



VENTANA RESEARCH



# Long-Range Planning

Steps To Develop a More Effective Process

White Paper



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**January 2015**



Ventana Research performed this research to determine attitudes toward and utilization of long-range 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 long-range planning practices and needs of individuals and organizations and the potential benefits from improving their existing processes, information and systems. This research 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 planning. Moreover, gaining the most benefit from improving long-range 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 to an organization 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 finance and long-range planning, and that the analysis and conclusions are entirely our own.

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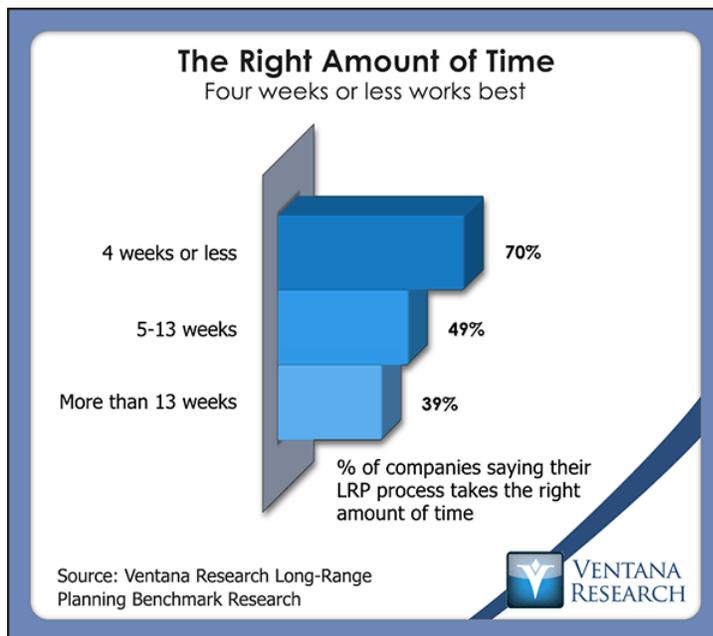
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## Executive Summary

Companies use long-range planning to determine the best strategy for succeeding in their markets and to ensure they have the assets needed to support their strategic objectives. This process includes planning the allocation of investments in those assets and identifying resources (both financial and otherwise, such as personnel with the appropriate skills) sufficient to support them. Long-range planning can be complex, involving various activities, departments and people; it requires consistency in the preparation of plans across the organization and alignment of them all to company strategy.

The time span covered by long-range planning can differ from one company to the next and significantly among industries, but it almost always exceeds one fiscal year. The actual length of the plan is determined partly by the natural business cycle of the industry. So, of



course, are the details that comprise it. Nevertheless, there are common factors in nearly all long-range plans. Ventana Research undertook this benchmark research to determine the attitudes, requirements and future plans of those who engage in long-range planning and to identify the best practices of organizations that are most mature in it. We set out to examine both the commonalities and the qualities specific to major industry sectors and across sizes of organizations.

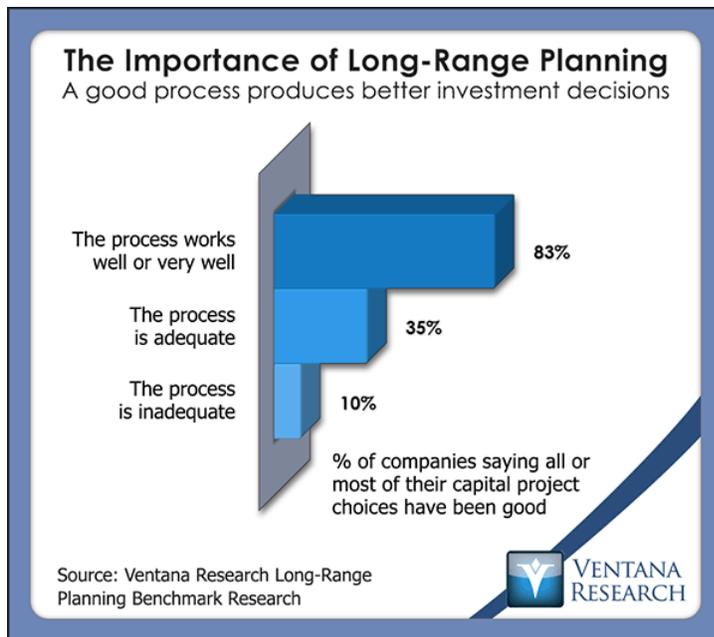
We considered how organizations perform long-range planning, what they plan, issues they encounter in the process and the information technology they use.

The research found that three-fourths of participating organizations develop a long-range plan annually, and almost that many review it either monthly or quarterly. More than eight in 10 organizations have a process that is highly or somewhat centralized. In terms of size as



measured by the number of employees, midsize companies (60%) most often have a highly centralized process and very large ones (31%) most often have a mainly decentralized process. We attribute these differences to the relative complexity of the organizations; the diversity of individual units and the scale of planning found in the largest companies may encourage decentralization. Regardless of size, more than half (55%) described their process as top-down with bottom-up input: Senior executives establish goals that are informed by input from those who will have to realize them.

To complete the long-range plan, the majority take five to 13 weeks; one-fourth take less time and one-fifth take more. Size matters here also, as more midsize organizations than large and very large ones take a month or less. The order is inverse among those requiring more than one quarter to complete the plan, with more very large organizations taking that long than the large and midsize. Our analysis concludes that one month is the optimal time frame for hammering out the details of the plan: Of those who said creating their plan takes the right amount of time, 70 percent do it in four weeks or less; the longer it takes, the fewer who said that's the right amount of time. We note



that two-thirds of participants who are in charge of managing the long-range planning process said it takes the right amount of time while half or fewer of those who are part of that management process or simply are involved said so. This leads us to warn process leaders against complacency and recommend that they examine ways to shorten it, especially if their organization takes a quarter or longer to accomplish it.

Most organizations (59%) said that their long-range planning process works well enough but admitted it needs some adjustments; another one-fourth were less sanguine, calling the process adequate but requiring changes. Similar percentages said that about their abilities to select initiatives and



capital projects, manage the execution of major initiatives and capital projects, align long-range planning with strategy and measure the actual return on investment. Thus the research points to room for improvement in almost every aspect of long-range planning.

This pattern also extends to managing the execution of initiatives and projects. Just 11 percent said they manage them very well while slightly more than half (53%) said they do it well and one-fourth said they execute neither well nor poorly. We find a correlation between planning process and execution: 79 percent of those who said their

Long-range planning affects the entire organization, so executives should provide appropriate leadership. They must communicate organizational strategy clearly and consistently.

process works well also said they manage initiatives and projects well, compared to 41 percent of those with a process that is just adequate or inadequate. Even more participants (88%) whose process works well said their choices of major initiatives and capital projects are consistently good or mostly good, compared to 31 percent of those that have processes that need substantial changes or are inadequate. To put this in context, overall about half of participants said most of their selections of projects have been good, but just 10 percent said they've been consistently good.

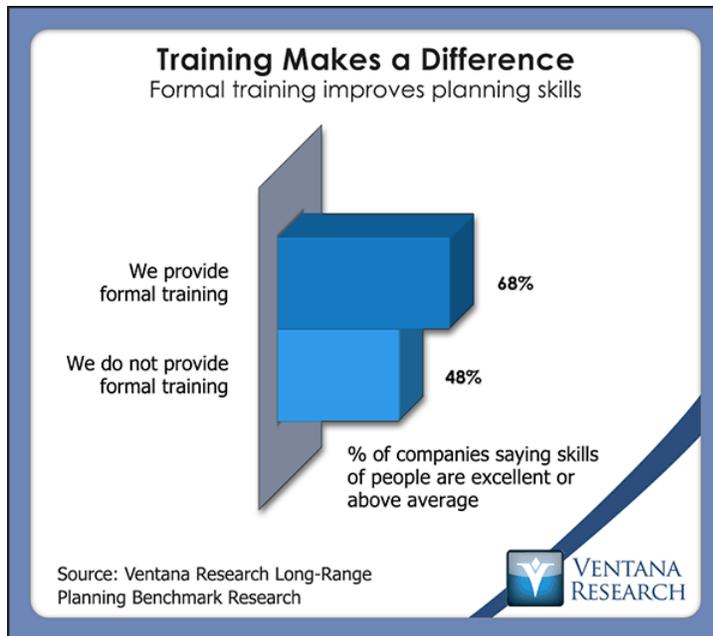
Long-range planning affects the entire organization, so executives should provide appropriate leadership. In particular, we believe they must communicate organizational strategy clearly and consistently, before and during the process. Yet only one-fourth of research participants said their executives do this; half said they communicate the general idea, and 16 percent said they do not communicate objectives well or at all. Further analysis reveals the importance of such communication: Almost all (93%) organizations whose executives communicate strategic objectives clearly and consistently have a long-range planning process that is well or perfectly aligned with those objectives, compared to just 30 percent of those that do not communicate well or at all.

Planning also requires expertise among those who do it, but only 29 percent of organizations provide formal training to ensure that, among



other things, participants have the requisite professional skills and that a consistent methodology is applied. The research suggests that such training helps: Two-thirds of participants from organizations that provide formal training rated the skills of the people involved in long-range planning as excellent or above average compared to fewer than half of those that do not. About the same number of those that have training said their process takes the right amount of time, again compared to fewer than half of those that don't offer it.

A key purpose of long-range planning is to prepare the organization for changes in the business environment. It's understandable that almost



no research participants (4%) said their organization can react immediately to external changes, but only 41 percent said their process allows them to react soon enough and half (49%) to react after a lag or a considerable lag. As well, only 14 percent characterized their ability to respond to such changes as well-coordinated; most (60%) described it as somewhat coordinated. Thus most organizations cannot be sure that their plan supports the timely response necessary in today's fast-evolving mar-

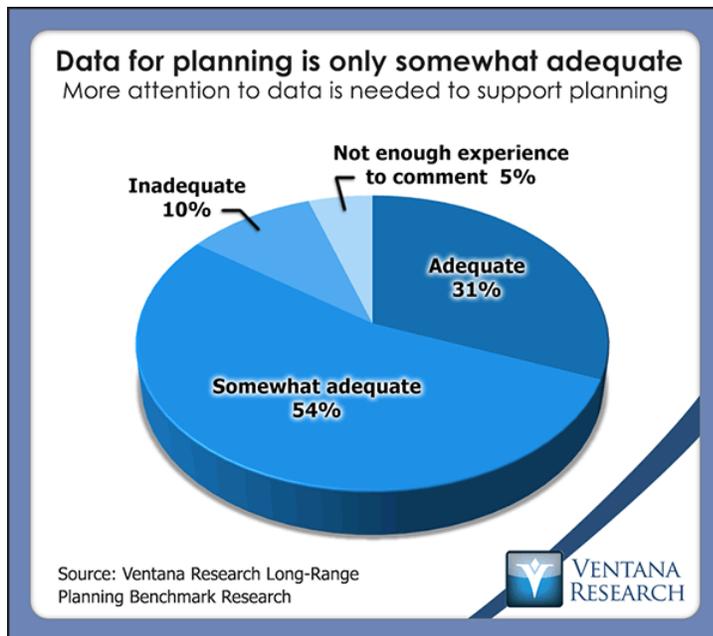
kets. One action that can help is to integrate the long-range planning process with operational planning and budgeting, which more than half of participants have done to some extent. Two-thirds of those that have done this said they can respond to changes immediately or soon enough, compared to one-fifth of those that have little or no integration.

Like so many other business activities today, long-range planning relies on information. We asked participants about the quality of the data they use in planning and found in their replies fundamental impediments to the reliability of the process. Nearly two-thirds said the data available for use in strategic and long-range planning is only somewhat adequate or, indeed, inadequate. Likewise, three-fourths



said the data available for planning major initiatives and capital projects is only somewhat accurate or to some extent inaccurate. And regarding the timeliness of data for projects, the majority said most of it is up to date but some is stale.

All these issues impact the efficiency and effectiveness of long-range planning and ultimately corporate performance. In general, those with inadequate data take longer to complete their long-range plans. More whose data is accurate said they consistently make good choices about major initiatives and capital projects, and none of them said few if any of their choices have been good. Likewise, 91 percent of those with completely up-to-date data said their choices of major initiatives and capital projects have been good, 20 percent more than those with only mostly timely data. Twice as many participants whose data is adequate as those with inadequate data said that people are able to react in a coordinated fashion to changes in the business environment.



These findings constitute evidence that paying attention to and resolving problems in data quality are essential to superior planning.

Handling these and other data-related issues requires software with the right mix of features. In this regard, nearly half of participants said the software they use for planning and analysis of prospective projects and investments is only somewhat effective or ineffective. Participants also gave their software low ratings

for analytical tasks; for example, only 56 percent said it handles straightforward project-return calculations well or very well. We also find that in the past two years, three of five organizations (61%) have evaluated alternatives to the software they use. To date, however, only one-third of those have implemented new software.



As has been the case in other benchmark research, this undertaking finds a strong presence of desktop spreadsheets. About half of participants use them as their main software for forecasting and analyzing investments and projects in long-range planning. As well, 95 percent named spreadsheets as one of their five main sources for that forecasting and analysis, and two-thirds ranked them first or second. Yet only 36 percent said spreadsheets are generally or very effective for planning. More than half from large and very large organizations, which often have to perform complex analyses as part of their planning processes, said using spreadsheets makes it difficult to manage the process. Our research consistently shows that for enterprise use by more than a few people, spreadsheets are error-prone and lead to inconsistency and staleness in data.

About half of participants use spreadsheets as their main software for long-range planning. Yet only 36 percent said spreadsheets are generally or very effective for planning.



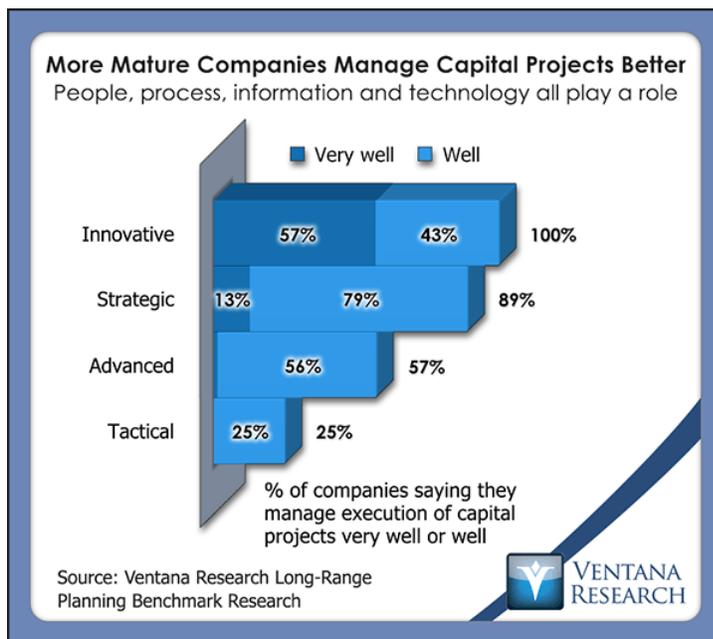
Among other types of software used for long-range planning, 15 percent of organizations use server-based spreadsheets, which have the familiar user interface but store data and apply controls centrally. Somewhat more (21%) use a dedicated planning application acquired from a third party or developed internally. Applications that use a central data store, which facilitates consolidating data from multiple sources, reduce errors and enable automation of aspects of process management. Both kinds were rated more effective than spreadsheets as planning tools: 59 percent said dedicated applications are generally or very effective, as did 44 percent of server-based spreadsheet users.

As noted above, just 20 percent of participants have implemented or decided to implement new software for long-range planning in the past two years. Slightly more than that of large and very large organizations have done so; only 12 percent of the midsize have, and nearly half of them have not evaluated new products. One-quarter of all organizations have done an evaluation but have not made a decision. The most prominent reasons for hesitating are an uncertain return on investment, a continuing evaluation process and an unwillingness to spend the money. Ventana Research recommends a



proactive approach to evaluation, which includes seeking capabilities that enable aspects of planning that you want to improve. In the research, more than three-fourths of participants said these are to assess impacts of potential operating changes, to review the current detailed plan, to quickly analyze and review actuals to plan and to see impacts of individual changes on the whole plan. In selecting new software for long-range planning, 80 percent or more said functionality, usability, reliability and manageability (ease of administration and security) are important or very important qualities.

When we applied our Maturity Index analysis to the research data, we found one-fourth to one-third of participating organizations at each of the three lowest levels of our four-stage maturity hierarchy and only



11 percent at the highest Innovative level. This indicates that most have considerable room for improvement in long-range planning. Getting the right people involved and trained should be a goal for the two-thirds that rank in the two lowest levels in the People dimension of maturity. Data issues discussed above also require attention, as only 6 percent are Innovative in the Information dimension. So does resolving dissatisfaction with planning software, especially the reliance on

spreadsheets; more than half of organizations rank at the two lowest levels of hierarchy in the Technology dimension. Long-range planning itself is a process, and only 10 percent are Innovative in the Process dimension, so improvement here also is critical.

We advise that organizations look at how they plan in the comprehensive manner detailed in our Maturity Index. Addressing issues in that way can enable them to make long-range planning the powerful strategic tool it can be and provide an edge on competitors that continue to plan in hit-and-miss fashion.



## Key Insights

This benchmark research yielded the following important general findings and key insights about how organizations perform long-range planning, including the frequency and duration of the process, what they plan, issues they encounter in the process and the information technology they use. (We discuss the maturity levels of this group in the Maturity Index portion of the full research report; the actual questions asked in our survey are in Appendix 2 of the research report.)

### **Organizations are maturing unevenly in long-range planning.**

Our Maturity Index analysis of long-range planning practices finds more than half of participating organizations at the two lowest levels of our maturity hierarchy, one-third at the second-highest Strategic level and only 11 percent at the most-mature Innovative level. Among the four dimensions by which we assess maturity in more detail, the largest percentage (30%) rank at the lowest Tactical level for the Process dimension; since long-range planning itself is a process, ensuring the proper amount of time is spent in planning (for most companies, one month appears optimal) and with the proper frequency of reviews (quarterly or semiannually) should be a priority. This can be assisted by improving the adequacy, accuracy and timeliness of data being used (the Information dimension, in which only 6% are Innovative) and the capabilities of software (the Technology dimension), which currently more than half of participants said is only somewhat effective or ineffective in helping them plan.

### **For most organizations, planning is an annual process reviewed quarterly or monthly.**

Three-fourths of organizations participating in this research develop a long-range plan annually, and most review it either monthly (41%) or quarterly (29%). About half (54%) take between a month and a quarter to produce their plan. Just one-fourth (26%) complete their long-range plans in four weeks or less, while twice as many (55%) take five to 13 weeks; 19 percent take longer. Larger companies as measured by number of employees tend to take longer than smaller ones. More midsize companies (36%) than large (24%) and very large (16%) organizations take a month or less, while very large ones



(29%) take more than one quarter more often than do large (18%) or midsize (14%) ones. We attribute these differences primarily to organizational complexity that accompanies size.

### **Long-range planning typically is a lengthy process.**

What the right amount of time is to spend on this process depends a great deal on the specific circumstances of an organization. Also, how long it takes to perform long-range planning depends on how one defines the starting point. A corporation may kick off a series of high-level discussions about strategy in September, begin hammering out the details of a quantified plan early in November and complete it at the start of December. For our purposes here, we define the process as taking four weeks, not three months.

This research suggests that one month to develop the plan is ideal. Of those who said creating their plan takes the right amount of time, 70 percent do it in four weeks or less while diminishing percentages of those that take five to 13 weeks (49%) and even longer (39%) said their plan takes the right amount of time. Conversely, half (53%) of those that take longer than 13 weeks said their process takes too long, compared to 37 percent of those that take four to 13 weeks and only 22 percent of the organizations that take four weeks or less. Shorter can be better if it becomes possible to focus on the essentials and drives an agile, action-oriented approach to planning. As well, a process that takes too long may be poorly designed or inadequately supported by training, data and technology.

More of those in charge of managing the process said it takes the right amount of time (67%) compared to those who are part of that management process (47%) or those who simply are involved (50%). This disparity suggests that, especially in companies that take longer than four weeks to complete their long-range plans, those in charge should examine their process and timeline to determine time-saving measures. Deliberation is necessary in planning for the long term, but for many companies that take longer than one month and nearly all that take longer than three, a faster cycle should be both feasible and beneficial.



## **Supporting the annual budgeting process tops the list of objectives of the long-range planning process.**

Asked about the main objectives of their long-range planning, participants most frequently said they are helping develop the annual budget (69%), optimally allocating capital or project investments (64%) and influencing corporate strategy (64%). The connection to short-term planning reflects a desire to ensure that the annual budgeting process is linked to the organization's long-term objectives and strategy. Quantifying long-range plans is the best way to engage in a structured dialog about how the annual budget connects to the company's long-term direction as well as the interplay of long-term strategy with the choices at hand for capital investments and major projects. Among industry sectors we analyzed, Government, Education and Nonprofits (81%) and Finance, Insurance and Real Estate (FIRE, 77%) most often cited developing the budget. This likely reflects their stronger need to focus on medium-term allotments of fixed costs, which are less important to Manufacturing and Services.

## **Most organizations practice centralized, top-down planning.**

The research reveals that centralization is the norm in long-range planning. This type of planning is undertaken mostly by senior executives to establish company-wide objectives consistent with corporate strategy. More than eight in 10 organizations have a process that is highly or somewhat centralized. Of the various size categories of companies, midsize companies (60%) most often have a highly centralized process; in contrast, twice as many very large organizations as overall have a mainly decentralized process (31% vs. 16%). The largest organizations are more likely to have a "holding company" structure in which the business models of individual divisions are different enough and the scale of the operation is large enough to warrant more dispersal of long-range planning. Most participants (55%) described their process as top-down with bottom-up input. This approach establishes a formal, structured dialogue in which senior executives establish goals that are informed by input from those who will have to realize them. We note that the information technology being used has a direct impact on the richness and value of this dialogue. If software or data issues bog down the back-and-forth or inhibit the scope of the discussion, the effectiveness of the planning process inevitably is diminished.



## **Various aspects of business are included in the planning process.**

On average, participants identified six aspects of business planning that their organization includes in a long-range plan. More than two-thirds cited capital spending for short-lived assets (78%), profit and loss forecasting (72%), major operational projects (70%) and capital spending for long-lived assets (66%). Fewer than half chose new market entry (49%), new product introduction (47%) and major marketing initiatives (43%), and the fewest included research and development (R&D, 39%). However, the industry and size of the business bears on what's included in the plan. For instance, FIRE (29%) and Services (24%) companies plan R&D much less often while Manufacturing (57%) does considerably more of that. Likewise, it's unsurprising that Government, Education and Nonprofit organizations are least likely to include a profit-and-loss forecast or cash flow, and long-lived capital expenditure is included most often in Manufacturing. The research thus confirms that what an organization plans is to large extent a function of its nature.

## **Organizations can improve long-range planning.**

The research finds that there is room for improvement in almost every aspect of the long-range planning process. Indeed, only 5 percent of participants said their process works so well that no improvements are needed. The majority (59%) reported that their process works well enough but needs some adjustments. One-third see a need for substantial change, with 27 percent saying the process is adequate but requires changes and another 5 percent calling it inadequate and in need of major changes. In analyzing the research data we find much the same pattern (a small number of respondents giving some aspect of their long-range planning process high marks, about half giving a good-but-not-great assessment and the remainder see a need for change) elsewhere as well: in participants' assessments of their abilities to select initiatives and capital projects, manage the execution of major initiatives and capital projects, align long-range planning with strategy and measure actual return on investment.

This analysis suggests that those involved in long-range planning may ask less from the process than they should. The danger with a "good enough" mentality is that it lacks a sense of urgency that can prevent organizations from driving themselves to make incremental changes



that could produce more effective plans. We especially urge those that find their organization's performance unsatisfactory to take action; superior long-range planning is vital to the success of an enterprise. Even companies that are doing reasonably well should evaluate their process to improve the results it delivers.

### **Most do not execute projects very well.**

The same basic pattern holds true for managing the execution of initiatives and projects. Just 11 percent said they manage them very well while slightly more than half (53%) said they do it well. Another one-fourth (26%) said they execute neither well nor poorly; 6 percent said they do it poorly. Very large companies rated their ability to execute more highly than smaller companies, with three-fourths (74%) saying they execute well or very well compared to fewer than two-thirds of large organizations (63%) or midsize ones (64%). It is likely that greater size confers the benefit of more available resources including skills, money and time. The FIRE sector rated its execution ability most highly, with 73 percent saying they do it well or very well vs. 66 percent of Services, 65 percent of Manufacturing and just 53 percent of Government, Education and Nonprofits.

The research demonstrates a positive correlation among the effectiveness of a company's planning process, the quality of decisions it makes about selecting major initiatives and capital projects, and its ability to manage them effectively. Nearly all (89%) participants that described their planning process as working well or very well also said their choices are consistently good or mostly good, compared to 31 percent of those that have processes that need substantial changes or are inadequate. And whereas 79 percent of those with a good process said they manage initiatives and projects well, only 41 percent of those with a process that is just adequate or inadequate said this. Improving the management of projects and major initiatives requires a well-designed, consistent process that emphasizes measurement and responsibilities. In our experience, the best results are achieved when this process is supported by software designed to facilitate project-specific data collection, forecasting, analysis and reporting.

### **Few organizations do a consistently good job of selecting initiatives and capital projects.**

Although identifying what to do is a key function of long-range planning, just 10 percent of participants said their organization has



consistently selected for funding the best major initiatives and capital projects. About half (53%) said most of their choices have been good, and 30 percent said their results have been mixed. Very large companies rated their choices consistently good (18%) more often than did large and midsize companies (8% each); fewer of the very large said they have had mixed results (23% vs. 35% for both midsize and large organizations). Participants from FIRE companies (79%) most often said choices have been consistently or mostly good; 70 percent in Manufacturing (70%) said this, while only a bit more than half in Services (56%) and Government, Education and Nonprofit (53%) gave these responses.

The research often finds differences in perceptions related to roles or degrees of involvement in long-range planning. In this case, for example, participants who are responsible for managing the planning process were more positive about their results than others: Three-fourths (74%) of them called their choices mostly or consistently good, compared to fewer than two-thirds (63%) of those in other roles. Those managing the process should guard against complacency that can stand in the way of necessary enhancements, solicit the views and assessments of others and incorporate a continuous improvement mindset in their team.

### **Executive leadership is necessary for successful planning.**

We assert that to enable effective long-range planning, executives must communicate organizational strategy and provide a short, focused list of priorities. The research indicates that this doesn't happen often. Only one-fourth (27%) of participants said executives communicate strategic objectives clearly and consistently in the planning process; half (53%) said they communicate the general idea, and 16 percent said they do not communicate objectives well or at all. Further analysis shows that this behavior is influential. Almost all (93%) companies whose executives communicate strategic objectives clearly and consistently before and during the long-range planning process have a process that is well or perfectly aligned with those objectives, compared to just 30 percent of those that do not communicate well or at all. Conversely, 70 percent of those that do not communicate well or at all have limited or no alignment between the process and corporate strategy, compared to just 7 percent where the communications are clear and consistent.



Unsurprisingly, communication appears more difficult in the biggest organizations. Only one in five participants (22%) working in very large corporations said executives communicate objectives clearly and consistently, while more in large (30%) and midsize (32%) organizations said this. A much higher percentage of those who manage the process said senior executives communicate clearly and consistently, possibly because they are closer to informal communications channels than those who simply participate in the process. It clearly is important for those managing the long-range planning process to ensure that this information is disseminated to all involved.

### **Comprehensive contingency planning produces better results, but few organizations do it.**

Exploring relevant what-ifs and understanding their impacts on important aspects of the plan (not just revenue but also profitability, capacity utilization, cash flow and long-term capital requirements, among others) are critical to effective planning. But the research finds that this sort of contingency planning capability is lacking in most organizations. Half of participants said they can explore only a limited number of scenarios, and 7 percent don't do any contingency planning. Only one-third (34%) are able to explore any scenario they wish with full understanding of the implications across the entire plan, while one-fifth (22%) have only a limited understanding of the implications across all or most of the plan. Further analysis underscores the value of what-if planning: Roughly six of seven (84%) organizations that are able to do comprehensive contingency planning said that all or most of their choices are good; only half (55%) of those that cannot do comprehensive contingency planning said this. Effective planning requires more than entering numbers in a spreadsheet; it must include consideration of possible events and anticipate what to do if they occur.

### **Formal training is valuable for participants in planning.**

In most organizations long-range planning relies heavily on informal training and an assumption that participants are competent and well-versed in how to perform their tasks. Fewer than one-third (29%) of organizations in the research provide formal training to ensure that, among other things, participants have the requisite professional skills and a consistent methodology is applied. However, the research



suggests that formal training can make planning more efficient and enhance its effectiveness. More than two-thirds (68%) of organizations that provide formal training rated the skills of the people involved in long-range planning as excellent or above average, compared to fewer than half (48%) of those that do not. Those working in companies that do not provide training said twice as often as others that their process needs substantial or major changes (40% vs. 20%). Participants from companies that do not provide training said almost twice as often that their process takes too long for the value delivered (42% vs. 23%) and much less often said it takes the right amount of time (46% vs. 66%). We suspect that the main reason more companies do not use formal training is that it consumes time – to define and agree upon the process, to document it, to train individuals and to update the documentation periodically as the process evolves. However, we believe that such an ongoing investment of time will be repaid by a planning process that takes less time and produces better results.

### **Integrating long-range planning and budgeting increases agility.**

More than half of participating organizations have integrated their long-range planning process with operational planning and budgeting either fully (12%) or mostly (44%). Three in 10 have a somewhat integrated set of processes; just 9 percent have no such integration. Our analysis shows that companies that integrate long-range planning and budgeting react faster to changes in their environment: Two-thirds of those that have fully or mostly integrated the two types can respond to changes immediately or soon enough, compared to just 22 percent of those companies that have little or no integration. The more integrated companies seldom said that it takes them too long to complete their long-range planning process (29%), compared to nearly half (47%) of those that are integrated only somewhat or not at all. Organizations that tightly integrate short- and long-term planning can improve agility if, for example, discussions of near-term allocations include consideration of market or economic contingencies and how best to deal with outcomes, if they establish and follow structured processes that kick in to deal with such changes and if senior executives clearly and consistently communicate long-term strategy and objectives.



### **Integrating strategic planning with individual projects can produce better long-range plans.**

About one-fourth (26%) of organizations reported that their strategic plans are highly integrated with the management of individual projects, while 61 percent have integrated the two somewhat; one in 10 said they are not integrated at all. Very large organizations (19%) have significant integration least often, likely because their size makes this difficult to manage (especially if they are using spreadsheets in the process). The same percentage (19%) of government agencies, educational organizations and nonprofits have highly integrated these planning components. We note that the vast majority (85%) of organizations that have highly integrated plans said their process works well or very well, compared to 64 percent with somewhat integrated long-range planning and only 22 percent without integration. Corporations can facilitate greater integration of high-level strategic planning with individual projects and capital investments by ensuring access to a full set of accurate and current data as well as using the most appropriate software for analyzing and reporting this information.

### **A good long-range planning process enables companies to react more quickly and adapt to change.**

Being able to adapt quickly to change in a coordinated fashion can give an organization a competitive advantage. Although almost no research participants (4%) said their organization can react immediately to external changes, 41 percent said they respond soon enough; nearly that many (39%) can react after a lag, and 10 percent have a considerable lag before being able to react. Only 14 percent of organizations characterized their ability to respond as well-coordinated; most (60%) described it as somewhat coordinated. More than one-fifth (22%) said it is somewhat or more uncoordinated. There was no meaningful difference based on the size of the participant's organization, but organizations in government, education and nonprofit are far less able to adapt well than for-profit businesses, as 47 percent described their response as somewhat uncoordinated, compared to just 16 percent of other industries.

Deeper analysis correlates an organization's ability to react quickly and in a coordinated fashion to external events with the quality of its long-range planning. Almost all (90%) of those that said their process



works very well also said they can react immediately or soon enough, compared to 60 percent of those that have a process that works well and only 16 percent that have a process that is only adequate or inadequate. Similarly, we find a correlation between the quality of long-range planning and the ability to adapt to change in a coordinated fashion. All of the participants who said their process works well and nearly all (89%) of those who said it works well enough described their response to change as well-coordinated or somewhat coordinated. By contrast, only about half (55%) of those who described their process as just adequate or inadequate can effect changes in a coordinated or somewhat coordinated fashion.

### **Organizations that use numbers-based analysis reported better financial returns from investments.**

Ventana Research believes that performance is enhanced when companies use objective measurements to assess results. Typically, organizations require detailed analysis before making investments or approving projects. Yet the research shows that they are much less painstaking after the fact. A bare majority (51%) of participants apply formal, numbers-based analysis to understand the realized financial returns from their investments. Whether it is the analysis itself or the rigor that goes with it, these organizations reported better results from long-range planning than those that use formal qualitative analysis (17%) or informal discussions (20%). More of those using a numbers-based approach (72%) said all or most of their investments turn out to be the best available than those that use a qualitative approach (59%) or have informal discussions (55%). As well, three-fourths (77%) of those with a numbers-based methodology said they handle major initiatives well or very well, compared to just over half of those that take a qualitative approach (56%) or an informal one (51%).

### **Return on investment is the most common evaluation metric used in long-range planning.**

Companies use different methods to assess investments and key initiatives. On average, participants said they use three of the seven assessment criteria we offered for consideration. The method most commonly used for assessing prospective investments and projects is return on investment (ROI), selected by more than two-thirds (69%) of participants. The next-most common were internal rate of return (IRR, 47%) and net present value (NPV, 46%). We were somewhat



surprised at the popularity of IRR, which should not be used to compare mutually exclusive projects (a typical objective for the LRP process) but only to decide whether a single project is worth investing in. Moreover, since IRR does not consider the cost of capital, it should not be used to compare projects of different duration. As well, where a project involves positive cash flows followed by negative ones (say, a deposit received when an order is placed), the IRR may have multiple values. Fewer than one-third of organizations named cash-on-cash return, market-related nonfinancial measures and unspecified other financial measures. It's important for corporations to use a set of evaluation metrics for proposed investments that are consistent with their strategic objectives. And as in the case of IRR, they must choose the methodology appropriately.

### **Few companies can get immediate answers in planning review sessions.**

Increasingly, technology enables immediate access to details that are important for answering questions in review meetings; this capability can help users uncover the sources of issues or opportunities and resolve disagreements. By addressing issues immediately, companies can make decisions sooner so that these review sessions become more forward-looking and action-oriented. But the research finds few organizations taking advantage of such tools: Only 14 percent are able to drill down to underlying details during review meetings. Another 14 percent can uncover details within an hour or two of the meeting, but for nearly two-thirds (63%) that takes a day or more. Midsize companies are most able to get answers while a meeting is going on, probably because they deal with smaller data sets. None of the participants from Government reported being able to drill down to details during a review meeting.

Our analysis finds consistent positive correlations between getting detailed answers during a review session and the abilities to respond to changing environments, to make the best choices of initiatives and capital projects and to manage their execution. In addition almost all (89%) of those that can do this in meetings said their process works well or very well; portions drop to 70 percent for those that must wait an hour or two, 67 percent that wait a day or two, and 48 percent that take a week or more to get the answers. Using the right software and having the right data are the two factors that enable an organization to get detailed answers.



### **Software is a key component of long-range planning.**

The research finds that it is important to use information technology for contingency planning and assessing performance to plan. The largest portions of those involved in the process identified as the most important management and review capabilities of software being able to assess impacts of potential operating changes (84% said this is important or very important), review the current detailed plan (81%), quickly analyze and review actuals to plan (79%) and see impacts of individual changes on the whole plan (79%). For those who manage the process, assessing impacts (91%) and reviewing the current plan in detail (91%) are the most important capabilities that planning software can provide.

### **Most organizations need more effective software for long-range planning.**

Only 6 percent of research participants said that the software they use for planning and analysis of prospective projects and investments is very effective; one-third (36%) said theirs is generally effective. Nearly half said it's only somewhat effective (37%) or ineffective (12%). Midsize corporations have the lowest opinion of their software, as 38 percent view theirs as effective or very effective, compared to 47 percent of large and 53 percent of very large organizations. Among industries, FIRE is the most satisfied, with 63 percent saying theirs is effective or very effective, while Government, at just 20 percent, is least so.

### **Few users think their planning software is effective for analytical tasks.**

Asked to assess the ability of planning software to perform several key analytical tasks, many participants did not rate theirs highly. We included among the key tasks calculating project returns (such as net present value), comparing investment options side by side, determining optimal trade-offs in capital projects (for example, the cost vs. value of accelerating completion) and risk identification and quantification. For example, only a bit more than half (56%) said their software handles straightforward project-return calculations well or very well. Participants gave the software they use for analytical tasks a lower rating than for functional tasks. These analytics create the



foundation for better, more informed decision-making in long-range planning.

### **Spreadsheets are the most common tool for planning, analysis and data storage.**

The research shows that about half (53%) of participants use desktop spreadsheets as their main software for forecasting and analyzing investments and projects in their long-range planning process. Another 15 percent use server-based spreadsheets, which present to users the familiar spreadsheet interface but store data and apply controls centrally. One-fifth (21%) use a dedicated planning application, either from a third party or developed internally. The remaining 11 percent use software for project management (6%) or analytics (5%). Midsize companies most often use desktop spreadsheets (59%) while very large companies are least inclined toward them (44%).

We believe that both server-based spreadsheets and dedicated applications that use a central relational or multidimensional data store, which facilitates consolidating data from multiple sources, eliminate many of the issues desktop spreadsheets pose that make them difficult to consolidate and prone to error. Dedicated applications that use a central relational or multidimensional data store, which facilitates consolidating data from multiple sources, reduces errors, makes it much easier to do rapid contingency planning and enables companies to automate a considerable portion of process management. Additionally, they allow for more sophisticated graphical communications, facilitate more sophisticated analyses and enable people to immediately drill down into underlying assumptions.

When we asked participants to name and rank their five main sources in forecasting and analysis for long-range planning, 95 percent named spreadsheets, by far the highest percentage of mentions, and two-thirds ranked them first (36%) or second (29%). ERP systems, selected by 61 percent, placed second on the overall list and were ranked first or second by 40 percent.

### **Organizations rate spreadsheets the least effective technology for long-range planning.**

Further analysis shows that research participants judged desktop spreadsheets the least effective technology for planning. While 59



percent rated dedicated applications (third party or internally developed) as either generally or very effective, only 36 percent of users of desktop spreadsheets and 44 percent of server-based spreadsheet users said they are this effective. Spreadsheets rank substantially below dedicated applications on how well they monitor and manage capital projects or how well they handle common revision issues such as reforecasting or revising budgets to reflect actual results and new assumptions or recalculating future period costs to reflect changes in the long-term plan. Despite these serious shortcomings, spreadsheet users are split on whether their use in long-range planning makes it difficult to manage the process: 46 percent said it does, and 50 percent said it does not. More participants from large or very large companies said they cause difficulty than those from midsize ones (58% vs. 34%), likely because the former deal with more complex modeling and analysis issues and larger amounts of data. Those only involved in the planning process said more often that spreadsheets are a problem (55%) than did those who have a role in managing it (44%). Probably because they have simpler revenue sources and are focused on how funds are allocated, just one-fourth of government, education and nonprofit users see spreadsheet use as an issue in long-range planning. Spreadsheets may be easy to use but their limitations can diminish the value of long-range planning.

### **A majority of organizations are evaluating new software.**

Given the various manifestations of dissatisfaction with current tools exposed by this benchmark research, it's not surprising that 61 percent of organizations said they have evaluated alternatives to the software they use for long-range planning during the past two years. Yet only one in three of those (20% of participants) have implemented new software. One-fourth are still considering whether to change, and the other 16 percent elected to keep the existing software. The undecided most often said they hesitate because of an uncertain return on investment (46%), an ongoing evaluation process (44%) and an unwillingness to spend the money (34%). Those that elected to stay with their current software most often concluded that it works well enough (56%) and/or do not want to spend the money to acquire new software (44%).

In selecting new software for long-range planning, participating organizations placed the greatest emphasis on functionality, usability, reliability and manageability (ease of administration and security): All



are important or very important qualities for 80 percent or more. Half said that they prefer to install and manage long-range planning software on their own premises; one-fifth prefer a hosted system managed off-site by a service provider, and just 7 percent prefer software-as-a-service capabilities provided by a third party and paid for monthly or annually. The second-largest portion (23%) expressed no preference. At this stage in the evolution of preferences for on-premises and cloud-based software, those involved with long-range planning come down solidly in favor of the former.

### **Available data often isn't adequate for long-range planning.**

Data constitute a pervasive problem in business computing. Possibly because data are considered a given, organizations typically struggle with the challenge and fail to adopt methods that address issues of data adequacy, accuracy and timeliness. Asked about the adequacy of the data available for use in strategic and long-range planning, fewer than one-third (31%) of participants said what they have is adequate; more than half (54%) said it is somewhat adequate, and 10 percent said it is inadequate. (We caution that there can be a large difference between what is adequate and just somewhat adequate; those in the latter category may be overly complacent.) Participants who manage the planning process were more confident in data adequacy than others involved: 42 percent of them said it's adequate, more than double the 20 percent of those who are only involved. Participants responded similarly regarding the adequacy of the data available for use in analyzing and planning specific major initiatives and capital projects: 33 percent said it is adequate, 54 percent somewhat adequate and 8 percent inadequate. In this case more very large companies find the data adequate (43% vs. 30% of large and 33% of midsize organizations). Manufacturing and FIRE companies said they have adequate data to work with (40% and 39%, respectively) more often than Services or Government (28% and 27%, respectively). When it comes to being able of measure how well specific capital investments are aligned to company strategy, only 18 percent of all participants said they have all the numbers needed to assess the trade-offs, while 39 percent have most of the numbers.

Further analysis indicates that adequacy of available data influences the effectiveness of planning. Three sets of examples illustrate this point. First, companies with adequate data said twice as often that people are able to react in a coordinated fashion to changes in the



business environment as those with inadequate data (56% vs. 28%). Regarding the speed with which companies can complete their long-range planning process, 29 percent with adequate data take one month or less to finish, compared to 19 percent of those with inadequate data. Similarly, 33 percent with inadequate data take 14 or more weeks vs. 21 percent of those with adequate data. Second, those that have fully or mostly integrated long-range planning and annual budgeting much more often have adequate data sources (43%) than those that are somewhat or not at all integrated (17%). Third, 27 percent of organizations that have adequate data have all the numbers they need to measure how well specific capital investments or projects under consideration are aligned with company strategy, compared to 17 percent of those with somewhat adequate data sources and only 5 percent with inadequate data. Conversely, 60 percent of those with inadequate data have a limited or no ability to measure the alignment.

### **Data accuracy is an issue for most organizations.**

Only 20 percent of research participants said the data they have available to use in planning major initiatives and capital projects is almost always accurate. A majority of 61 percent said it is somewhat accurate, and 15 percent find it somewhat or generally inaccurate. (Again, we caution those that characterize their data as somewhat accurate against complacency.) Because their industry is built on numbers that must be correct, it's not surprising that FIRE companies most often said the data they work with is almost always accurate: 34 percent compared to 20 percent for Manufacturing and Government and only 15 percent for Services companies.

Like adequacy, accuracy is important to successful planning. Our analysis correlates data accuracy with the quality of decisions companies make about major initiatives and capital projects. Among those that almost always have accurate data, 30 percent said they have been consistently good at making these choices; just 6 percent that have somewhat accurate data and 3 percent with somewhat or generally inaccurate data said this. Conversely, 20 percent of those with somewhat or generally inaccurate data find that few if any of their choices have been good, but none of the other participants have such poor performance. Data accuracy issues can and should be addressed by identifying the root causes and addressing them systematically.



### **Timeliness of data is an impediment to effective planning.**

Fewer than one in five (17%) organizations said all the data they have available to use in planning major initiatives and capital projects is up to date. The majority (59%) said that most is up to date but some is stale, and 16 percent described equal amounts as stale and up to date; a mere 4 percent find most of it stale. FIRE organizations most often said all the data they work with is up to date. As with accuracy, the research shows that timeliness is associated with being able to make better decisions with respect to long-range investments. Almost all (91%) of those with completely up-to-date data said their choices of major initiatives and capital projects have been good; 20 percent fewer (71%) of those that have mostly timely data and just 21 percent of those for whom half or more of the data is not timely said this. The same pattern holds for managing the execution of these initiatives. Nearly all (92%) of those with always timely data said that they manage long-range investing activities well or very well; that drops to two-thirds (68%) of organizations with mostly up-to-date data and only 29 percent with stale data.

External information enhances the quality of long-range planning because business does not operate in isolation. Almost all participating organizations use some external data (for example, broad measures of economic data or indicators or industry-specific information) in their long-range planning process. Very large ones have more access to it: 64 percent can get all or some of what they need, compared to 44 percent of large and 43 percent of midsize ones. Most organizations (81%) that can access all or most of the external data they need for long-range planning said they make good choices in selecting major initiatives or capital projects, compared to half of those that have little or none of this information. As well, while 84 percent of organizations that have access to all or most of the external information they need described their planning process as working well or very well, fewer than half (46%) that have limited or no access said it works so well. Data timeliness, like data adequacy and data accuracy, is an issue that can and should be addressed by identifying the root causes and systematically addressing them.



## 10 Best Practice Recommendations

This benchmark research reveals significant new insights into the evolving nature of long-range planning in organizations. Three-fourths of organizations develop a long-range plan annually. For more than half it takes five to 13 weeks to complete the plan; one-fourth take less time, and one-fifth take longer. Larger organizations as measured by number of employees tend to take longer than smaller ones. More than eight in 10 organizations have a process that is highly or somewhat centralized. The majority of participants described their planning process as top-down with bottom-up input, in which senior executives establish goals that are informed by input from those who will have to realize them. The most frequently cited main objectives of long-range planning are helping develop the annual budget, allocating capital or project investments and influencing corporate strategy.

For organizations considering how to improve their long-range planning, we offer the following recommendations.

### **1. Identify and prioritize aspects of your planning process that need attention.**

The majority of participants said their process works well enough but needs some adjustments; only 5 percent said no improvement is needed. More specifically, about half said adjustments are needed in selecting initiatives and capital projects, managing the execution of major initiatives and capital projects, aligning long-range planning with strategy and measuring actual return on investment. The same pattern holds true for managing the execution of initiatives and projects: Just 11 percent said they manage them very well while slightly more than half said they do it well. We found that most organizations whose planning process works well also manage their projects effectively. Review your process to uncover impediments to its effectiveness, then examine where those issues may impact its execution.

### **2. Ensure that executives clearly articulate strategic objectives.**

Only one-fourth of participants said their executives communicate strategic objectives clearly and consistently in the planning process; half said they communicate the general idea, and 16 percent said they do not communicate objectives well or at all. This apparently has an



impact on performance: 93 percent of companies whose executives communicate strategic objectives clearly and consistently before and during the long-range planning process have a process that is well or perfectly aligned with those objectives; alignment drops to 30 percent of those that do not communicate well or at all. Make sure that this information is communicated as it can affect what aspects of business the planning focuses on, which projects are approved and the execution of those initiatives.

### **3. Concentrate on achieving faster decision cycles.**

Available technology can enable immediate access to details that are important for answering questions in review meetings; this capability can help users uncover the sources of issues or opportunities and resolve disagreements. Addressing issues immediately spurs faster decisions and can make these review sessions more forward-looking and action-oriented. The research finds few organizations either have or take advantage of such tools: Only 14 percent are able to drill down to underlying details during review meetings; for nearly two-thirds that takes a day or more. Our analysis finds that getting detailed answers during a review session enhances the organization's abilities to respond to changing environments, to make good choices of initiatives and capital projects and to manage their execution. And 89 percent of participants that can do this during meetings said their long-range planning process works well or very well. The software a company uses and its ability to access data are critical to getting immediate answers.

### **4. Assess how well your organization selects capital projects and major initiatives.**

This research suggests it may also prove to be worthwhile to examine the major initiatives and capital projects that your planning efforts select for funding. The research finds that just 10 percent of organizations consistently select the best major initiatives and capital projects for funding, while half said most of their choices have been good. Companies lacking timely data rarely make good choices: 91 percent of those with fully up-to-date information consistently or generally make good investment decisions compared to 72 percent with mostly up-to-date information and just 19 percent whose data is in part current but some stale.



## **5. Integrate long-range planning and management of projects and initiatives.**

All but 10 percent of organizations have taken steps to integrate their long-range planning with the management of individual capital projects and major initiatives. However, only one-fourth have taken a highly integrated approach, and these companies report superior results. Nine out of ten (88%) of them said their long-range planning process works well or very well compared to 63 percent that have a somewhat integrated approach and just 22 percent that have no integration at all. A process that combines the more general elements of long-range planning with the most important projects and initiatives achieves better strategic alignment: Nine out of ten of those that have an highly integrated process say strategy and planning are perfectly or well aligned compared to 71 percent that have a somewhat integrated process and only one-third that have no integration at all.

## **6. Craft your long-range planning to enable agility.**

Being able to adapt quickly to change in a coordinated fashion can give an organization a competitive advantage, but half of research participants experience a lag, sometimes considerable, in reacting to external changes. Only 14 percent of organizations characterized their ability to respond as well-coordinated; most (60%) described it as somewhat coordinated. Speed of reaction correlates to the quality of an organization's long-range planning: Nine out of 10 that said their process works very well also said they can react immediately or soon enough, compared to 60 percent of those that have a process that works well and only 16 percent that have a process that is only adequate or inadequate. Even more that said their process works well or well enough described their response to change as well-coordinated or somewhat coordinated; this coordination dropped to about half of those that described their process as just adequate or inadequate.

## **7. Formal training is valuable for participants in planning.**

In most organizations long-range planning relies heavily on informal training and an assumption that participants are competent and well-versed in how to perform their tasks. Fewer than one-third (29%) of organizations in the research provide formal training to ensure that, among other things, participants have the requisite professional skills and a consistent methodology is applied. However, the research



suggests that formal training can make planning more efficient and enhance its effectiveness. More than two-thirds (68%) of organizations that provide formal training rated the skills of the people involved in long-range planning as excellent or above average, compared to fewer than half (48%) of those that do not. Those working in companies that do not provide training said twice as often as others that their process needs substantial or major changes (40% vs. 20%). Participants from companies that do not provide training said almost twice as often that their process takes too long for the value delivered (42% vs. 23%) and much less often said it takes the right amount of time (46% vs. 66%). Training does not have to be tedious or time-consuming and the data suggest that it is well worthwhile.

## **8. Address issues in the data you use for long-range planning.**

This research examined the effects of three aspects of data quality – adequacy, accuracy and timeliness – on long-range planning efforts and discovered that all three impact its effectiveness. Only three in 10 participants said that the data available for use in strategic and long-range planning is adequate; only 20 percent said the data available for use in planning major initiatives and capital projects is almost always accurate, and fewer than that (17%) said all of that data is up to date. Examine the availability and quality of data used in your planning processes, and take steps to improve where it falls short of reliability. The research shows that this is worth doing. For example, companies with adequate data said twice as often as those with inadequate data that people are able to react in a coordinated fashion to changes in the business environment. Among those that almost always have accurate data, 30 percent said the decisions they have made about major initiatives and capital projects have been consistently good; when data accuracy becomes suspect, such confidence sinks below 10 percent.

## **9. Assess the need for more effective software for long-range planning.**

Only 6 percent of research participants said that the software they use for planning and analysis of prospective projects and investments is very effective; nearly half said it's only somewhat effective or ineffective. In addition, most did not rate highly the ability of their planning software to perform key analytical tasks such as calculating project returns (such as net present value), comparing investment options side by side, determining optimal trade-offs in capital projects



(for example, the cost vs. value of accelerating completion), and risk identification and quantification. Review the capabilities of the tools your organization uses, and identify those you lack but need. In the case of management and review capabilities, more than three-fourths of participants said the most important are to assess impacts of potential operating changes, review the current detailed plan, quickly analyze and review actuals to plan and see impacts of individual changes on the whole plan.

### **10. Reconsider the use of spreadsheets for planning, analysis and data storage.**

According to this research, more than half of participants use desktop spreadsheets as their main software for forecasting and analysis in their long-range planning process. As well, 95 percent named spreadsheets as one of their five main sources for that forecasting and analysis, and two-thirds ranked them first or second. Yet only 36 percent of users of desktop spreadsheets for long-range planning said they are generally or very effective for that purpose. Close to half (46%) said using them makes it difficult to manage the process, and this number grew among large and very large organizations where the process likely is more complex. These results should give pause to any organization that relies on these personal productivity tools for enterprise use by more than a few people; our research consistently shows that in this setting spreadsheets are error-prone and lead to inconsistency and staleness in data that may be used to make decisions.

We recommend instead dedicated planning applications that use a central relational or multidimensional data store; they facilitate consolidating data from multiple sources, reduce error, make it easier to do rapid contingency planning and enable automation of a considerable portion of process management. Additionally, they allow for more sophisticated graphical communications, facilitate more sophisticated analyses and enable people to immediately drill down into underlying assumptions. Currently only one-fourth of participants use a dedicated planning application, either acquired from a third party or developed internally. We believe that used properly, such software can make planning the valuable business tool it should be.



## 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 1: About This Benchmark Research

## Methodology

Ventana Research conducted this benchmark research on the Web in November and December 2012. We solicited survey participation via email, our website and social media invitations. Email invitations were also sent by our media partners and by vendor sponsors.

We presented this explanation of the topic to participants prior to their entry into the survey:

Long-range planning is both a process and a discipline that companies use to determine the best strategy for succeeding in the markets they serve and to ensure they have the assets needed to support their strategic objectives. It must involve planning the proper allocation of investments in those assets and identifying resources (both financial and otherwise, such as personnel with the appropriate skills) needed to support them. This benchmark research seeks to determine the attitudes, requirements and future plans of those who engage in long-range planning and identify the best practices of organizations that are most mature in it.

The following promotion incited participants to complete the survey: What's In It For You? Upon completion of the research, all qualified participants will receive a report on the findings of this benchmark research to support their organization's efforts, along with a \$5 Amazon.com gift certificate. In addition, all qualified participants will be entered into a drawing to win one of 25 benchmark research reports and a 30-minute consultation, a package valued at US\$1,495 or €1,232. Thank you for your participation!

## Qualification

We designed the research to assess the use of and plans for spreadsheets across organizations and industries. Qualification to participate was presented to participants as follows:

The survey for this benchmark research is designed for finance, business and IT managers who have an interest in, experience with or are involved in planning. Solution providers, software vendors,



consultants, media and systems integrators may participate in the survey, but they are not eligible for incentives and their input will be used only if they meet the qualifications. Incentives are provided to qualified participants in the research and also are conditional on provision of accurate contact information including company name and company email address that can be used for fulfillment of incentives.

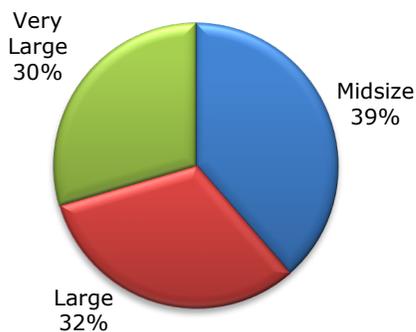
Further qualification evaluation of respondents was conducted as part of the research methodology and quality assurance processes. It entailed screening out responses from companies that are too small, questionnaires that were not materially complete, or those where the submission is from an inappropriate submitter or appears to be spurious.

## Demographics

We designed the survey used for this research to be answered by executives and managers across a broad range of roles and titles working in organizations. We deemed 210 of those who clicked through to this survey to be qualified to have their answers analyzed in this research. In this report, the term “participants” refers to that group, and the charts in this section characterize various aspects of their demographics and qualifications.

### Company Size by Workforce

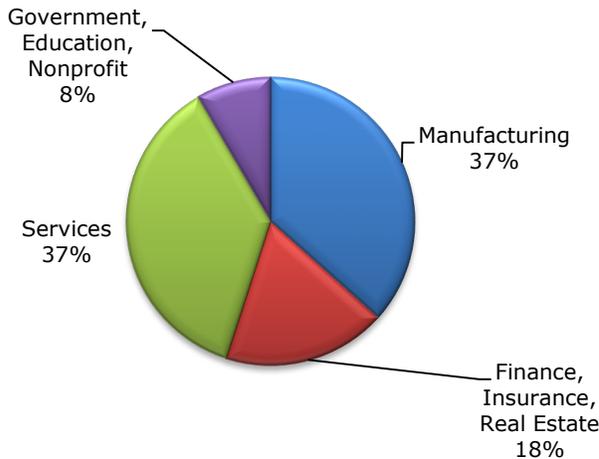
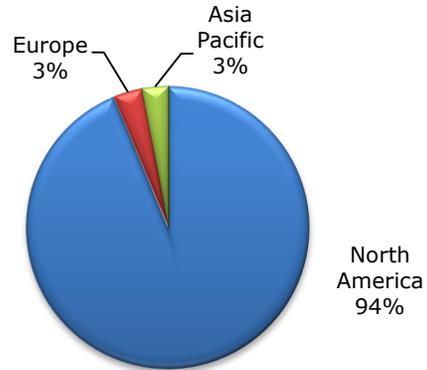
We require participants to indicate the size of their entire company. Our research repeatedly shows that size of organization, measured in this instance by employees, is a useful means of segmenting companies because it correlates with the complexity of processes, communications and organizational structure as well as the complexity of the IT infrastructure. In this research, participants represented a broad range of organization sizes in nearly equal numbers: 30 percent work in very large companies (having 10,000 or more employees), 32 percent work in large companies (with 1,000 to 9,999 employees) and 39 percent work in midsize companies (with 100 to 999 employees). This distribution is consistent with prior benchmark research and our research objectives and provides a suitably large sample from each size category.





### Geographic Distribution

A large majority (93%) of the participants were from companies located or headquartered in North America. Those based in Europe accounted for 3 percent and in Asia Pacific for another 3 percent. This result was in keeping with our expectations at the start of this investigation, since organizations participating in our research most often are headquartered in North America. However, many of these are global organizations operating worldwide.



### Industry

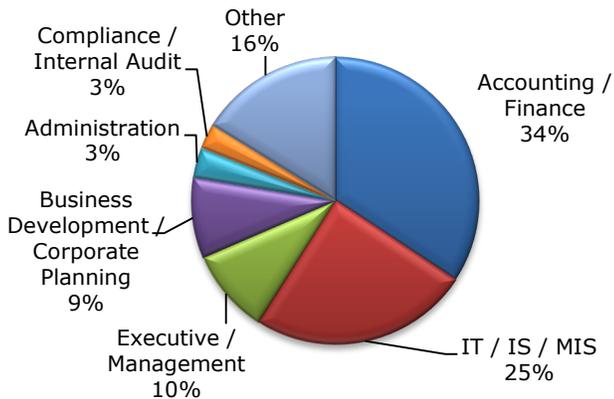
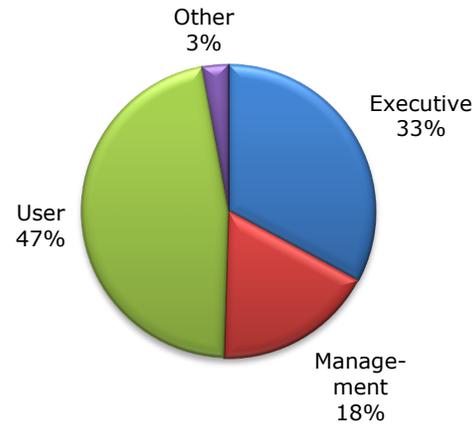
The companies of the participants in this benchmark research represented a broad range of industries, which we have categorized into four general categories as shown below. Companies that provide services and those in manufacturing each accounted for 37 percent and those in finance, insurance and

real estate for 18 percent. Government, education and nonprofits accounted for the balance.



## Job Title

We asked participants to choose from among 13 titles the one that best describes theirs. We sorted these responses into four categories: executives, management, users and others. Slightly less than half identified themselves as having titles that we categorize as users, a grouping that includes director (17%), senior manager or manager (20%), analyst (7%) and staff (2%). One-third are executives; the majority of them (20%) are CFOs. Another 18 percent are management, by which we mean vice presidents. Others, in this case consultants, accounted for the balance. We concluded after analysis that this response set provided a meaningfully broad distribution of job titles.



## Role by Functional Area

We asked participants to identify their functional area of responsibility as well. This enabled us to identify differences between participants who have differing roles in the organization. One-third of the participants identified themselves as being in the finance or accounting function, one-fourth work in IT and 10 percent are executives or management. A total of 15 percent perform front-office roles in development and planning, administration and compliance or auditing. Another 15 titles, none with more than 2 percent of the total, comprised the Other category.

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