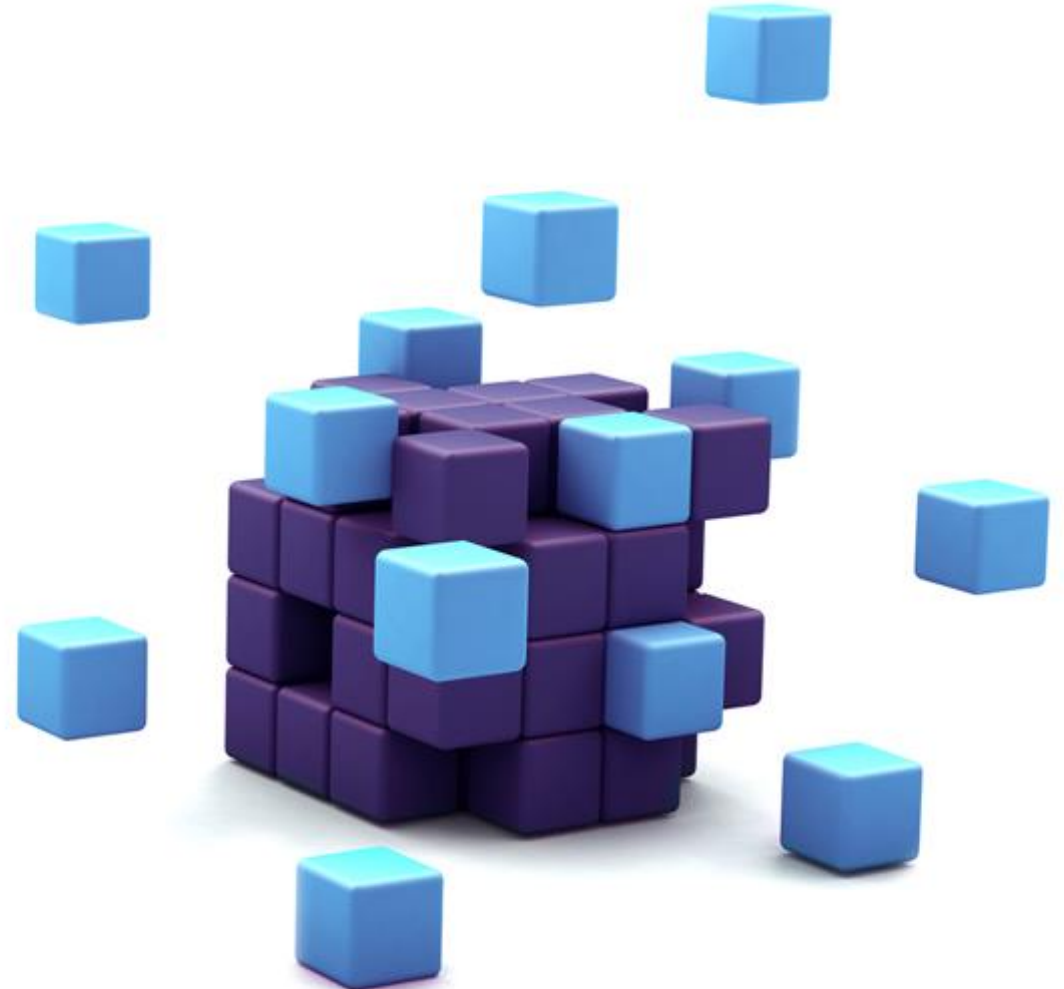


PLANNING, BUDGETING AND FORECASTING 101

SEPTEMBER / OCTOBER 2019 - 6 CFU

LESSON 2





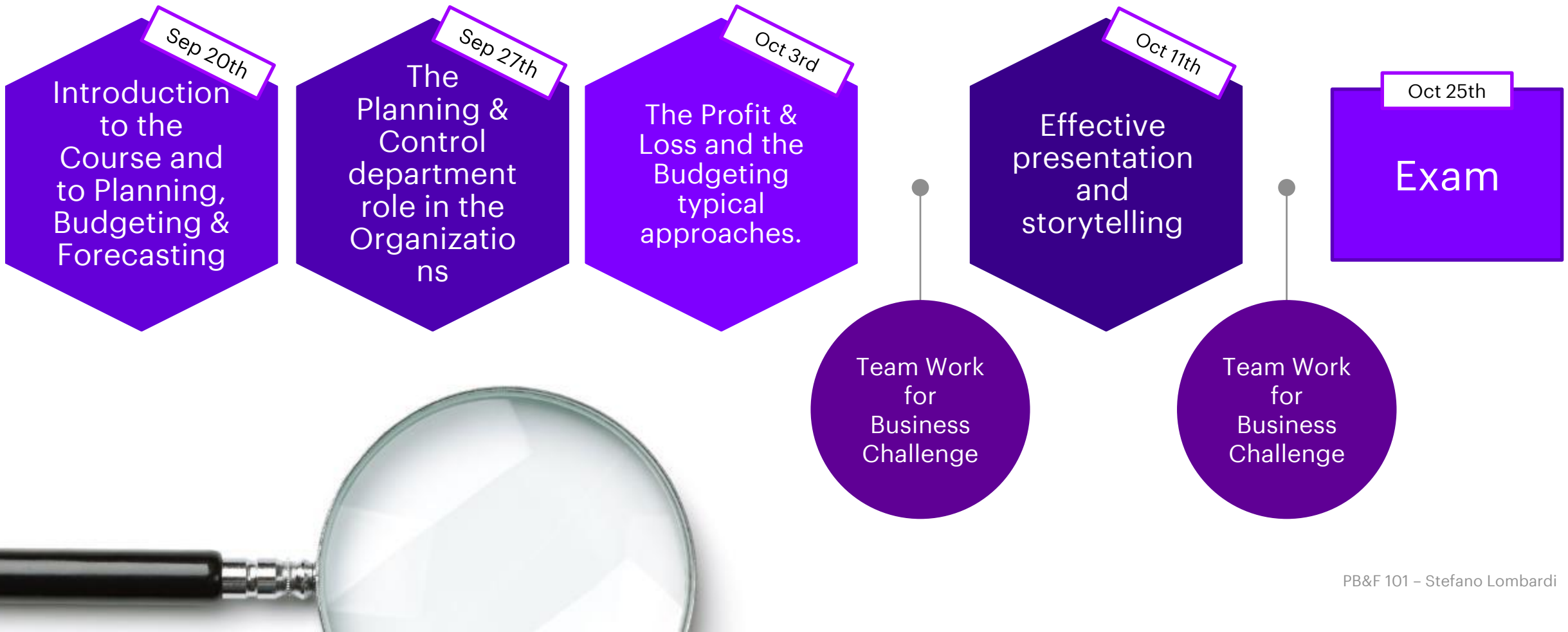






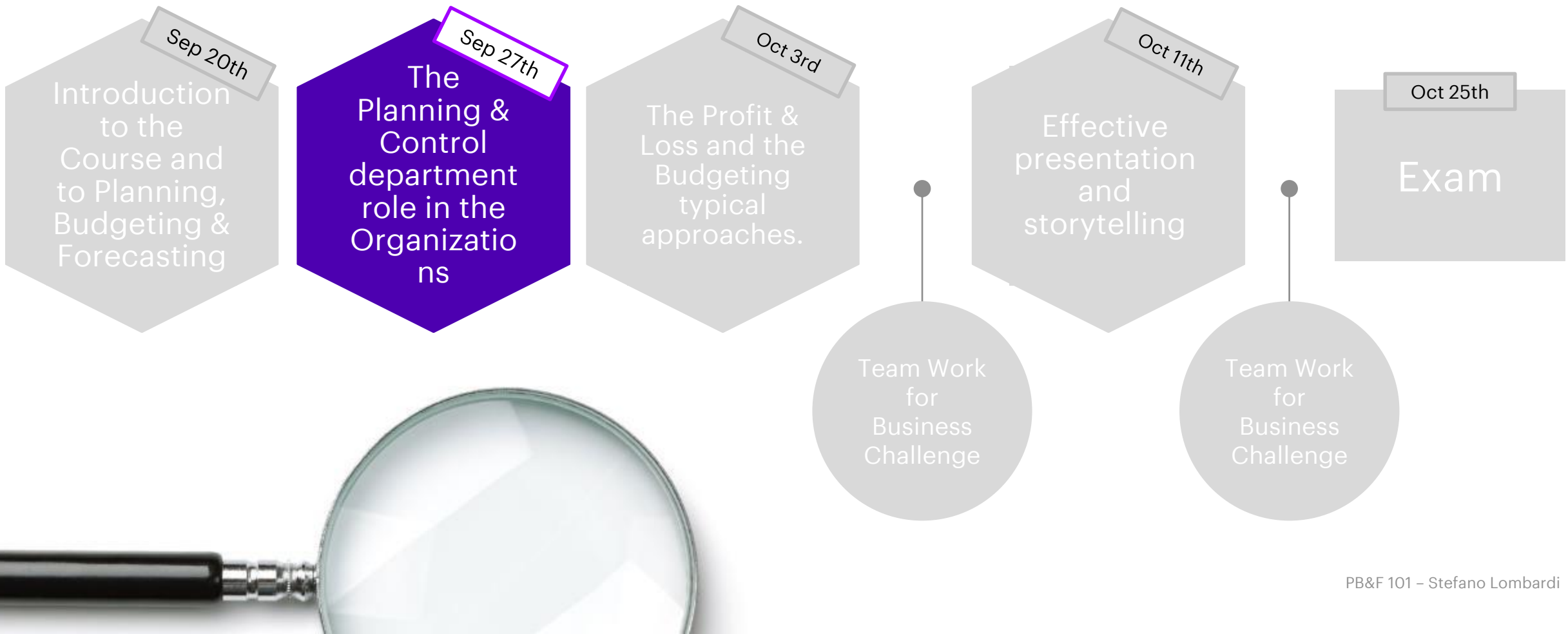
COURSE TARGETS AND STRUCTURE

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**.



COURSE TARGETS AND STRUCTURE

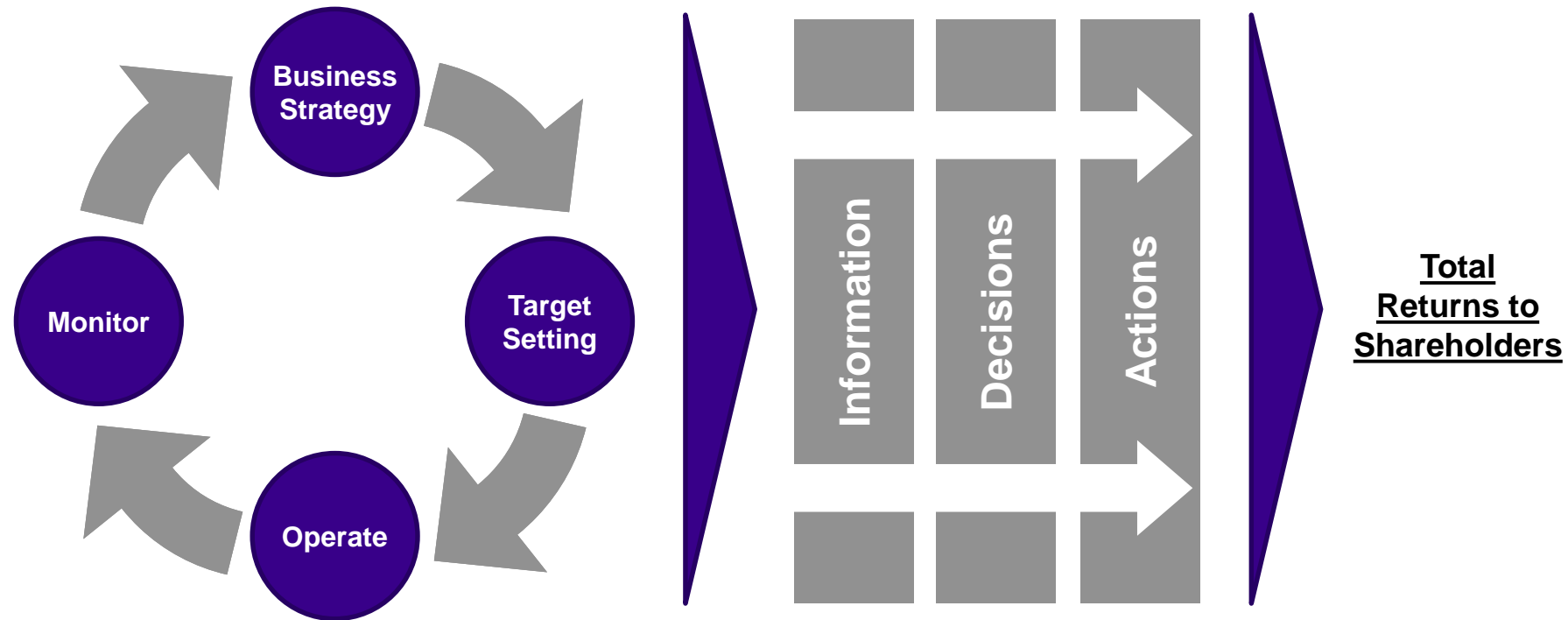
The aim of this course, which includes a **Business Challenge**, is to **bring students closer to the real working life within the Planning and Control departments**.



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.

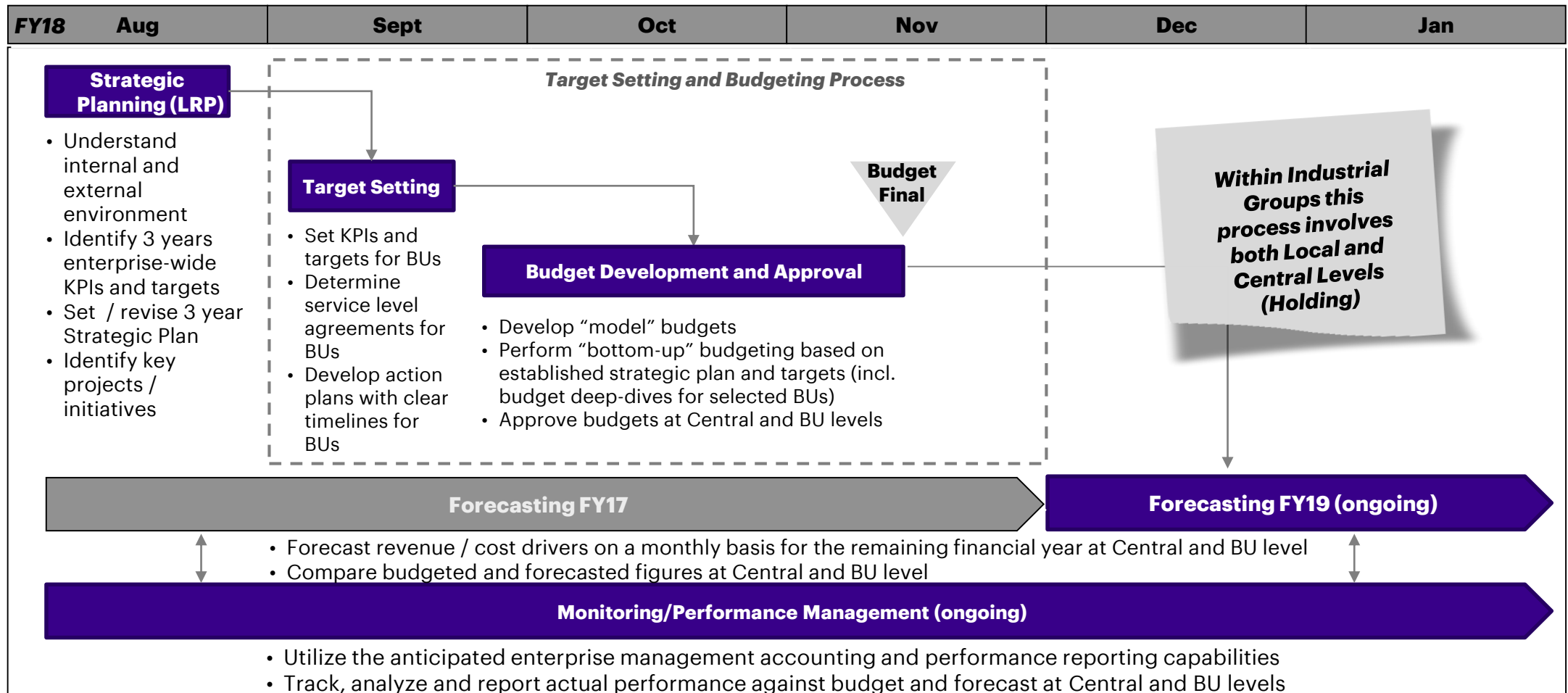


An effective EPM capability enables to focus and align the organization to the key drivers of its strategy, to plan and forecast based on these drivers, to measure results, and course correctly accordingly.

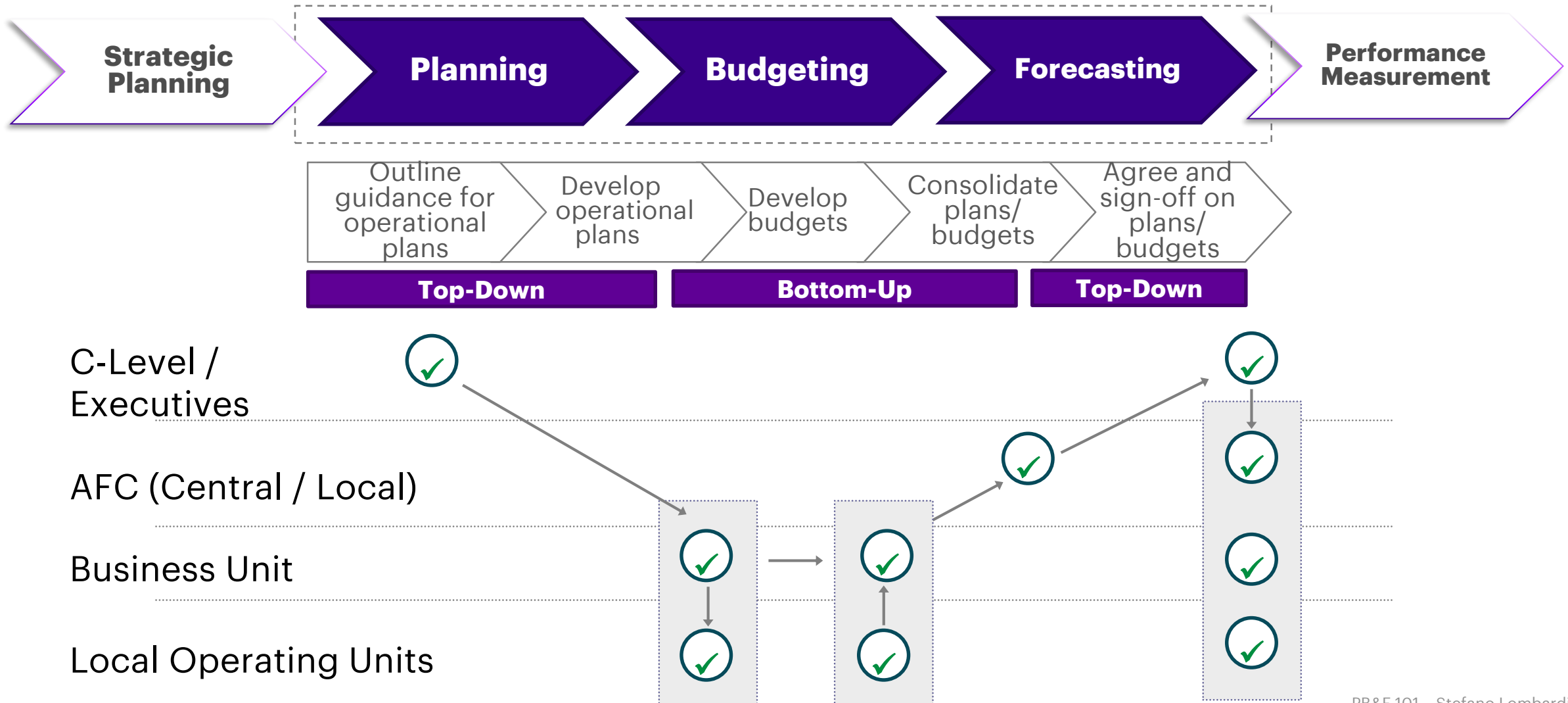
PLANNING, BUDGETING AND FORECASTING – SAMPLE PROCESS TIMING

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



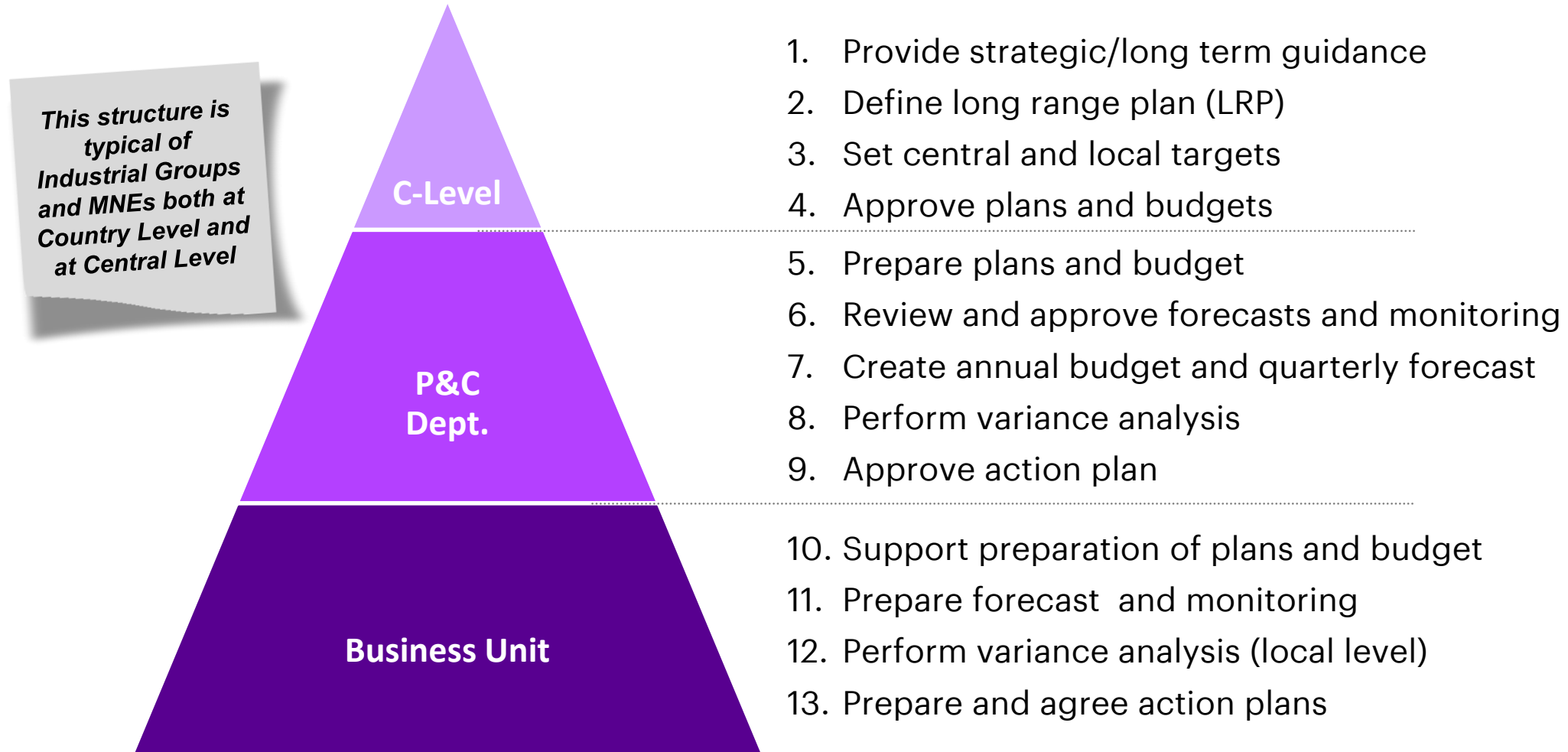
Università di Roma
Tor Vergata

ILLUSTRATIVE



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

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

THE “RACI” MATRIX

Process	C - Level / Executives	Central P&C	Local P&C	Business Unit	Local Operating Unit
1. Long Range Planning	A	R/C	C	I	I
2. Target Setting	A	R	C	I	I
3. Planning & Budgeting	A/C	C/R	R	C	C
4. Forecasting	I	A/R	C	R	C
5. Monitoring	I	A/R	C	R	C

PLANNING, BUDGETING AND FORECASTING - “RACI” MATRIX EXAMPLE

WHAT “RACI” STANDS FOR?







R: Responsible – “Does the work”

A: Accountable – “Approves”

C: Consulted – “Provides inputs”

I: Informed – “Receives communication”

PLANNING, BUDGETING AND FORECASTING - “RACI” MATRIX EXAMPLE

Chores	Name	Done?
Shower & Sinks - clean hair drain catcher - spray and clean mirror - scrub sink tops and insides - scrub soap holder in shower - scrub walls in shower - sweep/vacuum around	x Lauren 	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Toilets - empty small trashes - scrub and disinfect toilets - sweep/vacuum around - both toilets!	x Maya 	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Trash - take trash out EVERY time it's full - replace trash bags - get bathroom and lounge trash	x Emily 	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Vacuum & Dusting - vacuum lounge and hallway - vacuum rug in bathroom and lounge - empty trash bag into trash - dust lounge and hallway - clean glass table with Windex	x Candy 	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Recycling - take all recycling downstairs EVERY time it is full - clean out bins every time - empty cups with liquids in them - make sure to separate recycled stuff	x Lara 	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
TAKE THE WEEK OFF!	x Kylee 	<input checked="" type="checkbox"/> yes

R: Responsible – “Does the work”

A: Accountable – “Approves”

C: Consulted – “Provides inputs”

I: Informed – “Receives communication”

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. Long Range Planning	A	R/C	C	I	I
2. Target Setting	A	R	C	I	I
3. Planning & Budgeting	A/C	C/R	R	C	C
4. Forecasting	I	A/R	C	R	C
5. Monitoring	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

"Forecasting does not seem to have any accuracy."

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

"Mix several needs in one tool. This tool is just for

"Bud2014 was a rough best

"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

[Recurring and cascading PB&F meetings] "work and

"More ROI needed. ... the different definitions a time. Time biggest bo

ms are too icated, the systems not sufficient, the le not well enough ed on the old systems - Ve quickly need more pport or new ems!!!"

"Follow up has a plan. we/you goi this up. Wh campaign

tactics is needed"

"Forecasting does not seem to have any accuracy."

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

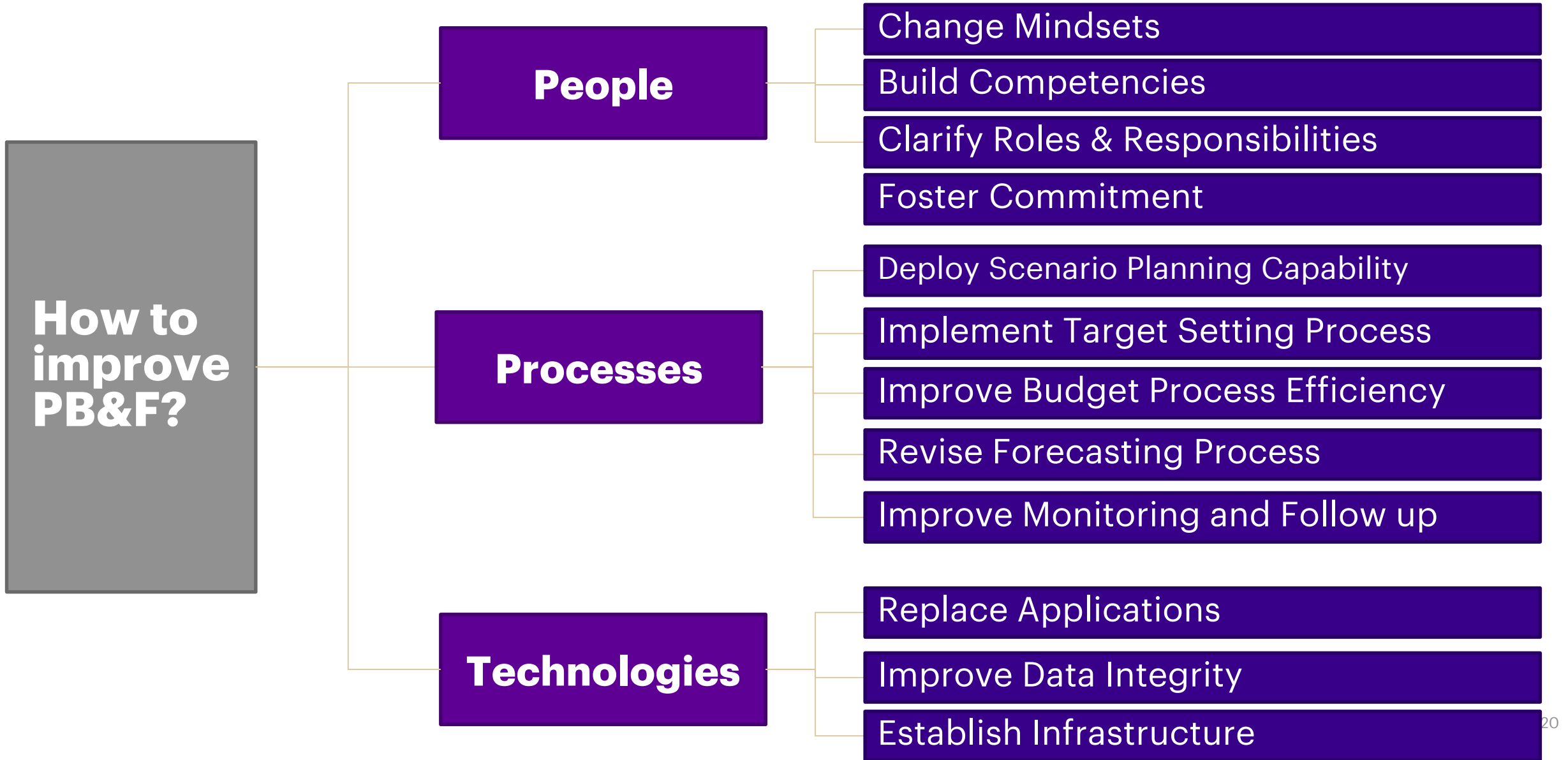
"We are seeing some investment over recent months to improve process and tooling, but I believe this should be continuous."

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

is how do accurate forecasts, esp. nothing in place to calculate customer development."

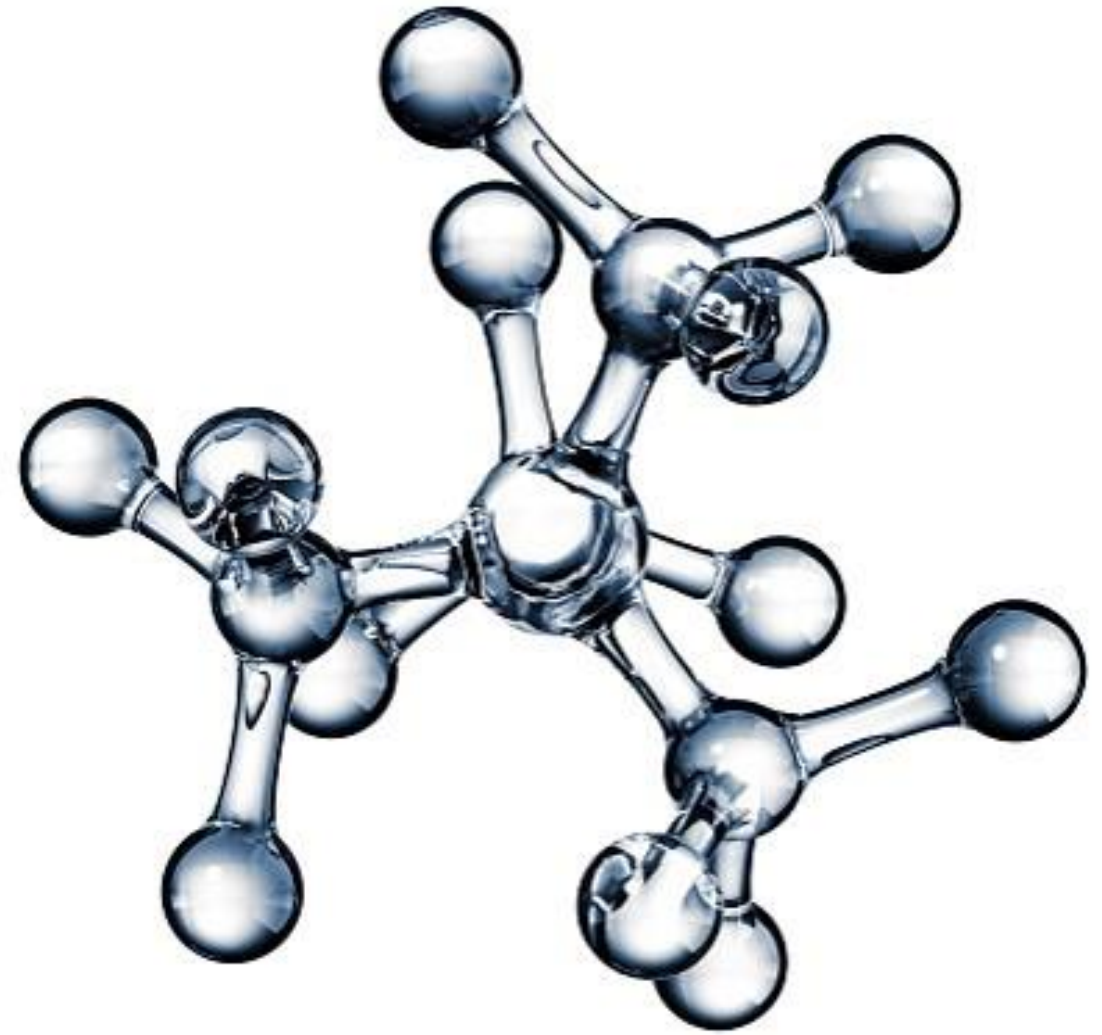
"Excellent model to get Merchandise, Marketing, Operations, Finance etc. on the same train to one common goal.."

KEY INITIATIVES TO IMPROVE PB&F



THE COMPANY CONTROL MODEL

WHAT IS A CONTROL MODEL?



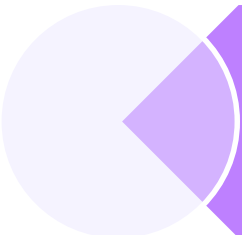
WHAT IS A CONTROL MODEL?



... 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

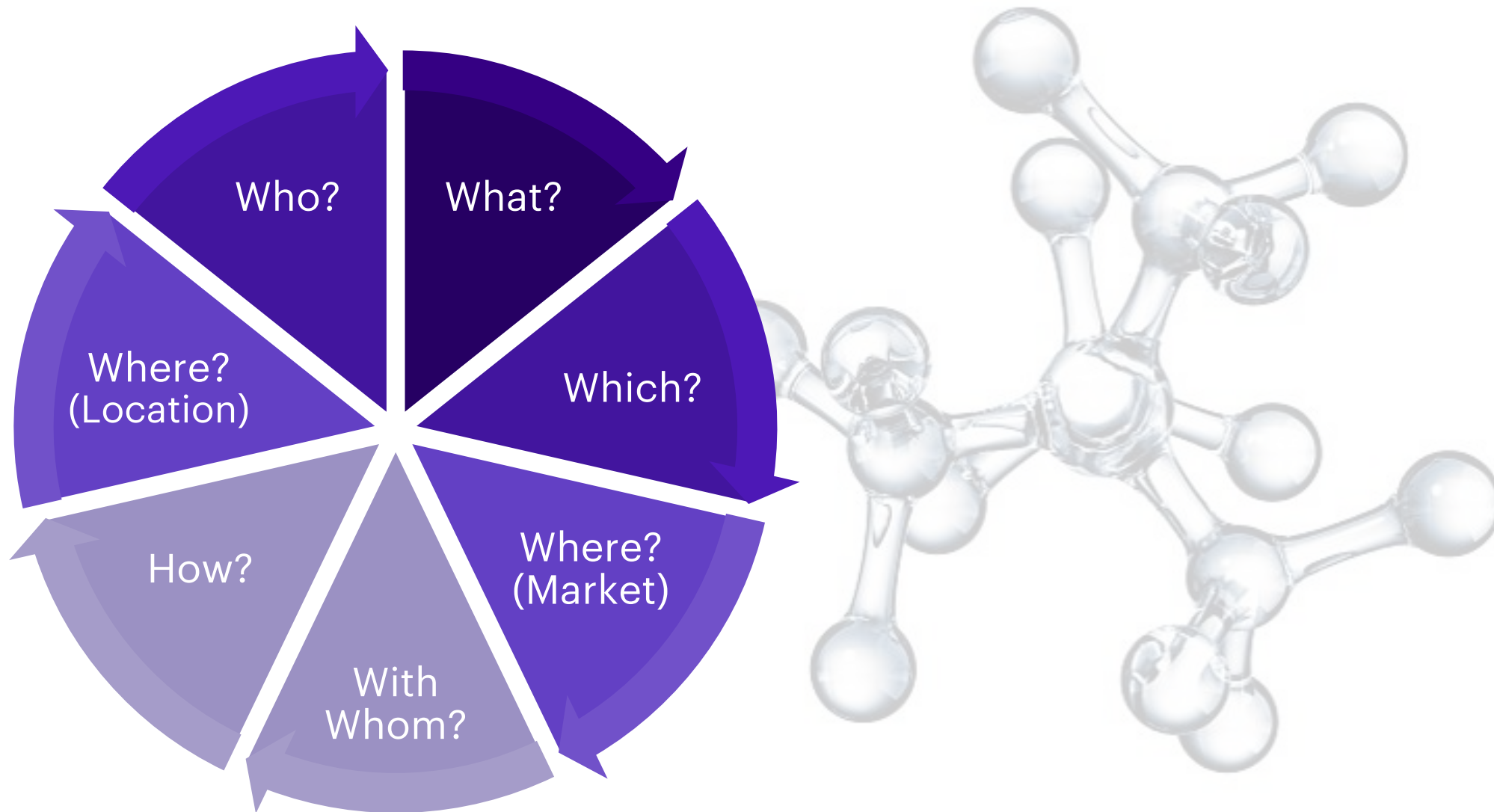
③ **Accountability**

Define indicators and related control dimensions, consistent with organizational accountabilities

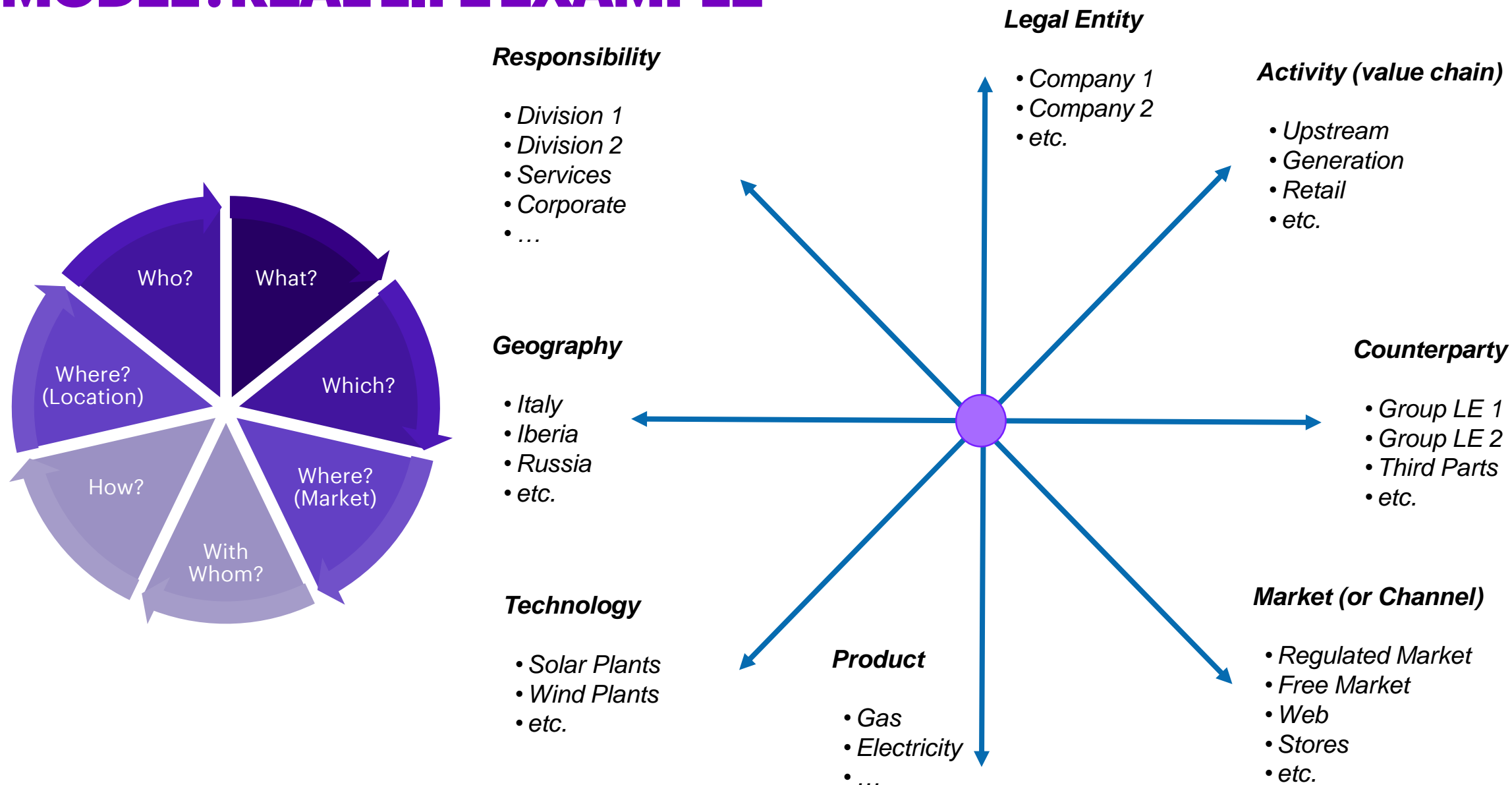
④ **Actionability**

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

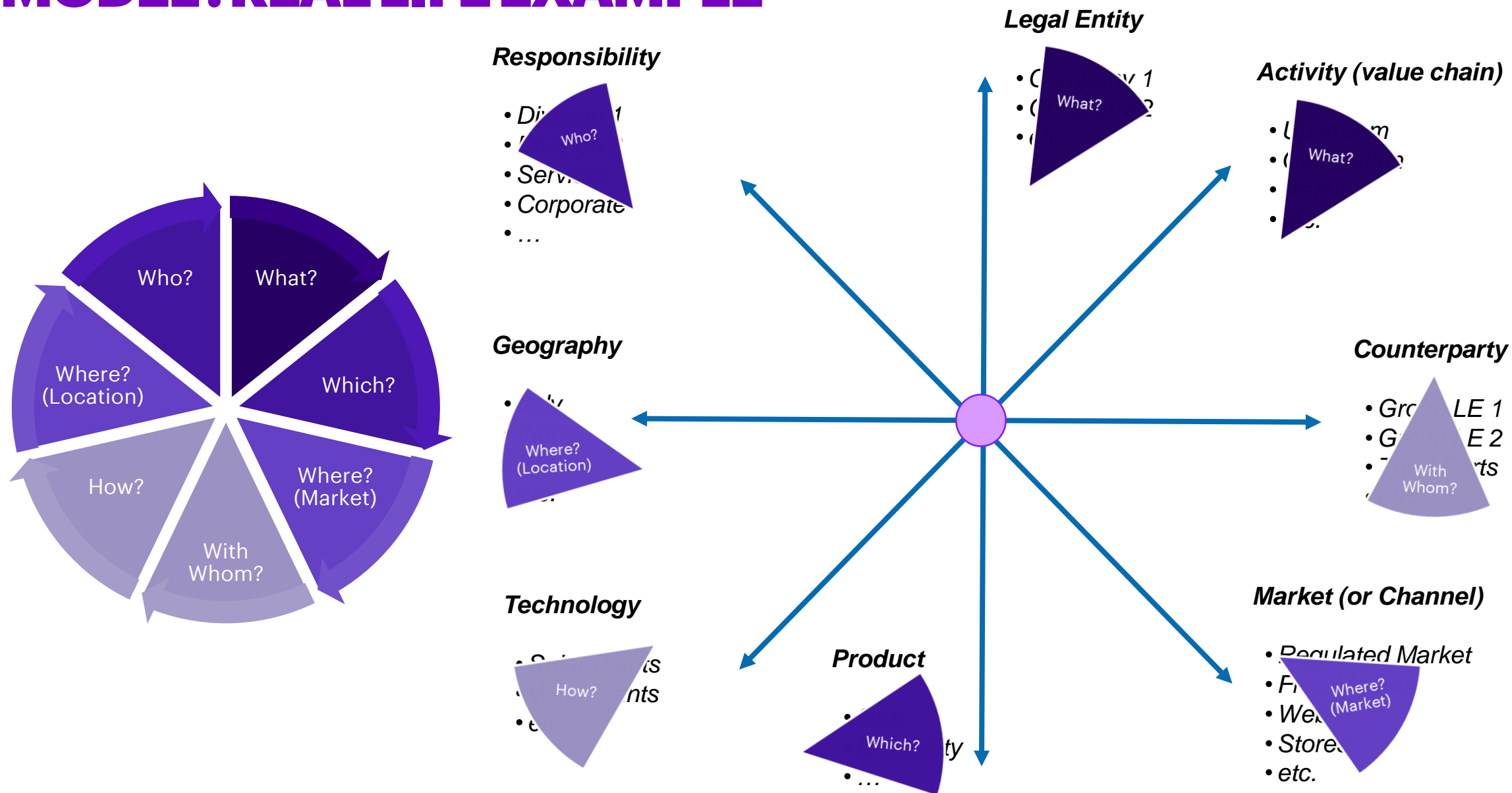
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL



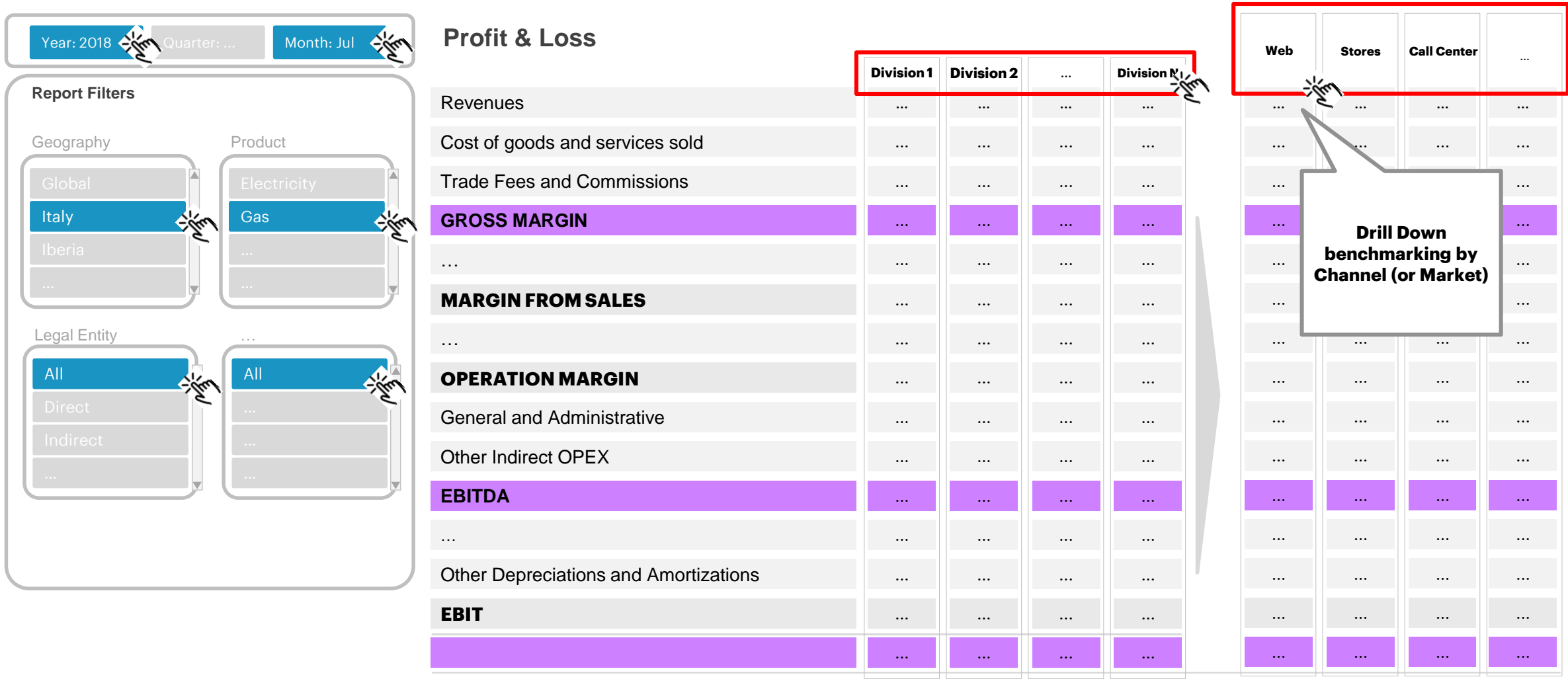
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL: REAL LIFE EXAMPLE



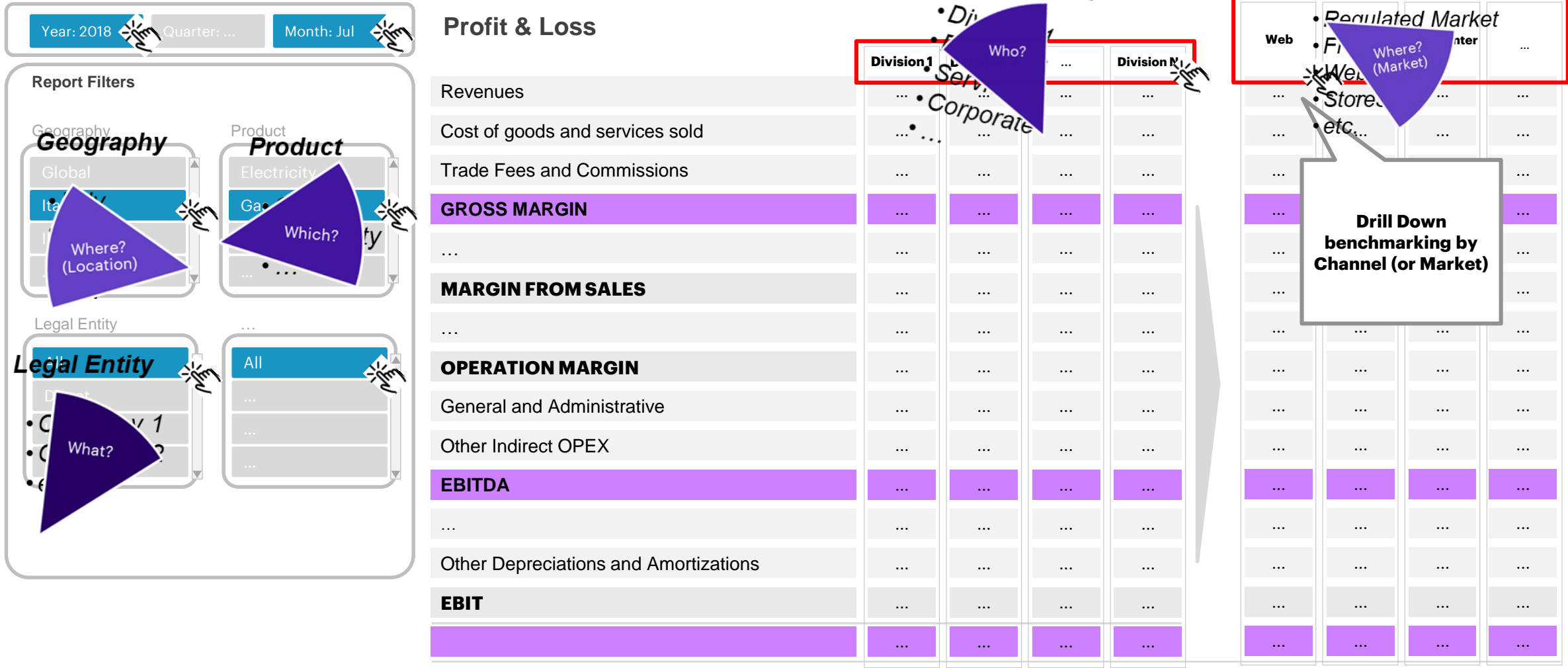
KEY QUESTIONS ADDRESSED BY THE CONTROL MODEL: REAL LIFE EXAMPLE



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	...	...	...	...		...	...	...	...

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
Cost of goods and services sold
Trade Fees and Commissions

GROSS MARGIN

MARGIN FROM SA

OPERATION MARG

General and Administra

Other Indirect OPEX

EBITDA

Other Depreciations and Amortizations

EBIT

Division
Directors/
CEOs

Channel
Directors

	Mr. Doe	Mr. Rossi	Mrs. Smith	Miss Fulano	Mr. Sultano	Mrs. Mengano	
	Division 1	Division 2	Division N	Web	Stores	Call Center	...
Revenues	...	...	...	...	...	...	...
Cost of goods and services sold	...	...	...	...	...	...	...
Trade Fees and Commissions	...	...	...	...	...	...	...
GROSS MARGIN	...	...	...	...	...	...	...
...
MARGIN FROM SA
...
OPERATION MARG
General and Administra
Other Indirect OPEX
EBITDA
...
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EBIT

- 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**