



The Performance Exchange

Thursday November 26th 2015

The CN Tower

Budget Formulation Best Practices



PERFORMANCEANALYTICS
ANALYTICS FOR THE OFFICE OF THE CFO

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Agenda

1. Introduction
2. Key Components of Budget Formulation
3. Gap Analysis and Business Transformation
4. Guiding Principles
5. Benefits and Risks
6. Implementation Strategies

Why Budget Formulation?

- Budgeting appears to be a challenge for many organizations
- In many cases, budgeting is a long, time consuming process and ties up valuable resources across all departments
- Studies have systematically revealed a widespread dissatisfaction with the process of establishing a budget
- Of all activities performed by Finance, budgeting generates the most dissatisfaction for financial and non-financial managers and planners

Budget Plans are Important!

- Support planning for business growth and expansion
- Provide a financial roadmap for businesses and organizations
- Control operating and capital expenditures
- Serve as a benchmark to measure success

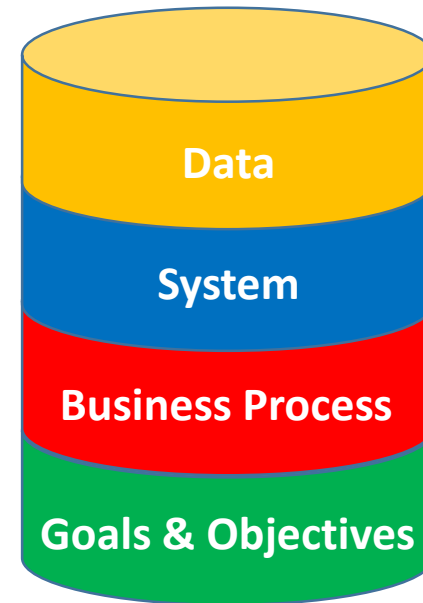
How to eliminate challenges and dissatisfaction?



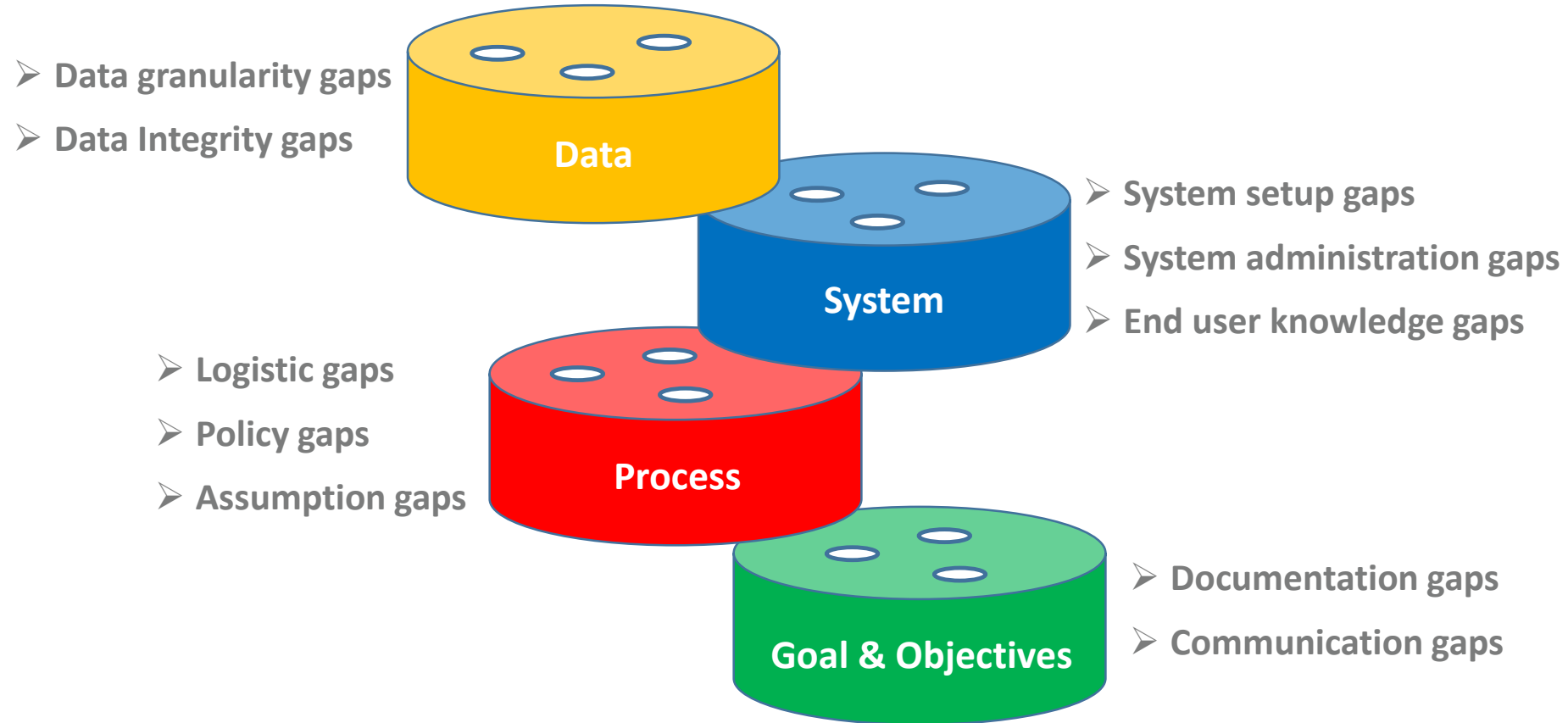
Key Components of Budget Formulation



- **Goals & Objectives (Decision Making)**
- **Business Process**
 - Activities and Timelines
 - Policies and Assumptions
- **System**
 - System Setup and Administration
 - System Knowledge and User Interface
- **Data**
 - Granularity Levels
 - Integrity

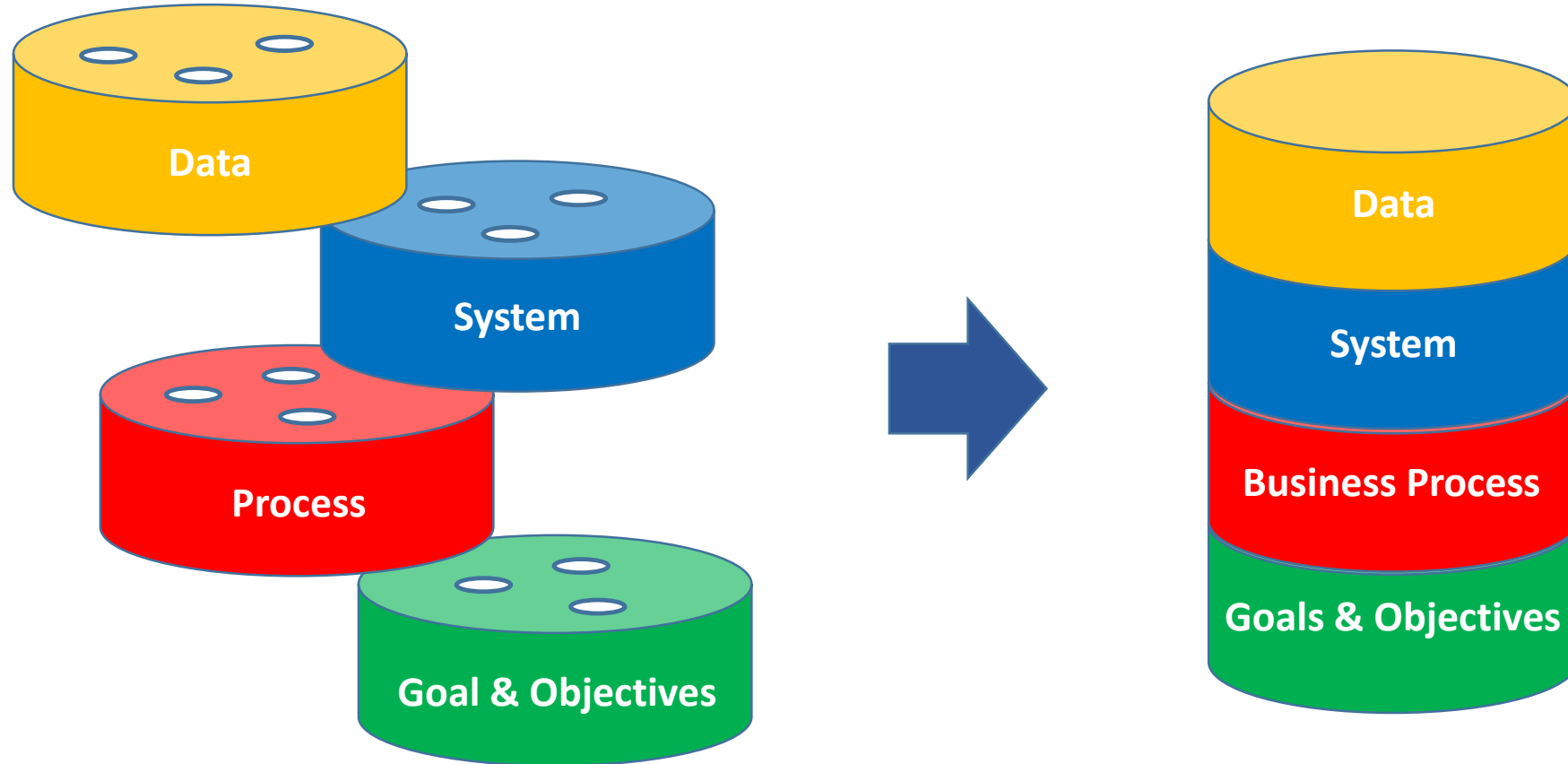


Problems with Budget Formulation



Alignment with Goals and Objectives

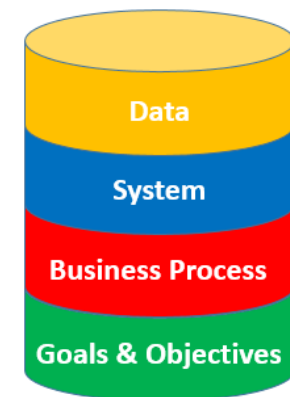
All activities linked to Decision Making



Goals and Objectives Gaps



- Validate and document goals, objectives and priorities
- Establish decision making framework
- Communicate with management team and planners

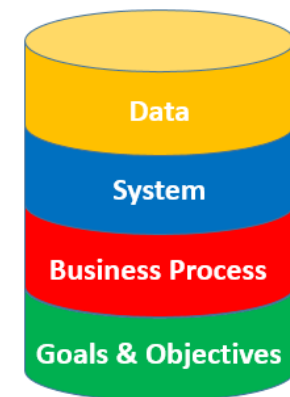


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Business Process Gaps



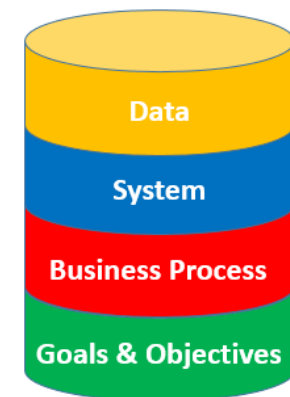
- Establish Process Steps and Deliverables
- Communication and Timelines
- Document Policies and Assumptions
 - HR and payroll expenses
 - Driver based planning
 - Capital planning
 - Overhead allocation policies and process
- Training and Support
- Alignment with Goals and Objectives (Decision Making)



System Gaps



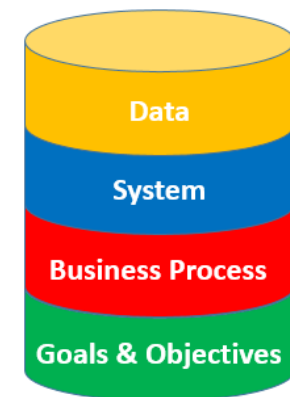
- System setup
 - Alignment with business process
 - Flexible and adaptable to changing requirements
- System knowledge and end-user training
- System administration
- System documentation and user manuals
- Alignment with Business Process



Data Gaps



- Data granularity
 - Aligned with business process
 - Supports decision making
- Data Integrity
 - Data reflects use of corporate resources
- Alignment with System Design and Business Process



Guiding Principles



- Start with Gap Analysis and Process Transformation
- Process simplifications (i.e. budgeting, forecasting, overhead allocations, etc.)
- Significant time savings (i.e. 50 - 60%)
- Improvements designed to support decision making
- In line with long term strategy (adaptability)
- Consider limited resources and time availability

Benefits and Risks



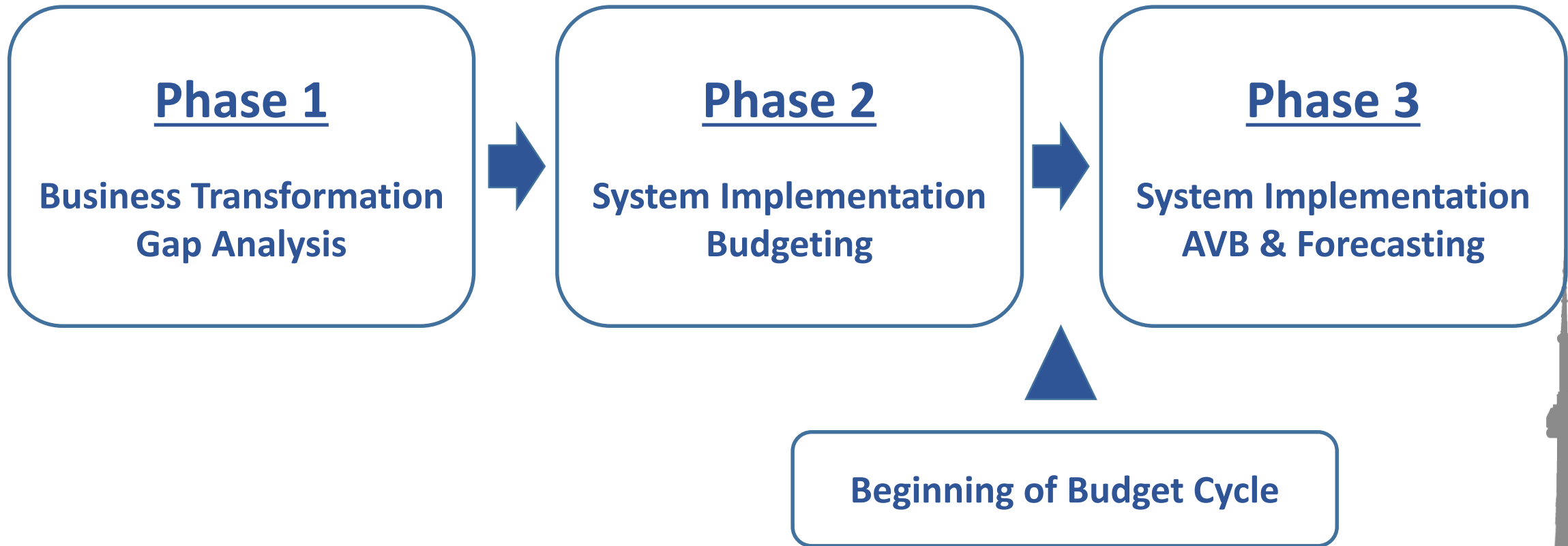
Benefits:

- 50-60% time savings compared to prior year planning and forecasting
- Time savings significantly exceed time invested in improvements
- More time available for analysis and decision making support

Risks:

- Availability of SME's and stakeholders
- Senior leadership support and funding

Implementation Strategies





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