



VENTANA RESEARCH



Next-Generation Business Planning

Utilizing Information and Technology to
Improve the Planning Process

Research Report
Executive Summary



Sponsor

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Proformative

Ventana Research performed this research to determine attitudes toward and utilization of next-generation business planning. This document is based on our research and analysis of information provided by organizations that we deemed qualified to participate in this benchmark research.

This research was designed to investigate next-generation business planning practices and needs and potential benefits. It is not intended for use outside of this context and does not imply that organizations are guaranteed success by relying on these results to improve business planning. Moreover, gaining the most benefit from next-generation business planning requires an assessment of your organization's unique needs to identify gaps and priorities for improvement.

The full report with detailed analysis is available for purchase. We can provide detailed insights on this benchmark research and advice on its relevance through the Ventana On-Demand research and advisory service. Assessment Services based on this benchmark research also are available.

We certify that Ventana Research wrote and edited this report independently, that the analysis contained herein is a faithful representation of our evaluation based on our experience with and knowledge of business planning processes and technologies, and that the analysis and conclusions are entirely our own.

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Executive Summary

Planning is the process of creating a detailed formulation of a program of action to achieve some overall objective. Business planning encompasses all of the forward-looking activities in which companies routinely engage, such as sales, production and head-count planning as well as budgeting. Among the several benefits it conveys, planning helps to get everyone onto the same page to ensure that activities are coordinated. When they are, it becomes possible to understand the impacts of policies and actions in one part of the company on others and the organization as a whole.

Today, budgeting and operational planning efforts are typically only loosely connected. In contrast, next-generation business planning closely integrates unit-level operational plans with financial planning. Relying on information technology, it enables companies plan faster with less effort while achieving greater accuracy and agility.

Ventana Research undertook this benchmark research to determine the attitudes, requirements and future plans of organizations that engage in business planning and to identify the best practices of those that are most mature in it. We set out to examine both the commonalities and the qualities specific to major industry sectors and sizes of organizations. We investigated 11 types of planning that span the range of business activities and take place in most organizations. We also aggregated the findings for each type to arrive at general conclusions about the state of planning, issues companies encounter in the process, the technology they use and their intentions going forward.

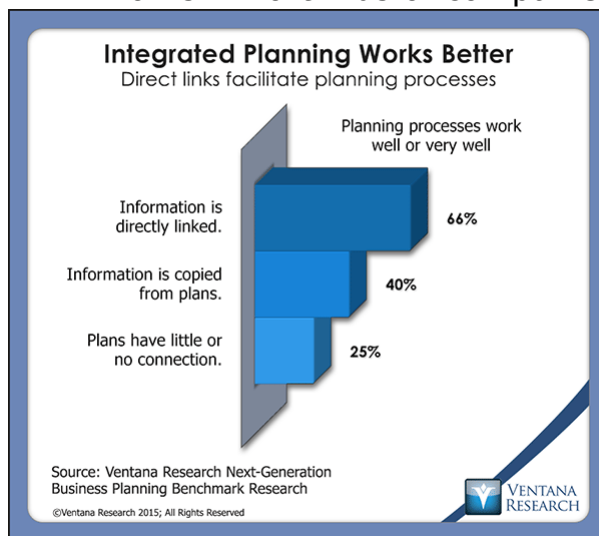
The most common types of planning typically are created by departments in a stand-alone fashion and receive little or no direct input from other parts of the organization.



The research finds that all 11 of the most common types of planning activities typically are created in a stand-alone fashion by the departments primarily responsible for them and receive little or no direct input from other parts of the organization. The main exception is the budget, which is the only integrated business plan; most companies connect individual plans with the budget in some way.



The research finds a correlation between how a company connects individual plans with the budget and how well the planning process works. Two-thirds of companies that have direct links from individual plans to their budget said their planning processes work well or very well, compared to two in five that copy detailed information from individual plans into the budget and just one-fourth that have little or no connection between individual plans and the budget.



Coordination is an important part of an effective business planning process, and the research confirms that communication is essential to coordination. A key channel is communication of strategy and objectives from top management to the rest of the organization.

Yet only one-third of research participants said that executives and managers do well at communicating strategy and objectives related to planning, and only 12 percent said they do that very well. The impact is evident: More than three-fourths of companies in which strategy and objectives are communicated very well said they have a process that works very well; only 3 percent that have adequate or poor communication said they have a process that works very well.

A second critical aspect of coordination is collaboration. Perspectives from people in different roles or departments can help produce more complete plans and identify risks and opportunities. Here again many organizations fall short: Only half collaborate effectively or very effectively. And this, too impacts the process: 85 percent of organizations that collaborate effectively or very effectively said they manage the planning process well or very well. Along similar lines, nearly half (47%) of participants reported that they have only a general idea of the impact of their department's plan on the rest of the company.

Research participants rated business and social collaboration second in importance among six types of innovative technology. However, the forms of collaboration they said are most important are conventional:



email and sharing files through the company intranet. But 36 percent use discussion forums and one-fourth or slightly more use wall posting or Facebook-like capabilities, broadcast or Twitter-like capabilities, and social recognition for contributing to or accomplishing tasks.

In general, leaving planning to be done using ad hoc approaches is likely to undermine its success. In all but small companies (with fewer than 100 employees), planning processes should be managed formally to ensure that the efforts are efficient and the results are optimally useful to the business. Our analysis correlates how well a company



manages its planning processes with efficiency: 85 percent of those that manage planning well or very well said that they spend the right amount of time on it, compared to 46 percent of those that manage it adequately and just 6 percent that do it poorly. Three-quarters of the companies that plan poorly said they spend too little time on the processes. Likewise, more than three times as many that manage planning well or very well said that the plans they develop are accurate or very accurate as did those

that manage their process adequately, and almost none of those that manage it poorly said they have accurate plans.

Inefficient processes conducted in isolation inhibit effective planning, and the use of inappropriate technology tools can compound problems. Desktop spreadsheets are the tools most commonly used: The research finds that seven out of 10 midsize or larger companies use them across the range of the 11 planning processes we examined, yet nearly half (48%) of participants said that spreadsheets make it difficult to manage planning processes. Conversely, just 30 percent use dedicated planning applications, but those participants said they are satisfied with their planning process and that their process is well managed more often than did spreadsheet users.

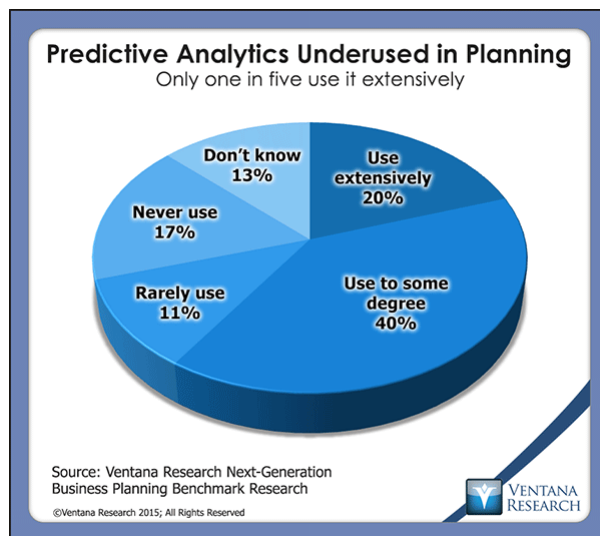
The research shows also that capable software can help improve coordination and align departmental plans to corporate strategy and the plans of other departments. Companies that use dedicated



planning applications are able to estimate accurately one plan's impact on others twice as often as those that use spreadsheets (26% vs. 13%). Those applications also can help users collect the information they need to evaluate potential trade-offs. While 58 percent of all research participants have limited or no ability to measure the trade-offs in plans in which they are involved, three out of five that use dedicated planning applications have all or most of the numbers they need to do that.

Tools designed for the task can enable users to undertake more advanced planning techniques as well. For example, scenario planning can help companies anticipate responses to future trends and compare trade-offs in selecting one direction over another. In this case, however, the largest percentage (42%) of participants have a limited ability to explore and understand scenarios or do not use scenarios at all. Spreadsheets in particular are limited in their ability to deal with multiple business dimensions simultaneously and so can't be much help in working through any but rudimentary scenarios. On the other

hand, more than half of users of dedicated planning applications can explore all relevant scenarios and examine their implications.



Emerging technologies also are beginning to impact organizations' ability to plan in more forward-looking, coordinated ways, but the research finds that most organizations have yet to take advantage of these innovations. Among next-generation technology categories, the largest percentage of research participants (70%) said

analytics is critical for improving their business planning. Predictive analytics in particular can provide insights into future possibilities, keeping plans relevant longer and enabling planners to anticipate trends and spot important deviations from them. For example, users can identify quickly when actual results are not matching what was expected and determine how to take corrective action. Currently two out of five organizations use predictive analytics to some degree, but only half that many use it extensively. Nearly all of that latter group, however, said that their plans that are accurate or very accurate.



Mobile technology is another potentially impactful innovation that can broaden access to and participation in business planning. The research shows it beginning to gain favor; although only a minority (24%) have used it for at least a year, more (30%) have begun to use it more recently or will begin to use it within a year.

We find greater adoption of cloud computing for business planning. Like mobility it can facilitate access to information and applications, and it can save money on technology and

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maintenance since users rent the applications, access them on the Internet and leave management to the vendor. Nearly two-thirds (64%) of organizations now use cloud systems for planning. Groups doing sales forecasting, marketing planning and supply chain planning most often prefer to deploy their applications through software as a service (SaaS).

Our Performance Index analysis of the research findings places the most (43%) organizations at the lowest of four hierarchical levels, Tactical, and the fewest (11%) at the highest Innovative level. Among the four dimensions by which we segment performance,

participants do least well in Technology, for which the majority, 52 percent, are Tactical. They perform best in the Process dimension, to some extent because planning processes, whether effective or not, often are well established. They also lag in the People and Information dimensions, where more than two-thirds rank at the two lowest levels.

The findings of this benchmark research lead us to conclude that all but a few companies would benefit significantly from investing in improving the various aspects of planning, particularly technology. Applications dedicated to planning and next-generation tools such as analytics, collaboration and mobility can contribute to the development of fast, forward-looking plans that help in the spectrum of planning processes and benefit the entire organization.



About Ventana Research

Ventana Research is the most authoritative and respected benchmark business technology research and advisory services firm. We provide insight and expert guidance on mainstream and disruptive technologies through a unique set of research-based offerings including benchmark research and technology evaluation assessments, education workshops and our research and advisory services, Ventana On-Demand. Our unparalleled understanding of the role of technology in optimizing business processes and performance and our best practices guidance are rooted in our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions in every industry. This benchmark research plus our market coverage and in-depth knowledge of hundreds of technology providers means we can deliver education and expertise to our clients to increase the value they derive from technology investments while reducing time, cost and risk.

Ventana Research provides the most comprehensive analyst and research coverage in the industry; business and IT professionals worldwide are members of our community and benefit from Ventana Research's insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including [Twitter](#), [Facebook](#), [LinkedIn](#) and [Google+](#).

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Appendix: About This Benchmark Research

Ventana Research designed this benchmark research for executives and senior management, vice presidents, directors, managers and users of business planning applications or those involved with the purchasing of technology for this area. The research was conducted from May through July 2014. Applying our standard methodology and quality assurance criteria, we identified 261 qualified participants. They represent a range of organization sizes: 19 percent from very large companies (having 10,000 or more employees), 36 percent from large companies (with 1,000 to 9,999 employees), 28 percent from midsize companies (with 100 to 999 employees) and 18 percent from small companies (with fewer than 100 employees). A large majority (87%) of these companies are located or headquartered in North America, although many of these are global organizations operating worldwide. Among industry categories, companies in manufacturing accounted for 37 percent, those that provide services for 36 percent and those in finance, insurance and real estate for 18 percent. Government, education and nonprofits accounted for the remaining 9 percent. Categorized by their job title, 20 percent are executives, 14 percent are in management, and the majority (61%) are what we term users in the lines of business. By functional area, 23 percent work in IT, 22 percent in accounting or finance and the remainder in a variety of functions, each with no more than 8 percent. (More demographic detail about the participants is available in the full research report.)

This Executive Summary is drawn from the full Ventana Research Benchmark Research report. The full report is available for purchase, payable by check or credit card. Advice and focused guidance based on this benchmark research can be purchased through our Ventana On-Demand service. For more information about the full Benchmark Research report or assessment of your organization using our Performance Index methodology, please contact us at sales@ventanaresearch.com.