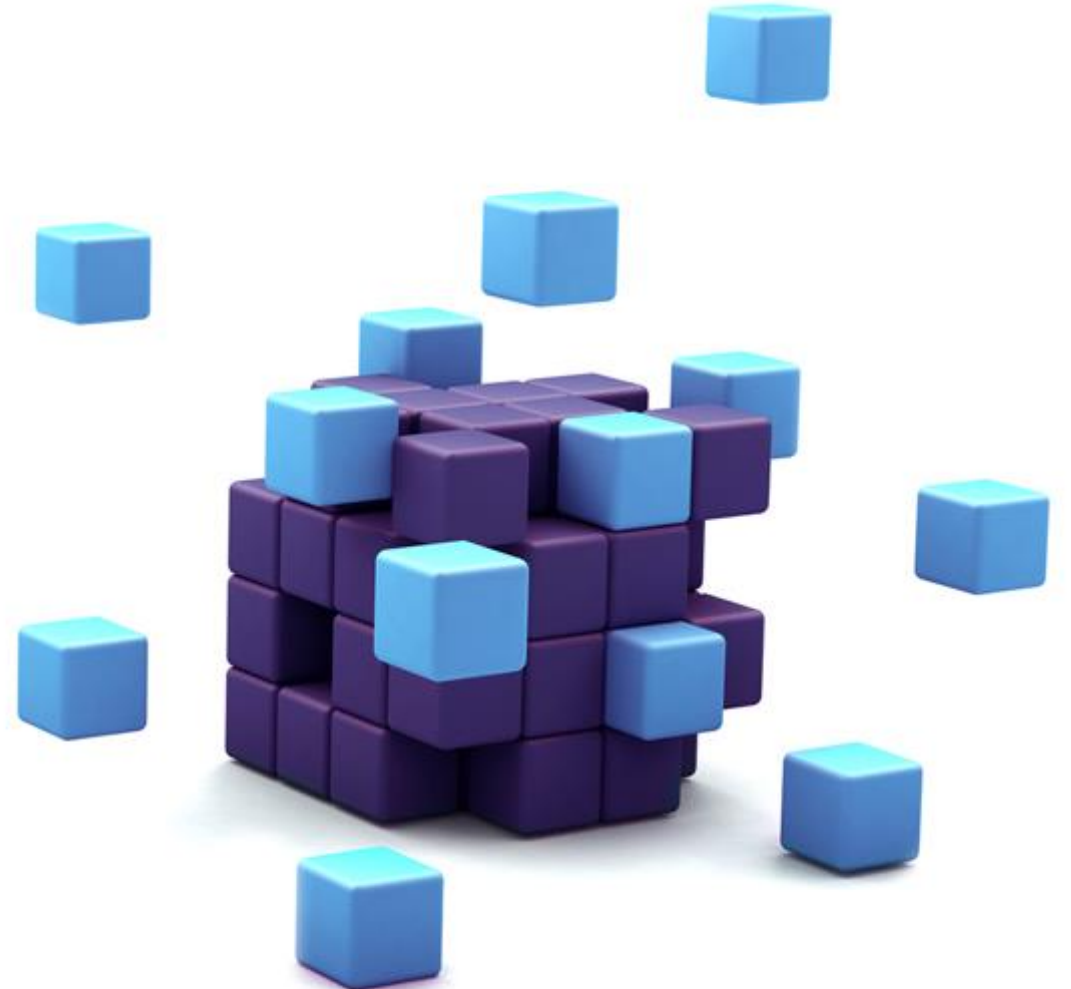


PLANNING, BUDGETING AND FORECASTING 101

FEBRUARY / MARCH 2020 - 6 CFU

LESSON 1



COURSE INTRODUCTION

One of the natural **job opportunities** of the **Business Administration and Economics graduated students** are the large Companies, and in particular the Departments of **Administration, Finance and Control**.

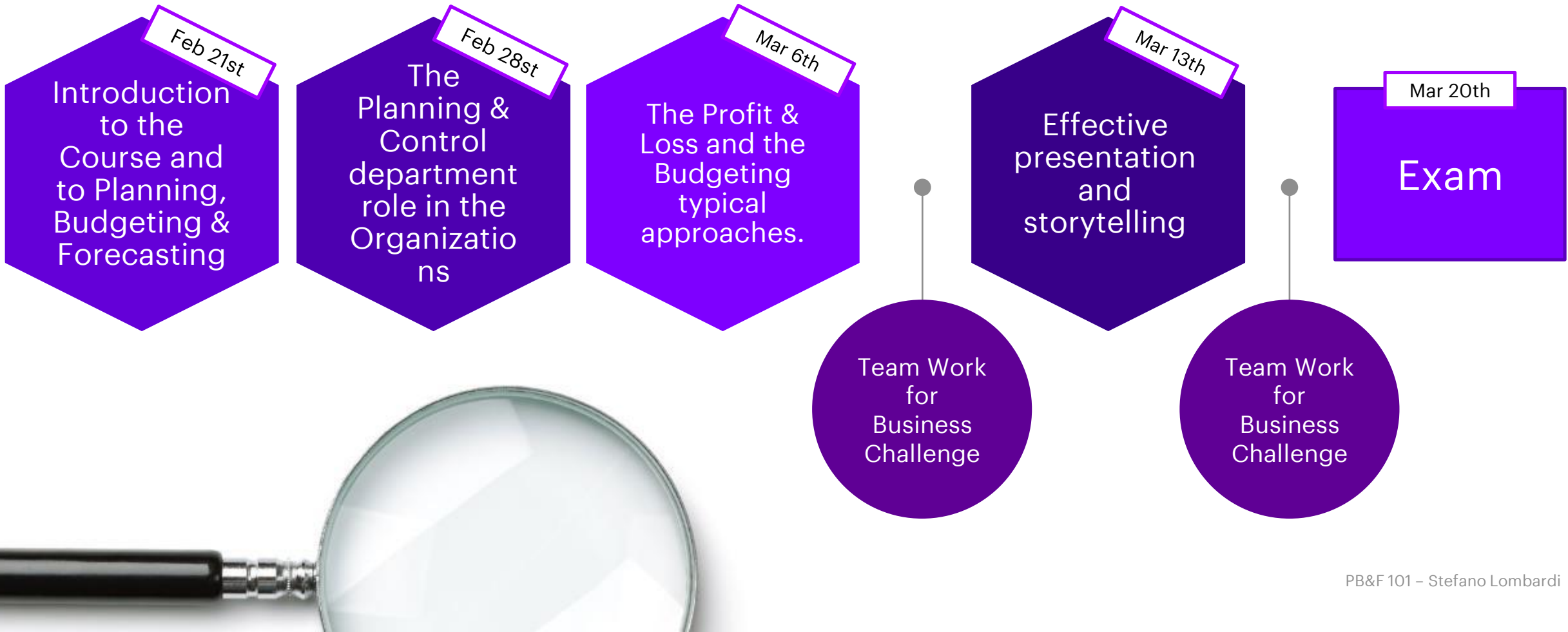
A key area of this department is **Planning and Control**, whose **main targets** are:

- 1 To manage, industrial planning, budgeting, forecasting and reporting processes and the deployment of the Company Control Model
- 2 To monitor the Financial and Operating results and related KPIs, highlighting gaps and suggesting corrective actions
- 3 To perform economic and financial evaluation for investments

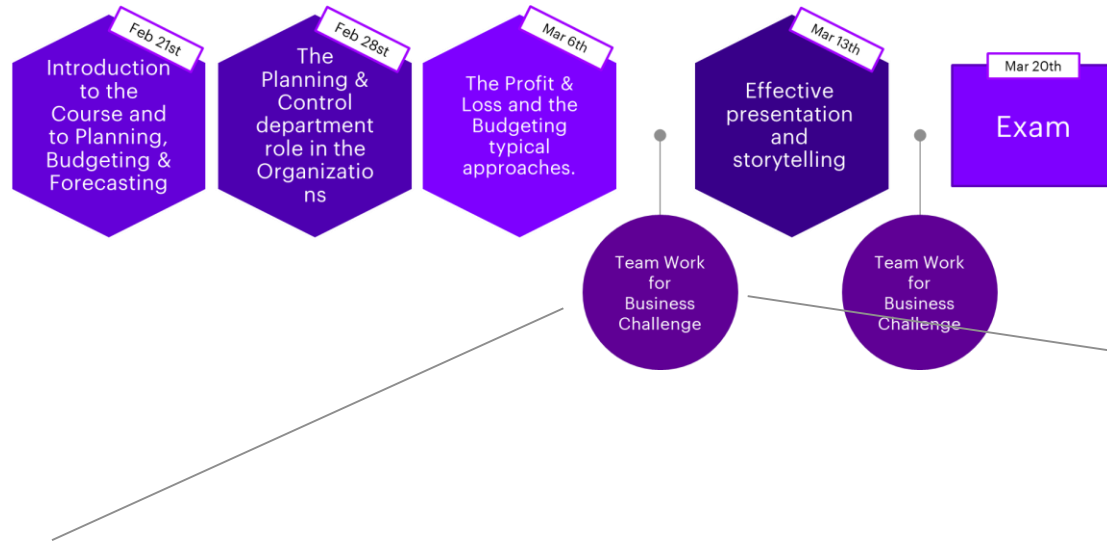


COURSE TARGETS AND STRUCTURE

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.**



FOCUS ON – TEAM WORK /BUSINESS CHALLENGE

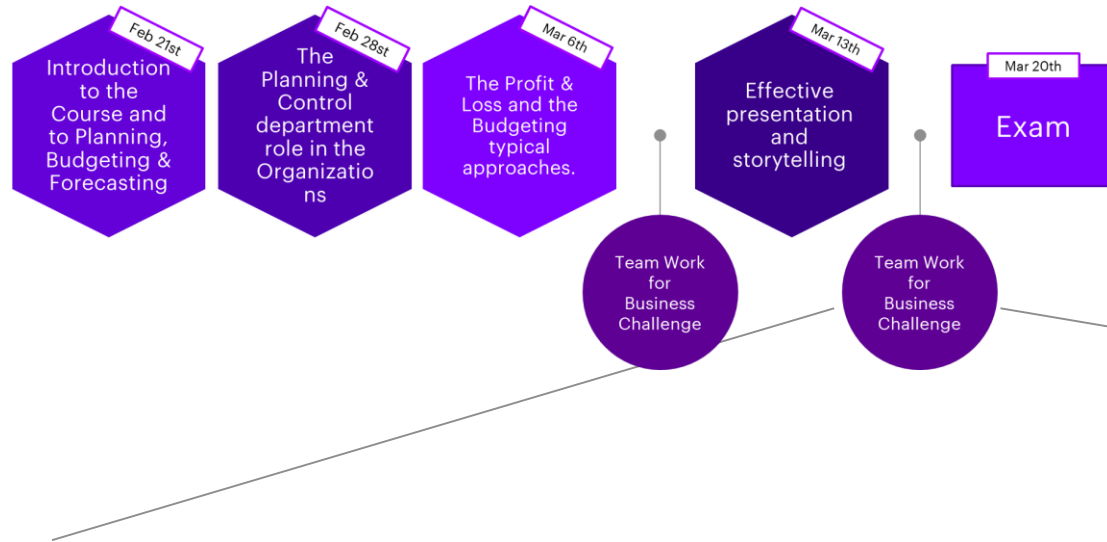


Students **work in teams** to create an **Excel Profit & Loss Planning Model**

(i.e. which will be the Revenues and the Costs of a Company for the next 12 Months?)

Starting from the end of the 3rd lesson until the Exam

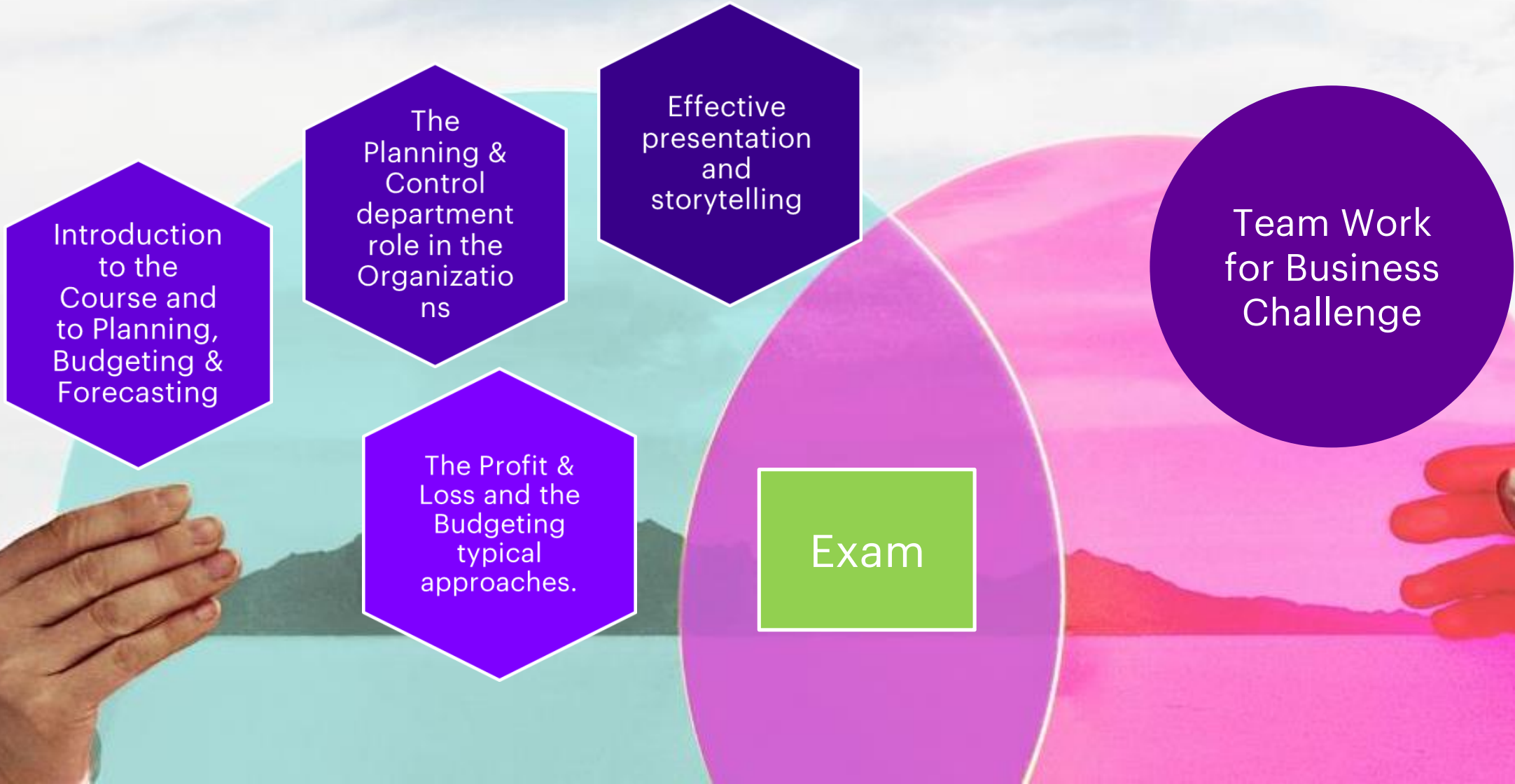
FOCUS ON – TEAM WORK /BUSINESS CHALLENGE



Teams **continue working on the Excel Profit & Loss Model** and **start to create a presentation for the Exam** (e.g. Power Point, Prezi, etc.), **imagining** that they have to **present their P&L Model to the CFO of the chosen company**

Starting from the end of the 4th lesson until the Exam

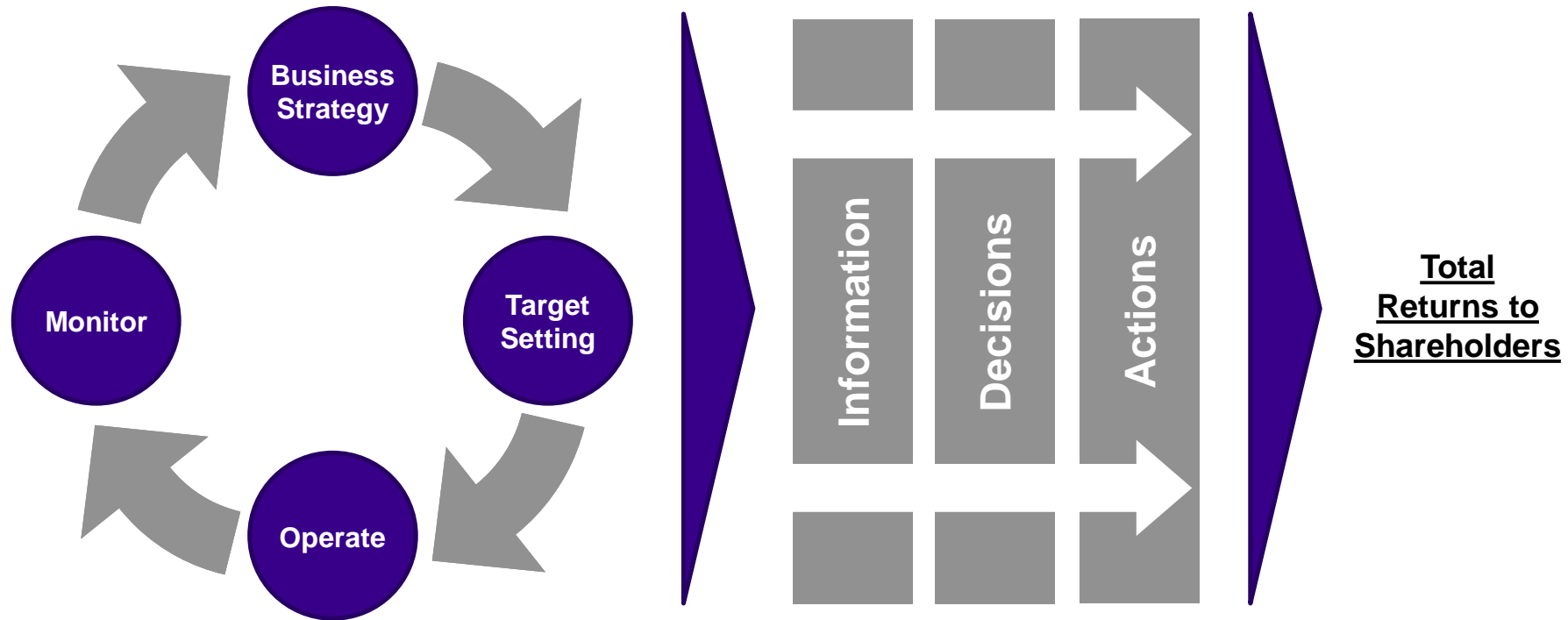
THE EXAM!



ENTERPRISE PERFORMANCE MANAGEMENT – AN OVERVIEW

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.

ENTERPRISE PERFORMANCE MANAGEMENT CAN HELP A COMPANY CREATE VALUE ALONG A NUMBER OF DIMENSIONS

EFFECTIVENESS

- Focuses and aligns management around the key drivers of value
- Provides fact-based guidance for value-based decision making
- Enables a consistent process and framework for the evaluation of decision trade-offs (current/future) around investments
- Supports driver-based planning and forecasting to enable predictive and dynamic resource allocation
- Balances focus on strategy/operations around key value drivers
- Aligns incentives and rewards closer to shareholder value creation

EFFICIENCY

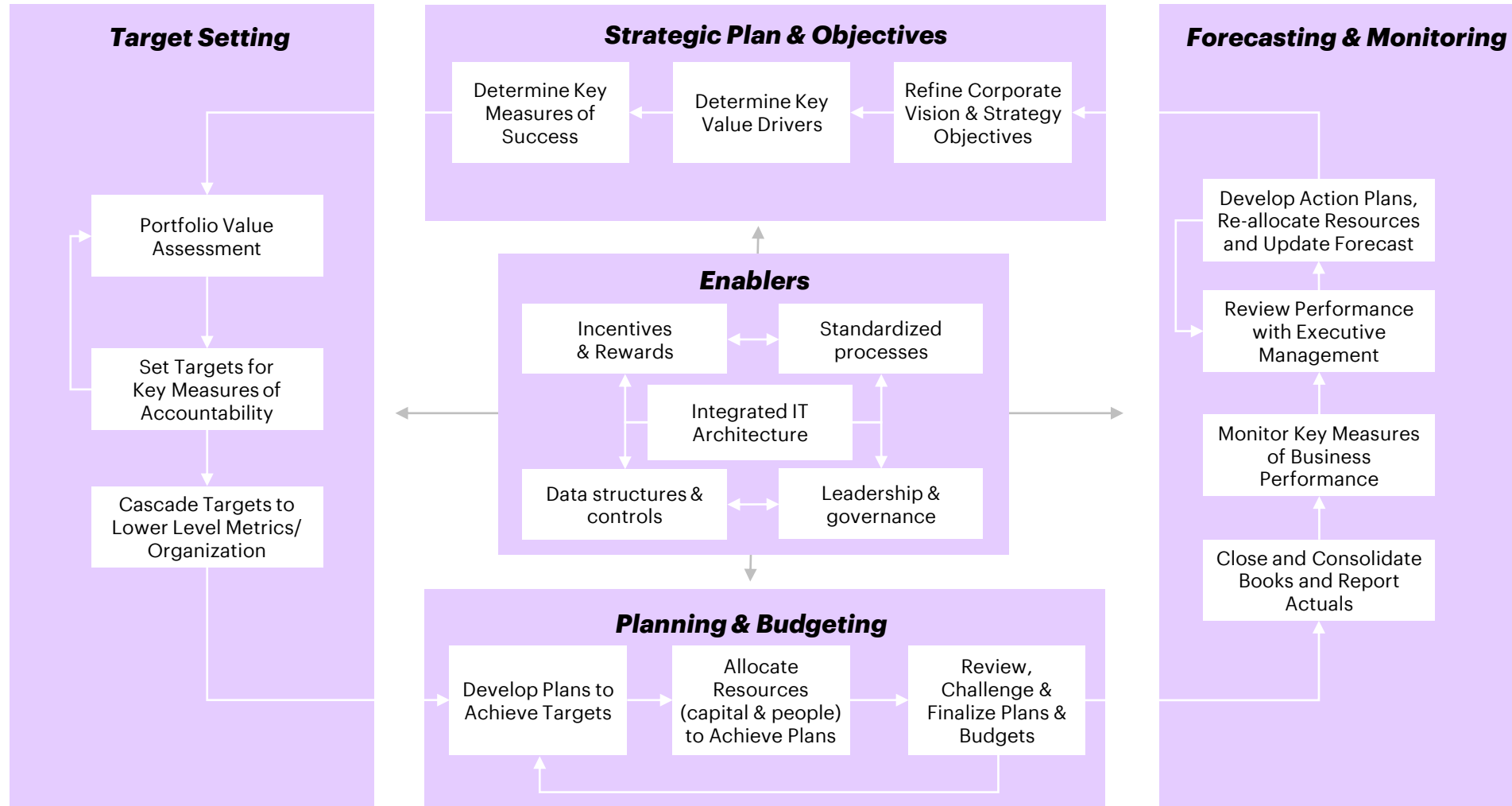
- Streamlines planning and reporting processes using consistent key drivers of value
- Streamlines decision making
- Improves focus of resource time and effort, eliminates redundant work and minimizes manual intervention and errors
- Integrates processes and controls to improve integrity of data and quality of outputs
- Provides a strong value-based foundation for Infrastructure improvements
- Dynamic learning capability leverages resource time more efficiently

KEY FINDINGS RELATED TO ENTERPRISE PERFORMANCE MANAGEMENT

Situation	Evidence
Companies have made and are continuing to make significant investments in planning capabilities	77% of companies change their planning process every year; 85% are planning to enhance their core planning capabilities in the next 1-2 years
In practice, the value created has been limited	Only 11% of companies today are fully satisfied with their planning capabilities, compared to 17% two years ago and 20% a decade ago
Business plans and budgets quickly become obsolete due to volatility in the markets, commodity prices and exchange rates	Almost two thirds of companies quote budgets as a major constraint in their ability to respond to changes in the business environment
Managing in uncertain times requires higher flexibility on how and when actions need to be taken (investment and Opex decisions)	In a recent Conference Board report, “speed, flexibility and adaptability to change” ranked as #3 among top CEO challenges
Deviations of corporate performance from market guidance confirm that forecasts have been created under very different business conditions	More than two thirds of companies admit that their planning accuracy has diminished due to business volatility, while more than 80% recognize that its importance has increased for the same reason

THE ENTERPRISE PERFORMANCE MANAGEMENT FRAMEWORK

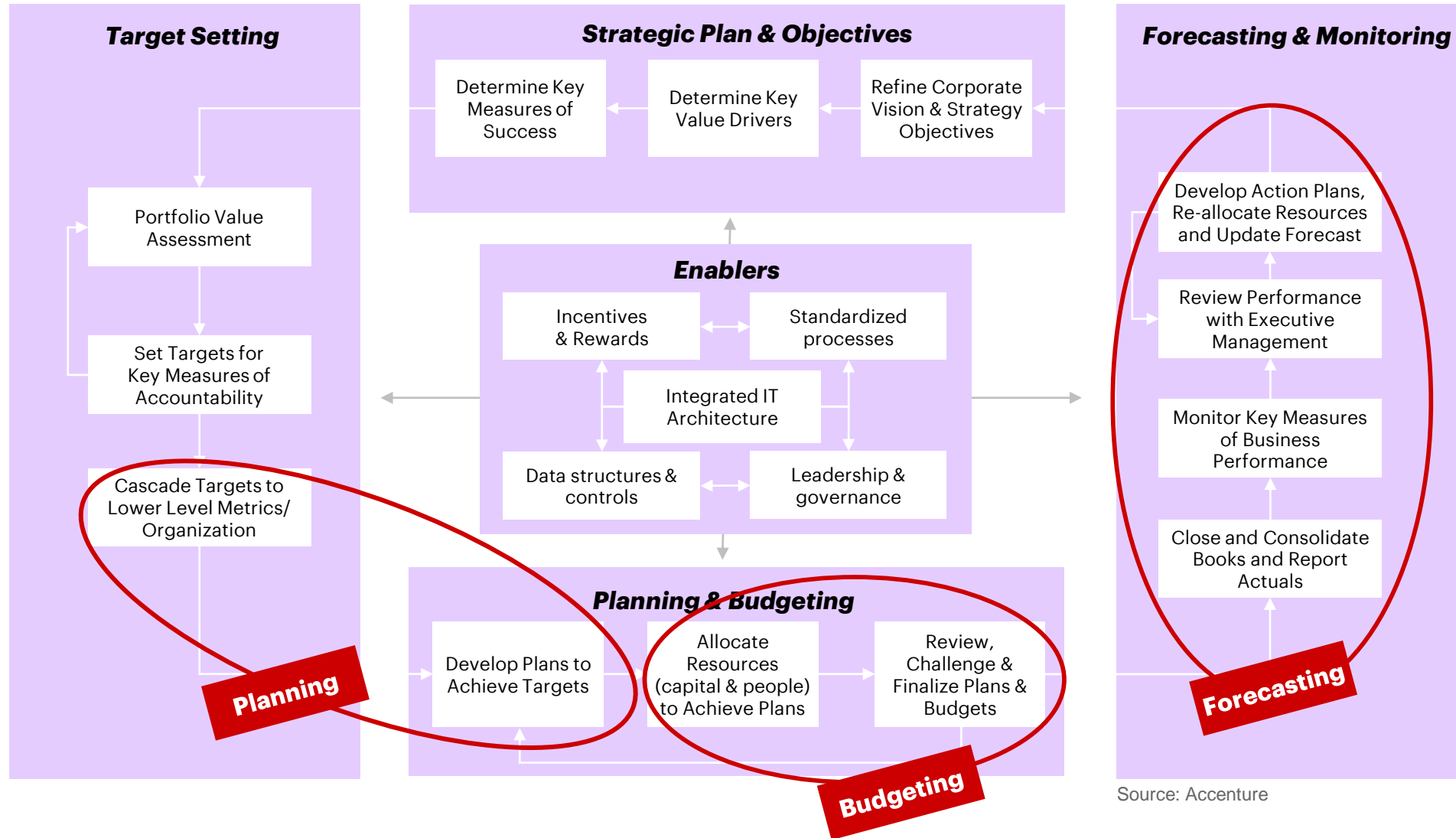
PERFORMANCE MANAGEMENT FRAMEWORK



Source: Accenture

THE ENTERPRISE PERFORMANCE MANAGEMENT FRAMEWORK

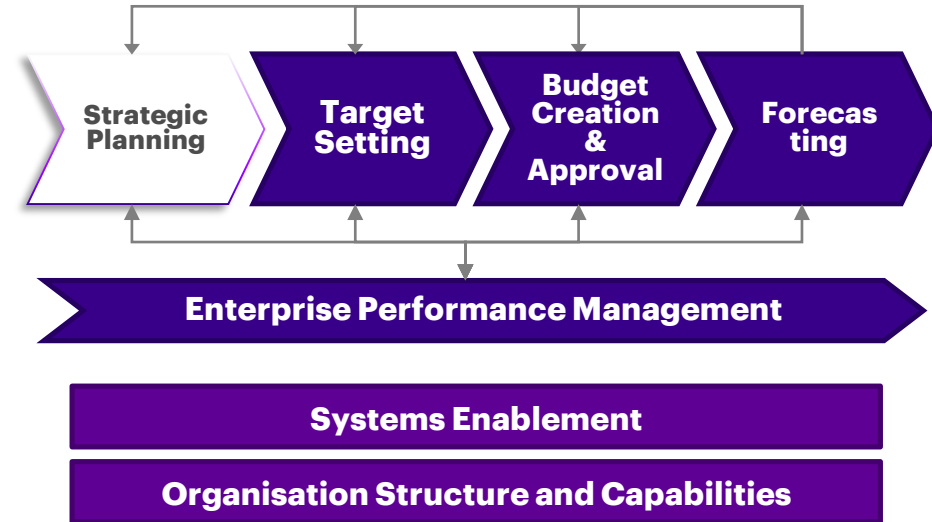
PERFORMANCE MANAGEMENT FRAMEWORK



PLANNING, BUDGETING AND FORECASTING PROCESSES

PLANNING, BUDGETING AND FORECASTING - KEY PROCESSES

- **Strategic Planning** is the development of a long-term plan aimed at establishing the organisation's strategic positioning and driving value creation over and above competitors
- **Target Setting & Operational Planning** is the process of translating the organisation's strategic plan into quantifiable and measurable key performance indicators for each business unit, and establishing specific action plans to achieve the stated goals.
- **Budget Creation & Approval** is the process where targets are translated and expressed into quantitative terms, describing the expected financial performance of the organisation over the next year.
- **Forecasting** is the act of predicting outcomes and is done periodically throughout the year to reflect changes that have occurred both in the internal and external environment since the budget was developed. It's main objective is to provide more accurate and timely information for better and less risky management planning and decision making.



- **Systems Enablement** – The information systems used to capture, retrieve and analyse both inputs and outputs of the planning, budgeting and forecasting process.

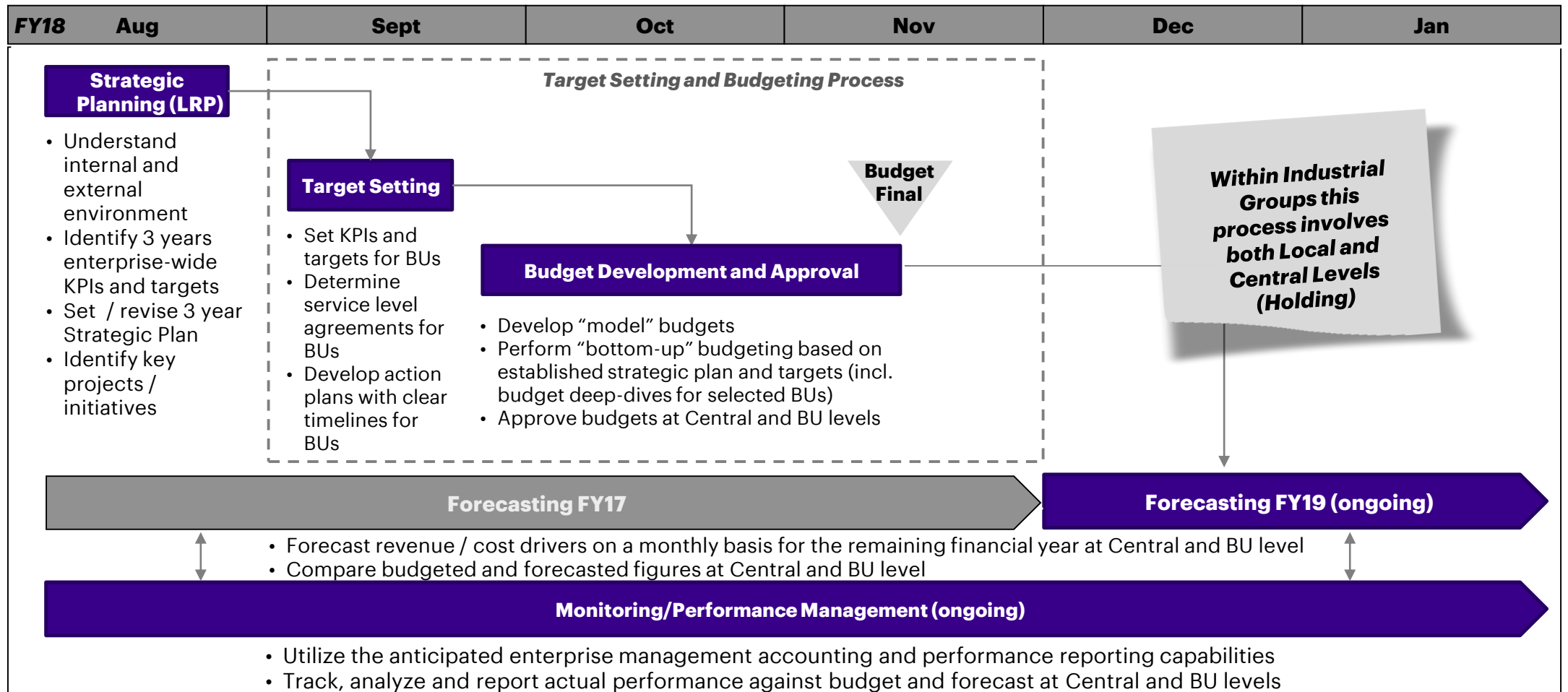
Within Industrial Groups key processes run both at Local and Central Level

- **Organisation structure and capabilities** is the structure in which the finance organisation operates and interacts with the broader business, and the level of financial acumen present throughout the business.

PLANNING, BUDGETING AND FORECASTING – SAMPLE PROCESS TIMING

Leading organizations complete Target Setting and Budgeting in 3 months, spending most of the time on analysis

ILLUSTRATIVE



- An effective **Enterprise Performance Management** 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 Forecast** concerns processes followed by the companies in order to be aligned to the Business Long Term Strategy and to constantly monitor the organization positioning.