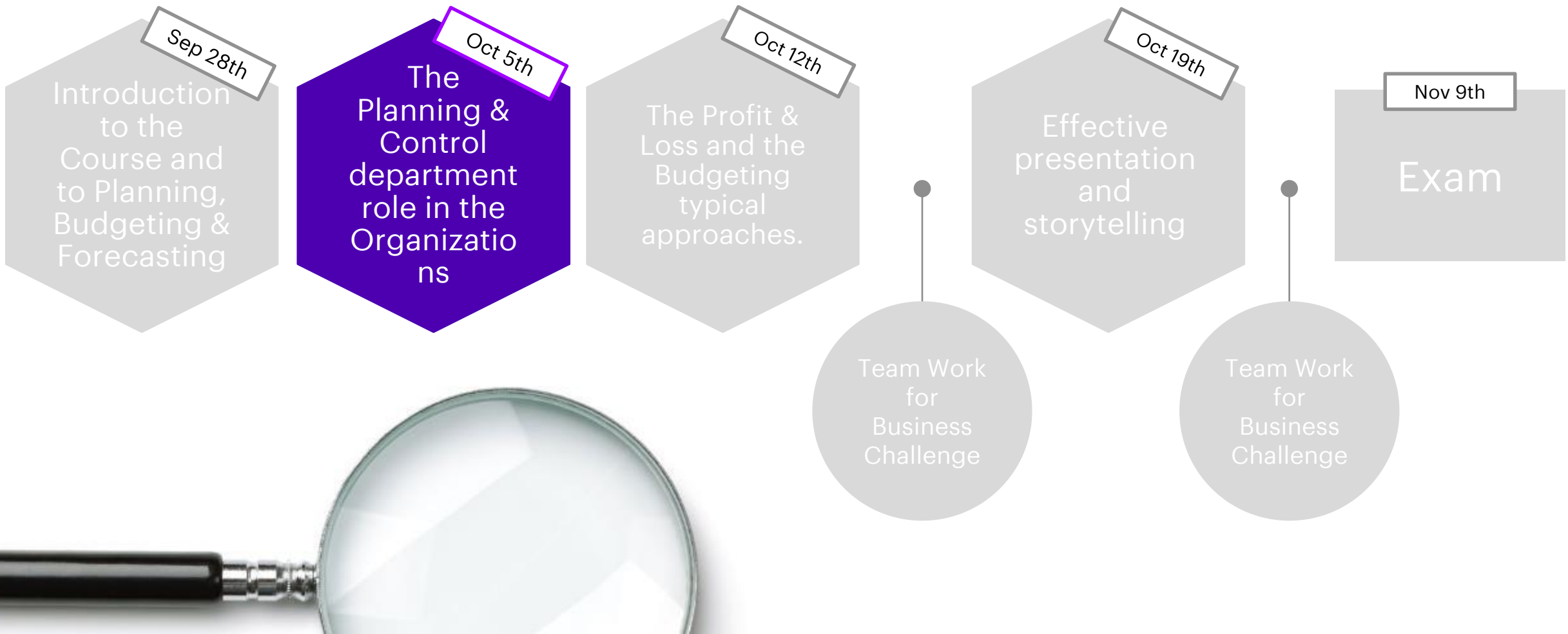
ICE BREAKER

SKILLSET

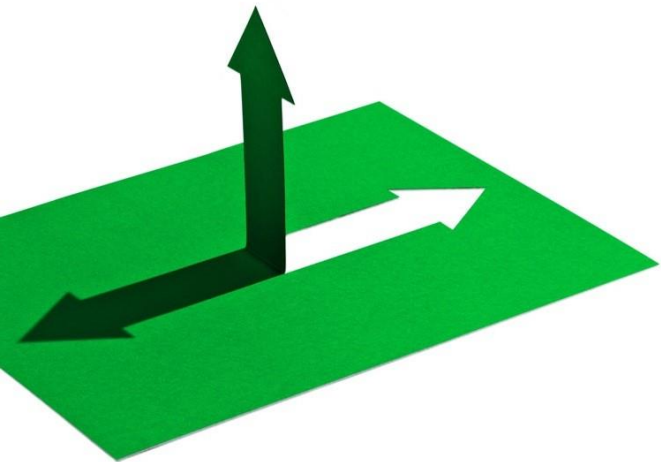


COURSE TARGETS AND STRUCTURE

The aim of this course, which includes a **Business Challenge**, is to **bring students closer to the real working life within the Planning and Control departments**.



**PLEASE SHARE YOUR
TEAM COMPOSITION!**

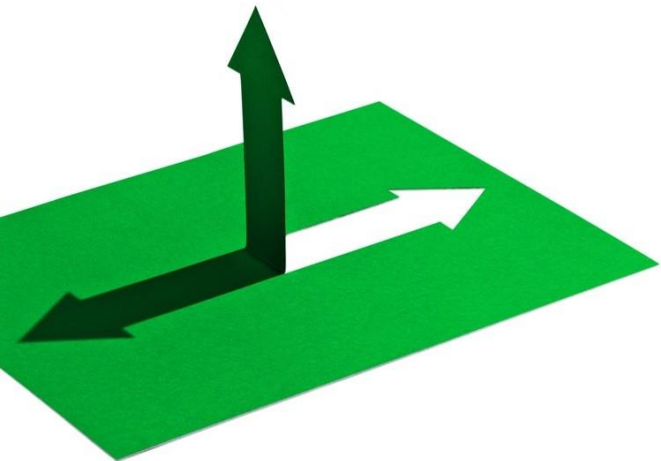


FOCUS ON – TEAM WORK/BUSINESS CHALLENGE

Integrate the
Teams by
including all
the students
of the class

Share Team
Details

**TEAM REPRESENTATIVES SEND TEAM
DETAILS TO
SILVIA.TABUANI@UNIROMA2.IT BY
OCTOBER 10TH TO GET ACCESS TO THE
EXAM**



**ANY
QUESTIONS
?**



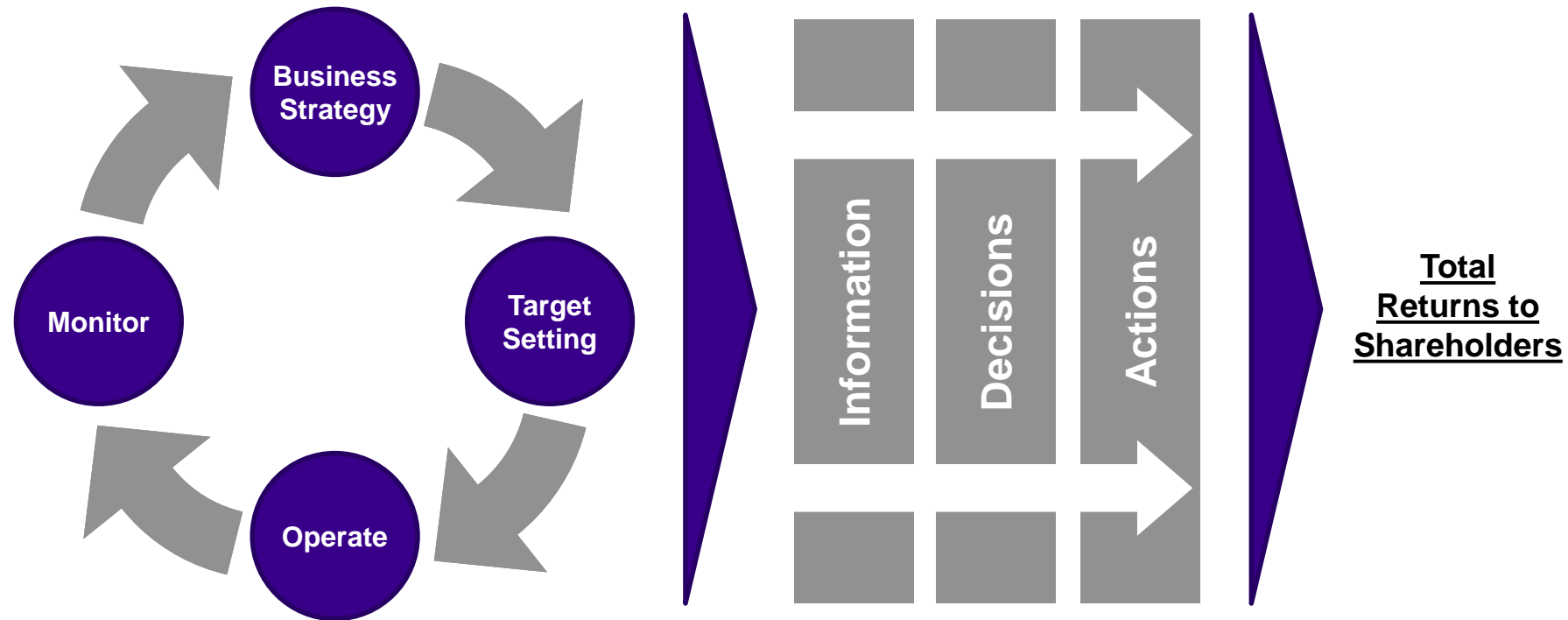
**ARE YOU
READY?**



THE PLANNING & CONTROL DEPARTMENT ROLE IN THE ORGANIZATIONS

ENTERPRISE PERFORMANCE MANAGEMENT - OVERVIEW

Enterprise Performance Management (EPM) is a strategy and key capabilities required to make decisions and take actions to drive shareholder value.

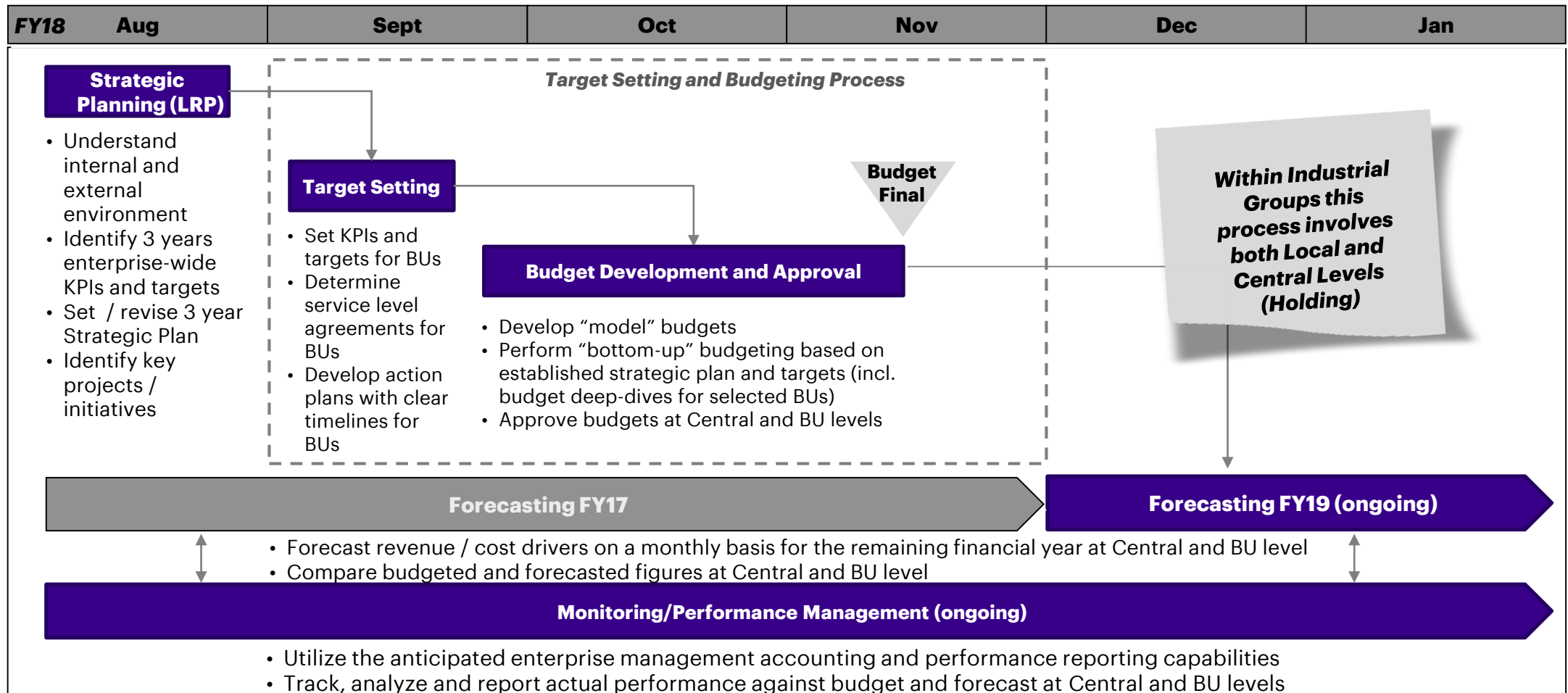


An effective EPM capability enables to focus and align the organization to the key drivers of its strategy, to plan and forecast based on these drivers, to measure results, and course correctly accordingly.

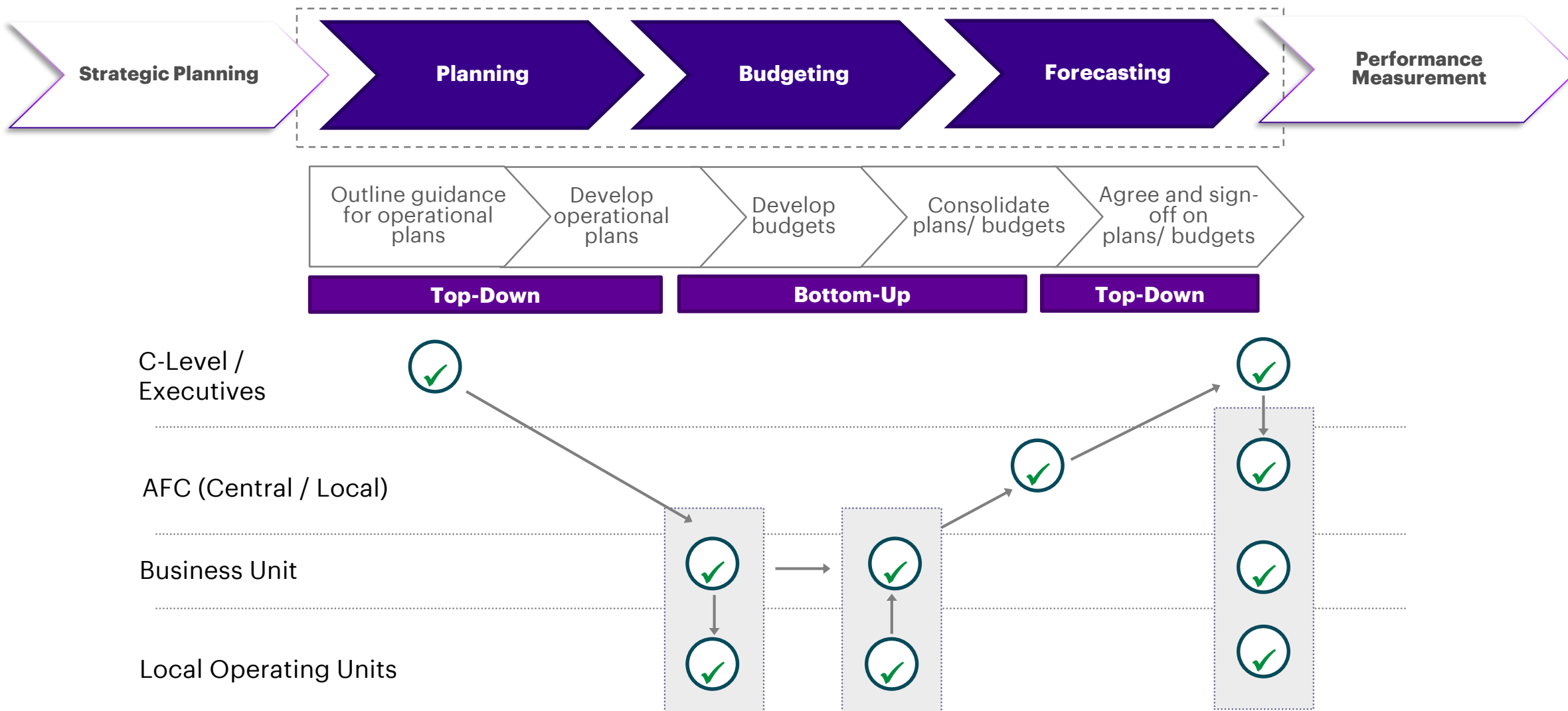
PLANNING, BUDGETING AND FORECASTING – SAMPLE PROCESS TIMING

Leading organizations complete Target Setting and Budgeting in 3 months, spending most of the time on analysis (not production)

ILLUSTRATIVE

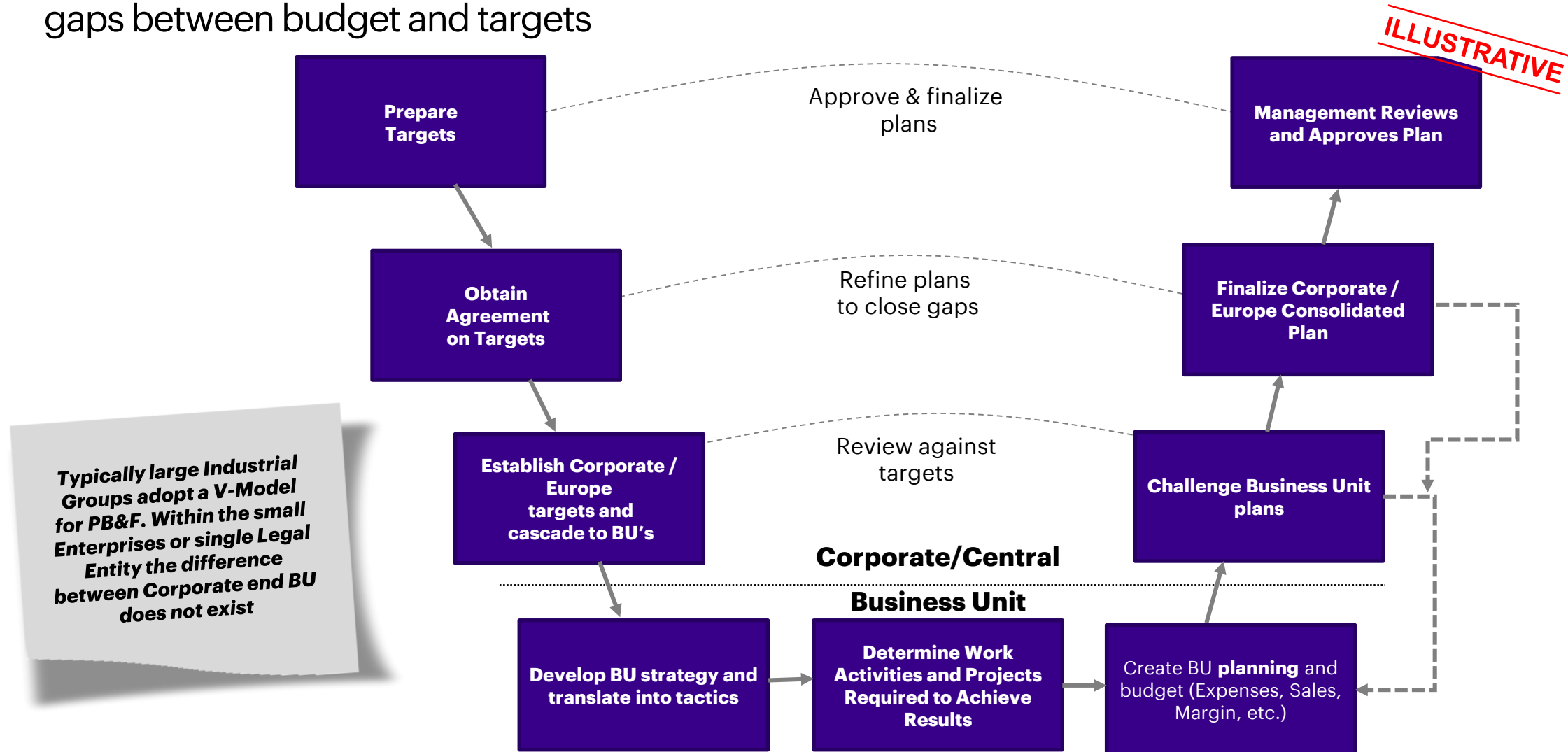


PLANNING, BUDGETING AND FORECASTING - TYPICAL RESPONSIBILITIES



PLANNING, BUDGETING AND FORECASTING - THE "V-MODEL"

Leading companies employ a top-down and bottom-up approach to identify and close gaps between budget and targets



PLANNING, BUDGETING AND FORECASTING - KEY ROLES

The Accountability Structure outlines the main responsibilities for in-life management of resources.



THE PLANNING & CONTROL DEPARTMENT ROLE IN THE ORGANIZATIONS

Targets and Mission

- **Support the Company Management** in **setting objectives** (economic and financial) and short- and medium-term policies
- Drive and **Manage the multi-year planning process, budgeting, reporting and forecasting**
- Ensure **the process of controlling** of all the Organizational Structures, **by linking together the strategic and operational levels**
- **Report significant deviations/delta** and **suggest possible corrective actions** to reach the defined targets

Working Model

- Accurate and **transparent information**
- **Independent** evaluations
- **Open** comparison
- Control on time and work quality

Tools

- **Delta Analysis**
- **Simulations** and evaluations
- **Reports**
- **Presentations**

PLANNING, BUDGETING AND FORECASTING - “RACI” MATRIX EXAMPLE

RACI EXAMPLE for In-Life Management

ILLUSTRATIVE

| Process | C - Level / Executives | Central P&C | Local P&C | Business Unit | Local Operating Unit |
|---|------------------------|-------------|-----------|---------------|----------------------|
| 1. LRP (annual) | A | R/C | C | I | I |
| 2. Target Setting (annually) | A | R | C | I | I |
| 3. Planning & Budgeting (annually) | A/C | C/R | R | C | C |
| 4. Forecasting (quarterly) | I | A/R | C | R | C |
| 5. Monitoring (monthly) | I | A/R | C | R | C |

R: Responsible – “Does the work”

A: Accountable – “Approves”

C: Consulted – “Provides inputs”

I: Informed – “Receives communication”

Has direct responsibility for the process and leads or does the work to shape that result

Has final responsibility for the process result and has the authority to decide on courses of action

Consults and helps shape the outcome of the process

Is informed about the process and outcomes

PLANNING & CONTROL TYPICAL REAL-LIFE QUOTES

ILLUSTRATIVE

"Bud2014 was a rough **best guess calculation.**"

"**Mix several needs in one tool.** This tool is just for control and not for decision."

"A **process that is completely different** from that (zero base approach) is also important to **bring in new ideas.**"

"In our actual internal tool **we have much more detail than in the CoA.** Not enough detail in the tool proposed."

[Recurring and cascading **PB&F meetings**] "**work very well and structured.**"

"We need to get on a level of 80% and go. **Now we are 50% and go.**"

"The past 4 months we have developed a **closer alignment across channels.**"

"**More ROI KPI's needed.** ... Problem are the different systems, definitions and available time. **Time is the biggest bottleneck.**"

"Priority to improve must be on **central functions for guiding and support.**"

"**Systems are too complicated, the systems care not sufficient, the people not well enough trained** on the old systems - We quickly need more IT support or new systems!!!"

"**Follow up!!** ... Every BU has a plan. How are we/you going to follow this up. **What makes a campaign a success?**"

"**Clear and detailed communication** about European strategy and tactics is needed."

"Locally we believe we have adequate **data quality in order to measure our KPIs.**"

"**Excellent model** to get Merchandise, Marketing, Operations, Finance etc. **on the same train** to one common goal.."

"**Achieve a central format and tool** which integrate in local needs and activities in a synergic way."

"**Forecasting does not seem to have any accuracy.**"

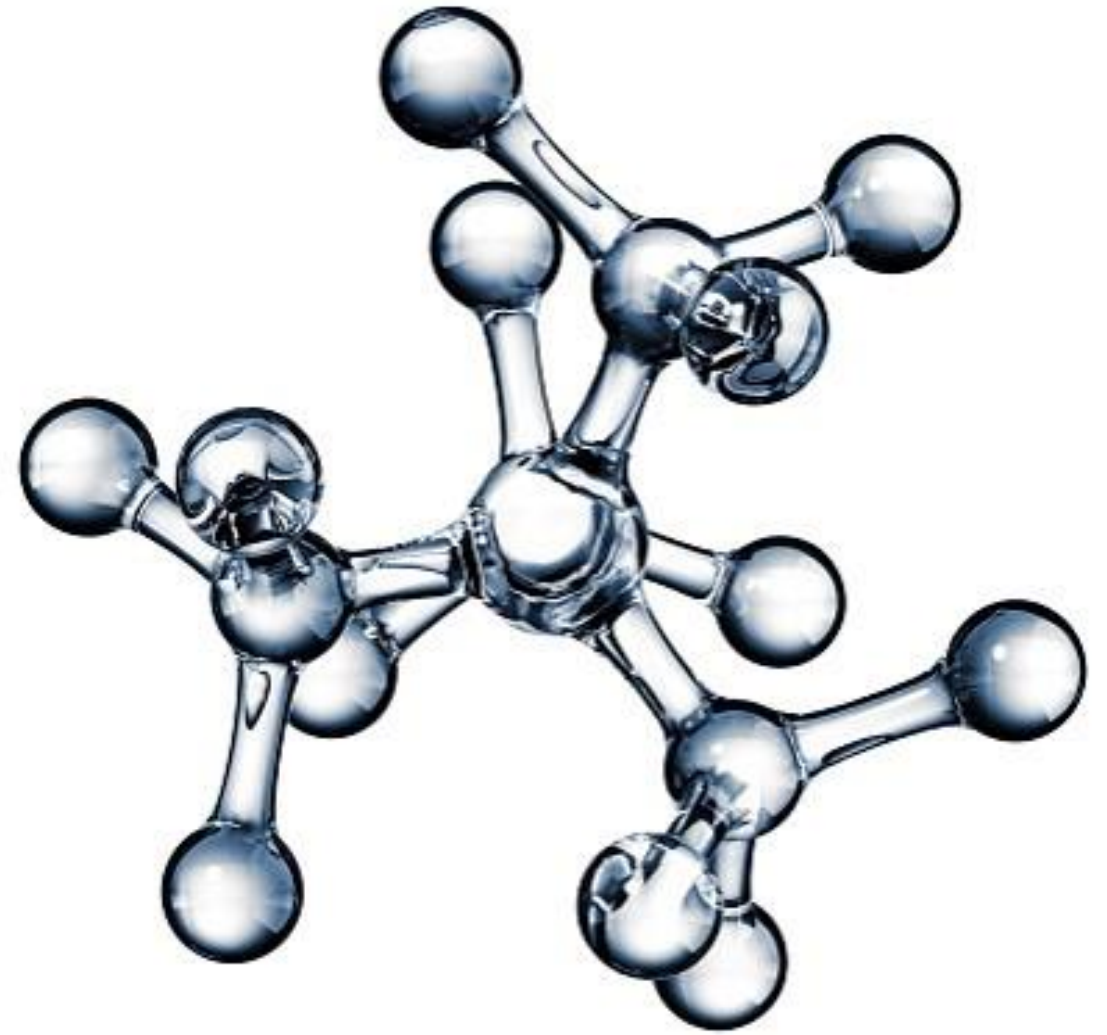
"We are **seeing some investment over recent months** to improve process and tooling, but I believe this should be continuous."

"Creation of a tool that **allows to use data from the past for comparison**".

"At the moment there is **nothing in place to do accurate forecasts**, esp. nothing in place to calculate customer development."

THE COMPANY CONTROL MODEL

WHAT IS A CONTROL MODEL?



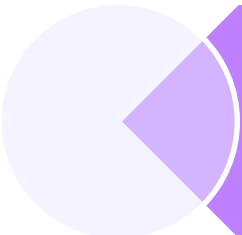
WHAT IS A CONTROLLING MODEL?



... is a multidimensional “detection system” of Corporate phenomena based on industrial accounting



...translates organizational responsibilities into economic responsibilities



...ensures the correct attribution of costs and revenues, assets and liabilities to the various dimensions of control

KEY GUIDING PRINCIPLES FOR A GOOD CONTROL MODEL

1 Completeness

Include into the Model all relevant dimensions to control business and operational performance

2 Comparability

Enable performance comparison across and within the different Businesses of the Company

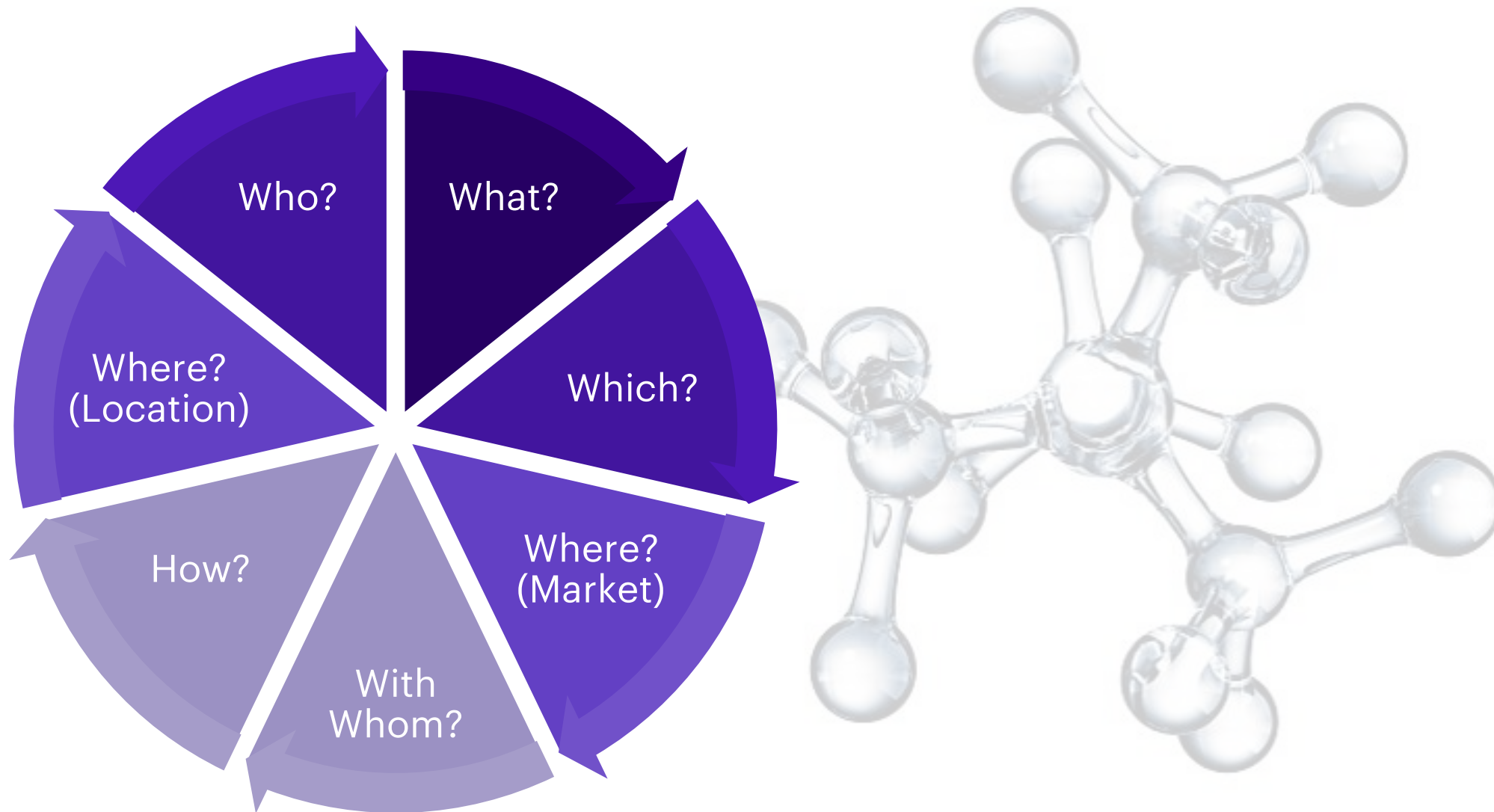
3 Accountability

Define indicators and related control dimensions, consistent with organizational accountabilities

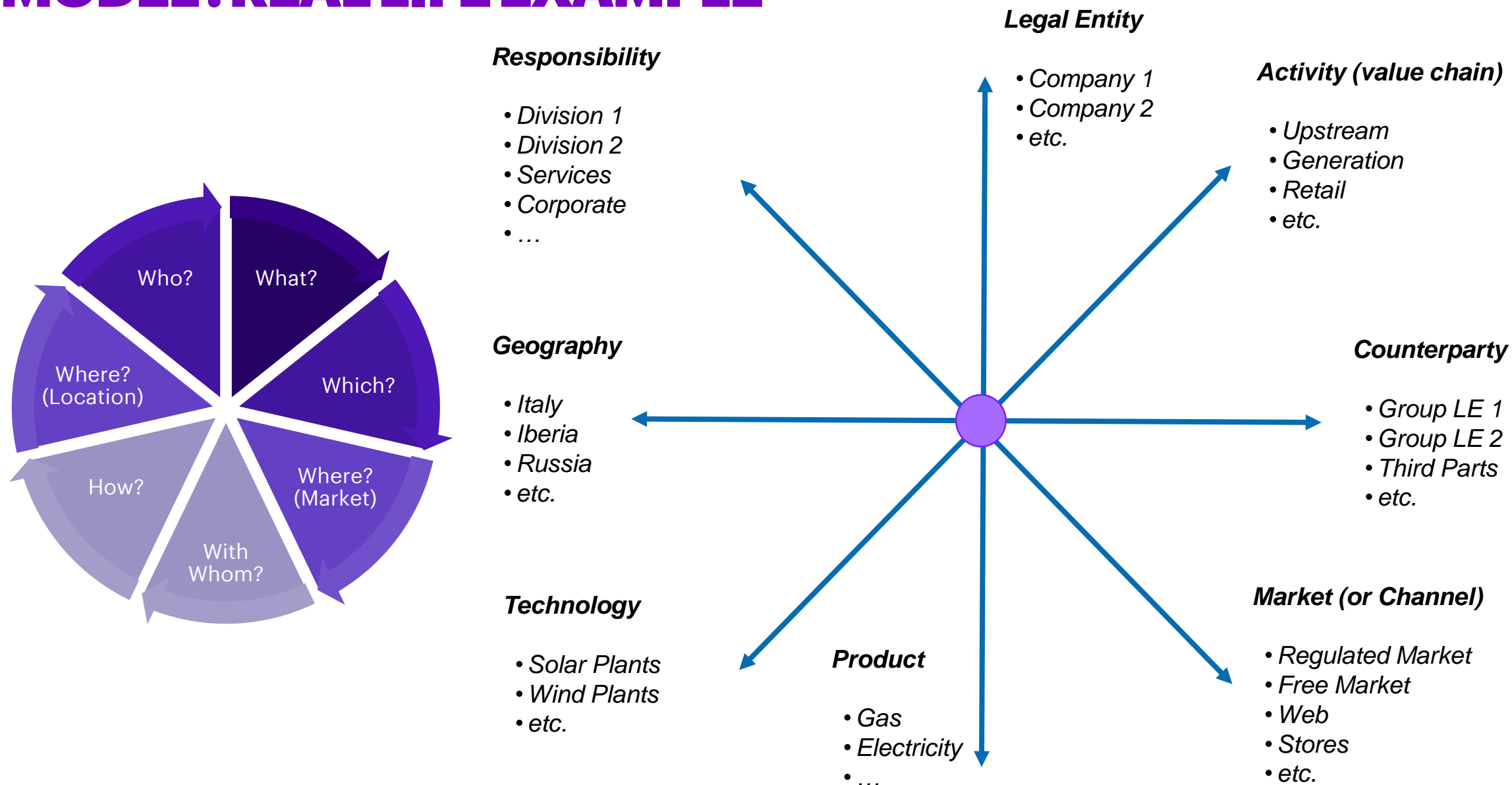
4 Actionability

Build a set of economic and operational KPIs linked to actionable levers

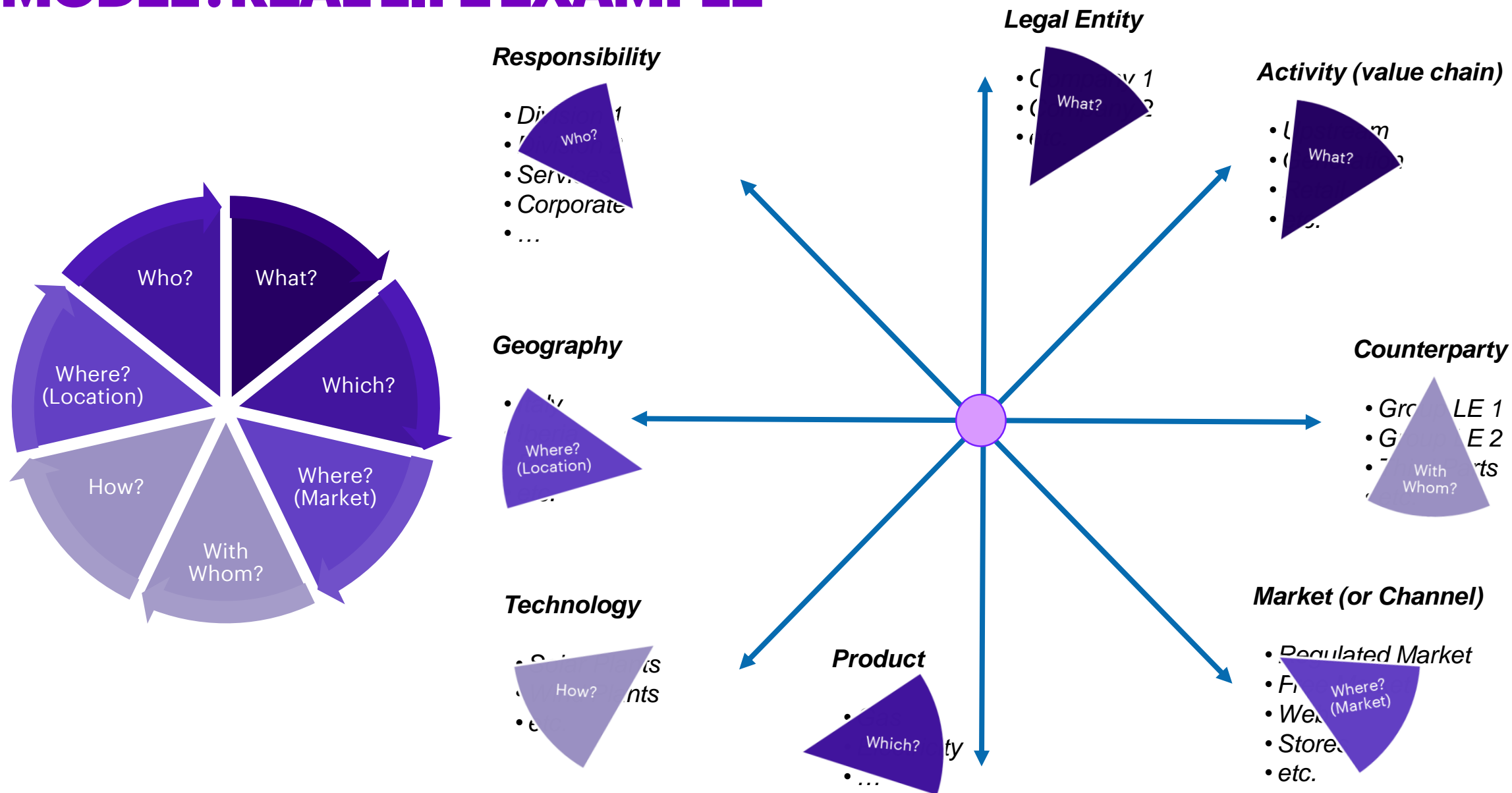
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL



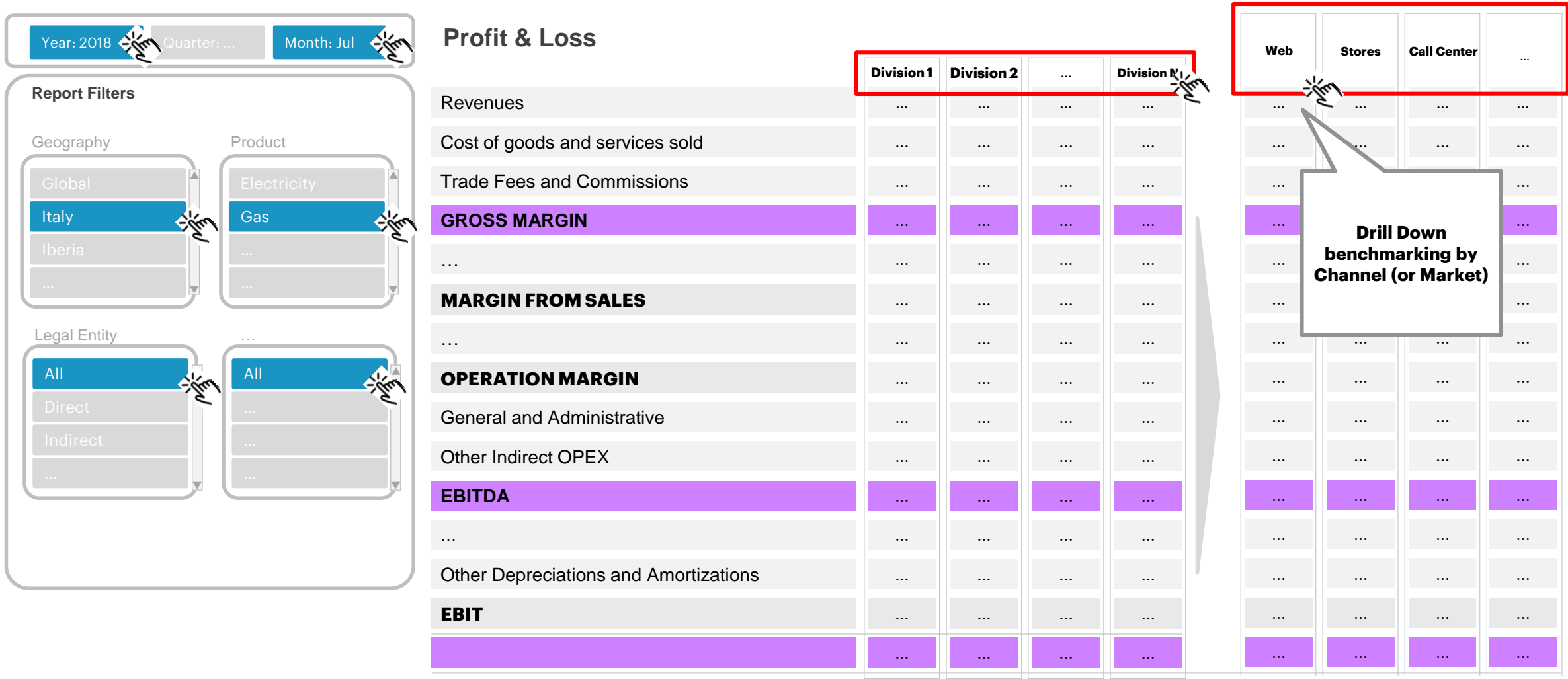
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL: REAL LIFE EXAMPLE



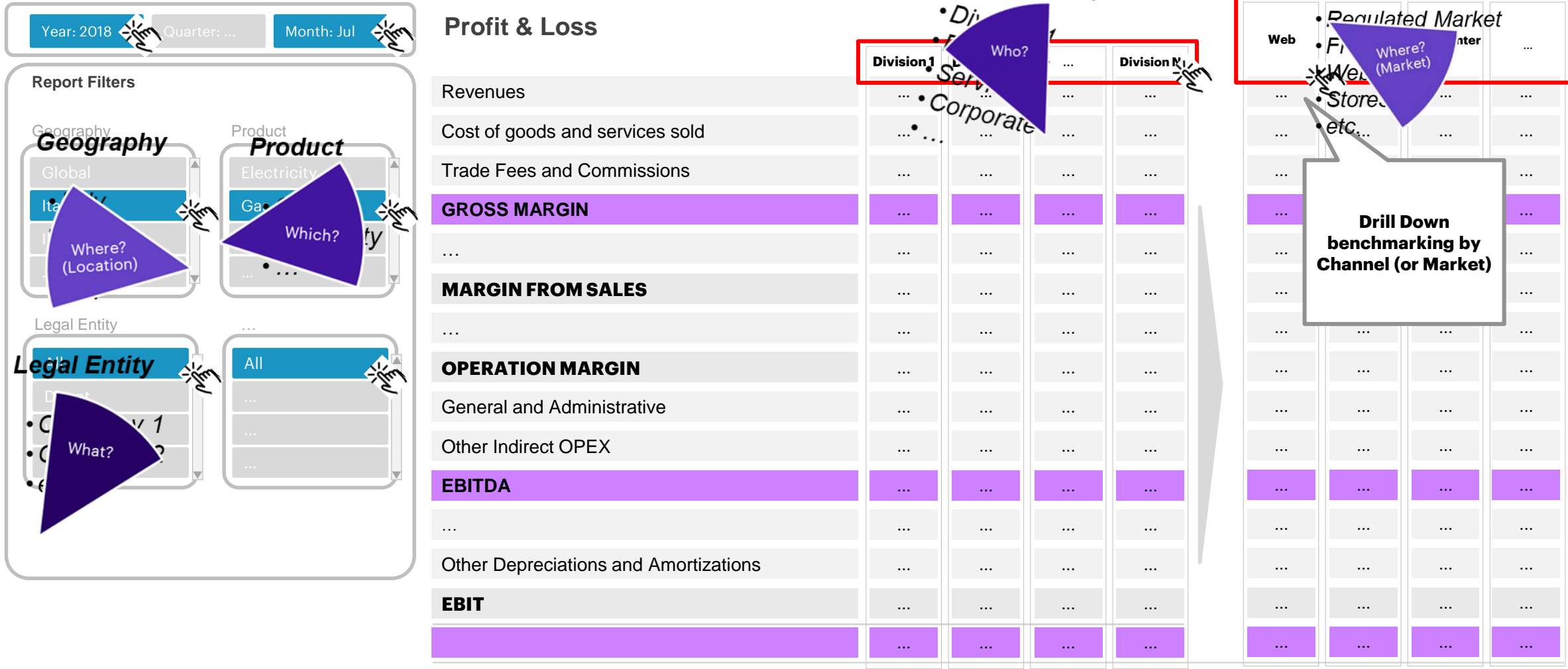
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL: REAL LIFE EXAMPLE



THE TOOL TO “READ” THE CONTROL MODEL IS THE COMPANY REPORTING



THE TOOL TO “READ” THE CONTROL MODEL IS THE COMPANY REPORTING



THE TOOL TO “READ” THE CONTROL MODEL IS THE COMPANY REPORTING

Year: 2018

Quarter: ...

Month: Jul

Report Filters

Geography

Global

Spain

Italy

...

Product

Electricity

Gas

...

...

Legal Entity

All

Direct

Indirect

...

...

All

...

...

...

Profit & Loss

| | | | | | | | | | |
|---------------------------------------|-----|-----|-----|-----|--------------|-----|-----|-----|-----|
| Revenues | ... | ... | ... | ... | <div>→</div> | ... | ... | ... | ... |
| Cost of goods and services sold | ... | ... | ... | ... | | ... | ... | ... | ... |
| Trade Fees and Commissions | ... | ... | ... | ... | | ... | ... | ... | ... |
| GROSS MARGIN | ... | ... | ... | ... | | ... | ... | ... | ... |
| ... | ... | ... | ... | ... | | ... | ... | ... | ... |
| MARGIN FROM SALES | ... | ... | ... | ... | | ... | ... | ... | ... |
| ... | ... | ... | ... | ... | | ... | ... | ... | ... |
| OPERATION MARGIN | ... | ... | ... | ... | | ... | ... | ... | ... |
| General and Administrative | ... | ... | ... | ... | | ... | ... | ... | ... |
| Other Indirect OPEX | ... | ... | ... | ... | | ... | ... | ... | ... |
| EBITDA | ... | ... | ... | ... | | ... | ... | ... | ... |
| ... | ... | ... | ... | ... | | ... | ... | ... | ... |
| Other Depreciations and Amortizations | ... | ... | ... | ... | | ... | ... | ... | ... |
| EBIT | ... | ... | ... | ... | | ... | ... | ... | ... |
| | ... | ... | ... | ... | | ... | ... | ... | ... |

Università di Roma
Tor Vergata



- Key target of the **Planning & Control** department is to **support the Company Management** in **setting objectives**, to **drive the Planning, Budgeting and Forecasting processes** and to **Report significant deviations/delta**, suggesting possible corrective actions to reach the defined targets
- The **Company Control Model** is a **multidimensional “detection system” of Corporate phenomena** based on industrial accounting, **translating organizational responsibilities into economic responsibilities**. It ensures the **correct attribution of costs and revenues, assets and liabilities to the various dimensions of control**

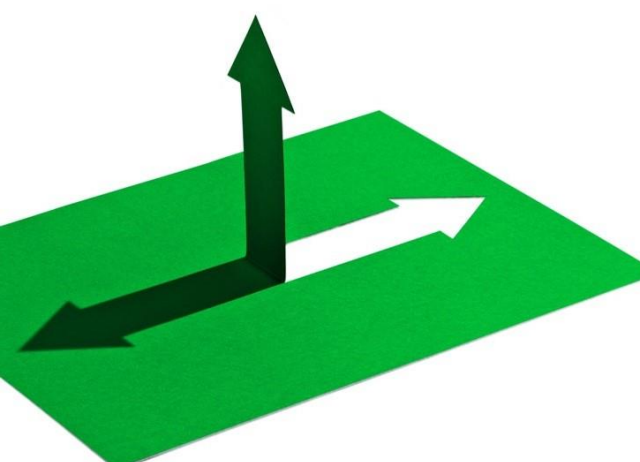
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KEY TAKEAWAYS

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