



Corporate  
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Group

# Like Pulling Teeth

## 7 Painful & Costly Budgeting Process Mistakes Companies Are Making

A CFO's Guide to Better Budgeting, Planning & Forecasting

This white paper was written for CFO's and their finance team members seeking a better and more modern approach to company budgeting. This paper will explore the top 7 budgeting, planning & forecasting challenges that are weighing down company performance and explore proven and practical ways to embrace technology to reduce pain, drive change, and achieve results.

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### About Corporate Renaissance Group

Since 1989, Corporate Renaissance Group (CRGroup) has been providing expert financial consulting and leading business platforms to help companies grow. We are a group of financial, technical, and business professionals that committed to delivering end-to-end business processes and systems that transform vital corporate processes; including, enterprise resource planning, budgeting & planning, corporate performance management, business intelligence, customer relationship management, productivity, and sharing & collaboration. As a certified partner of leading business systems that include Microsoft® Dynamics™, SharePoint™, BOARD™, Adaptive Insights™, Tableau™, and Rapidstart™, we deploy, configure and support leading systems that drive results.

Learn more at [www.crgroup.com](http://www.crgroup.com)



# Why Budgeting & Planning is Like Pulling Teeth

**like pulling teeth: idiom. 1 Said of something that is especially difficult, tedious, requires an extreme amount of effort, or is done in the most difficult or unpleasant way possible.<sup>1</sup>**

Without fail, any time we meet with a new finance manager or CFO and ask, 'are you happy with your company's budgeting process?' we get an array of facial expressions and sighs - **none of them good.** The reality is that every company in every industry has to budget, and yet many are not doing it properly or with any degree of ease. Some will likely describe their corporate budgeting, planning, and forecasting processes to being about as pleasant as a trip to the dentist and equate gathering data from contributors as being an exercise in pulling teeth.

Despite the advances in technology and accessibility of data, CFO's are still struggling to bring everything together into one cohesive and ongoing process. In fact, [according to a 2015 report](#) from Grant Thornton LLP and the American Productivity and Quality Center (APQC), **only 37% of CFO's surveyed say their company's approach to annual budgeting is**

**valuable<sup>2</sup>** and even they admit that improvements are needed. In order to maintain board, investor, and stakeholder confidence and provide actionable insight to company managers, there is an increased demand for CFO's and financial managers to deliver fast, accurate, and valuable financial information that can be trusted.

**Today's financial leaders need to take control of the entire budgeting process and invest in reducing time-consuming administrative tasks like gathering data, consolidation, and reconciliation, so that more time can be spent on strategic activities.**

After more than 28 years working with companies across the globe to diagnose and optimize financial planning and analysis (FP&A) processes and platforms, we can tell you that these pain-points aren't new and they won't go away on their own. **There are 7 major mistakes that we have identified as the root causes of budgeting-pain** and these mistakes are preventing companies from providing real-time perspective on business trends and drivers of performance.

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<sup>1</sup> like pulling teeth. (n.d.) *Farlex Dictionary of Idioms*. (2015)

<sup>2</sup> Financial Planning and Analysis Influencing Corporate Performance with Stellar Processes, People, and Technology. 2015 survey by Grant Thornton LLP and the American Productivity and Quality Center (APQC)



# Top 7 Budgeting Process Mistakes That Companies Are Making

## Mistake #1: Not Ensuring Clear Understanding of the Budgeting Process and Cycle

Budgeting & planning cannot begin without **data** collected from multiple people and systems in the company. Even though company budgeting happens around the same time each and every year, we are often surprised at the level of disconnect between management, finance, budget managers, and their staff surrounding the budget cycle, requirements, milestones, and tasks. It is just too easy in a lot of companies to delay the internal planning processes when competing priorities come up or for managers to get confused about what they need to submit and when. This mistake is often the result of unclear expectations of roles, general misunderstanding of deadlines, and a historical lack of information and enforcement from finance managers. Proper planning and disciplined adherence to deadlines can help condition a well-oiled budgeting & planning machine and avoid this costly error.

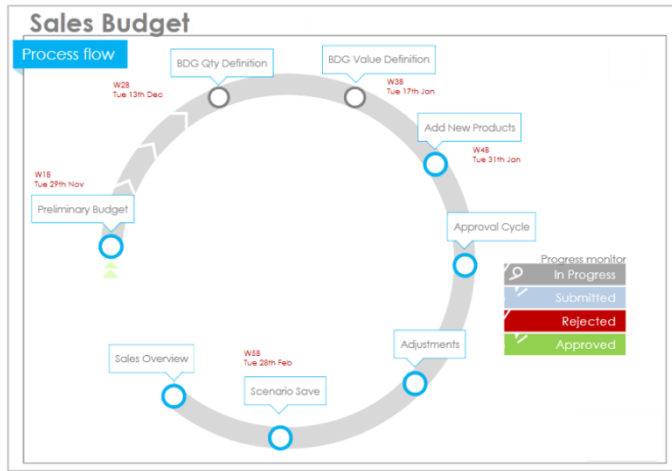
So how do we avoid this mistake to ensure all contributors know what they have to do and when?

As a best practice, **planning must precede budgeting.**

The CEO, board members, and stakeholders should provide clear guidelines on what is expected from the enterprise in terms of revenues as well as costs.

*For example,* it could be that the maximum allowable salary amount cannot exceed by more than 4% next year – sometimes called a top down target.

Once clear and actionable expectations and measures have been allocated and defined at the company level, **proper communication is needed** to ensure they are cascaded and disseminated down into the organization and across business units. CFO's and finance teams should create a clear and consistent communications plan that defines measures and links the strategic plan to the operational budget. This plan should outline assumptions, necessary task lists with timelines, and define the roles, responsibilities and delegation of authority needed to execute the plan. This task list is commonly referred to as the "workflow" and/or approval process.



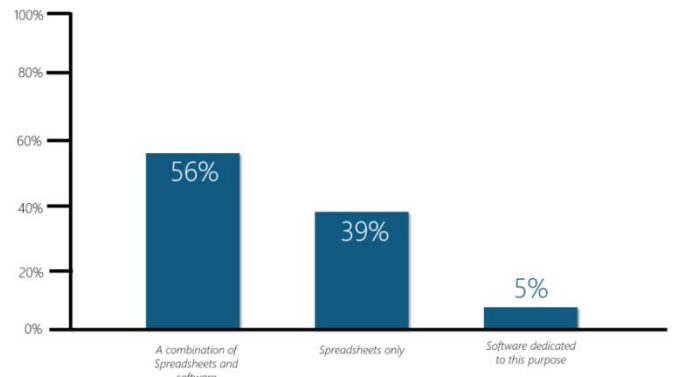
A picture is worth a thousand words. Create a FP&A Workflow Diagram to Ensure Complete Understanding of Processes Across the Organization. Top performing organizations see the value in visuals and augment their communication with a clear workflow diagram showing milestones, deadlines, approval steps, and any other key details that will help users across the company understand and embrace the budgeting process.

**Figure 1** – Sample sales budget process flow diagram in BOARD.

## Mistake #2: Relying on Spreadsheet Budget Templates

Administering and managing budget workbooks and Excel® spreadsheets is inefficient, painfully time consuming, and often riddled with errors, no matter how well budgeting templates are designed. And yet, despite the downfalls of this legacy process, studies show that 95% of companies are still relying on spreadsheets in one form or other for budgeting and planning, with 39% of companies using spreadsheets exclusively.

Although spreadsheets are relatively simple to use, fast, and inexpensive, they are maintenance-intensive, difficult to access, slow to consolidate, inconsistent, prone to user-errors, and offer low data security, especially if multiple versions are flying back and forth in emails. Anyone who has participated in the corporate budgeting process in Excel is all too familiar with the myriad of templates that are emailed and distributed around to the company with the intention of smoothly gathering the data that the company relies on for planning. The reality, however, is that **far too much time is spent creating and maintaining these templates, and they are often misused, resulting in even more time spent fixing and compiling data.**



**Figure 2** - 95% of organizations are still relying on spreadsheets for budgeting and planning.<sup>1</sup>



## Challenges with using spreadsheets for budgeting and planning:

### Using spreadsheets for budgeting templates:

Too much time is spent by companies administering spreadsheet templates and maintaining them. Budgeting templates require finance managers to meticulously create formulas, link workbooks, and build-out formats for each division or department. If this was a one-time exercise, it might work, but as business dynamics changes, so must these budgeting templates, resulting in even more time spent adjusting and maintaining them. Changing templates and models in spreadsheets is not an easy feat, especially when different workbooks are linked. Adjustments often cause errors which can be difficult and time-consuming to find.

**Spreadsheet templates are often misused or altered.** Not everyone is a master in Excel, and even if they are, budget managers or contributors who are filling out templates with budget data may overwrite formulas prepared by the finance team with hardcoded values or insert rows and columns which inadvertently break linkages in the workbook. These alterations eliminate any chance of standardization and lead to company finance leaders receiving different formats and versions of data that might not be useful. Even if spreadsheets editing rules are applied, users might find themselves re-creating the template and altering to suit their own data. To make matters worse, contributors often save multiple versions of their data, increasing the risk that the wrong data is being submitted.

### Compiling spreadsheet budget data:

**Finance teams find it time-consuming and frustrating to compile and reconcile multiple templates.** This is especially true if templates have been misused or altered by contributors, as they often are. As contributors and budget managers submit their templates, finance teams find themselves drowning in data.

For smaller companies, this spreadsheet-pain can be somewhat bearable, but workbook-based budget models do not scale. The entire exercise of collecting to compiling can take weeks or even months from start to finish, resulting in an enormous amount of administrative time, degradation of data, and overall lack of confidence in the entire process. As a company grows in complexity and size, a spreadsheet-based budgeting process is not a smart business practice and entirely unsustainable.

## So what is the answer?

Excel was built for many things, but sophisticated and fast company budgeting is not one of them. There are readily available [budgeting software](#) platforms and software-as-a-service (SAAS) solutions that allow for the creation of structured budgeting and forecasting templates that can not only incorporate custom data fields and inputs, but can also be re-used without re-creating. Best of all, because budget models are automatically compiled into one system, all data captured automatically updates an underlying database.

The pain of having to recreate/copy the Excel workbooks for every different division, department, and or program each year is easily addressed by “multi-dimensionality” of budgeting software templates, something that

is not offered in “flat” spreadsheets. Companies can define templates to capture different data, for example, by Account by Month *by Department*. This means that contributors are actually using the **same** template and the software is applying filters or security in the background to control user access and where the data is stored (e.g. division/department, account, etc.) in the underlying database.

Overall, spreadsheets are not meant for company budgeting and planning and software exists that was built exactly for this purpose. ***Not sure which software solution is right for your company?*** [Click here to complete CRGroup's complimentary budgeting software needs assessment](#)

## Mistake #3: Limiting Access & Collaboration to Budgets

**The multi-contributor challenge.** Budgeting is not done in a vacuum. It requires input, data, and collaboration across the entire organization in a timely manner in order to be valuable. As many financial leaders will attest, collecting data from multiple contributors is difficult, time-consuming, and typically still results in each budget being created alone, and with no consideration of the bigger picture. Modern companies have leaders and staff who are on the go. As such, access to core business systems and processes from anywhere is a must.

Ideally, finance leaders should make it easy and accessible for budget contributors to edit, collaborate and submit budgets on time and from anywhere. Even if a company is not using online software for budgeting, it might still be possible to enable access and collaboration.

## How organizations can facilitate collaboration & access to budget templates:



**Internal network upload:** One method to address the access and collaboration challenge is to place budget workbooks on a shared drive on the company's internal network so that everyone has access to it at any point in time, rather than sending the workbook by email. This still requires multiple versions of workbooks to be saved and added but it limits the amount of emailing needed and can facilitate access to team budgets.



**Online document management:** Another method is to upload budgeting workbooks to a file sharing or document management platform such as Microsoft® SharePoint™. This would allow multiple individuals to access and edit the same workbook at the same time or "checkout" the workbook if they do not want others to make changes while they are working on it. File sharing platforms often come with configurable security and access roles, ensuring select users or groups can only see/access their budgets. Using platforms like SharePoint, users can also open workbooks in a web browser, meaning they do not even require Office™ (Excel) installed on their machines or devices.



**Using budgeting software to enable easy access and real-time collaboration:** The easiest way to enable access and collaboration is to use a budgeting solution designed for that purpose. Companies can find budgeting systems that provide a combination of client installation (software installed on workstation) or in the cloud (a growing trend), web access (online), Excel integration (for offline viewing and data collection), and mobile access. This allows users to access updated budgets, collaborate and edit as needed. Just this basic functionality can make a world of difference. Most modern budget platforms collect/aggregate budget data in real-time, so that management can instantaneously see the high-level output.


## Mistake #4: Relying Purely on Dollar-Based Templates

To keep the process simple for finance managers, budget managers and contributors, financial leaders often create budget templates that request dollar-only data.

### Problems with collecting dollar-only data:

1. The first problem with this is that data on revenues and expenses alone provide little to no insight and does not provide sufficient insight for improved planning.



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2. The second problem is that the process which was designed to alleviate workloads inherently creates more work and even more disparity in the process. Often times, to get the requested dollar values, budget managers perform separate calculations using underlying units and rates. These separate calculations are often performed using yet another workbook that the contributor builds and maintains, creating even more segregated planning and administrative work.

A solution to address this is to make simple changes to your templates to allow for **inputting units and rates** along with a line for a flat dollar amount for each expense. While this approach is not overly sophisticated, making that small change can make a world of difference for budget managers as they can be prompted to think through and prepare their budget while also being granted the ability to show their work. This solution does not apply to all revenues and expenses since some are much more complex and do require a detailed schedule; however, providing a more workable standard format can alleviate a series of additional workbooks that contributors have to maintain each year.


**A good exercise is to review all detailed schedules/workbooks that Budget Managers prepare and maintain each year, and see if there is a common set of templates that can be created.**

*For example*, the finance team can create a travel expense template, which has a set of standard rates for airfare, accommodations, and per diems. The budget manager or contributor can then input destination, number of nights, and number of individuals and the template would calculate the expenses for them. These types of driver-based templates can be easily followed/understood and can be used to make updates to the underlying drivers rather than having to recalculate everything.

Could this be accomplished in Excel?  
Certainly; however, on top of the disadvantages already outlined, these spreadsheets are not very conducive to do

what is called true “driver based” budgeting. This means there is no linkage across revenue models and cost models. An example would be that a certain percentage growth necessitates growth in some cost items that are not in the same division or cost center. This situation arises more frequently than one thinks and is difficult if not impossible to model in distributed Excel workbooks.

Most modern **budgeting software solutions** allow setting up **calculation-driven templates** with key unit-based rates, where the budgeted financials are driven by volumetrics (e.g. # of transactions, # of hours, # of deliverables, etc.).



## Mistake #5: Not Synchronizing New Accounts or Cost Categories

**Accounts used in the budget model are not synchronized with the accounting system.** Year to year, organizations typically add a series of new accounts in their accounting systems. As a result, the finance team has to translate these new accounts into all budgeting templates and ensure these are properly linked. If a company is using Excel, this can be a painful process and since this is also a manual process, there is also a risk that an account will be missed entirely and potentially not budgeted for.


There are not a lot of options for fixing this using a spreadsheet-based model. In some cases, moving to budgeting at the “Account Category” level (e.g. Telecommunications) rather than the account level (e.g. Phone, Internet) can address this to some degree. The issue is that budget is no longer tracked at the account level and thus cannot be used for comparing with actuals at the account level. An organization has to ask, ‘at what

level of detail do we need our budget managers to plan and track (what we hold them accountable for)?’ If you need them to plan and track at that detailed level, then there is no getting away from the challenge of having to manually update the workbooks with new accounts every year. Also, if reporting is required at the detailed chart of accounts (COA) rather than account categories, then you have no option here as well.

For organizations that are growing or are rather large/complex, this manual process is **not sustainable**. Budgeting software solutions can dynamically (using ranges) link to the COA structure and can provide integration options to the Accounting/ERP system. A routine “pull” of Chart of Accounts into the budgeting solution will ensure all accounts are available for budgeting, as well as Trial Balances and Transactions are up-to-date for variance analysis and comparative reporting.

## Mistake #6: Manual Reporting & Presentations

**Constantly Creating (and Recreating) budget reports and presentations is an onerous but necessary task for the FP&A teams.** Board members, shareholders, senior management and other stakeholders require budget and planning reports that they can not only understand, but can provide an accurate and timely picture of company financial health. These reports are usually the responsibility of the finance team and are a lengthy exercise. Pulling together and compiling the data, formatting numbers into charts, and pasting data into Word® documents and PowerPoint® presentations is incredibly time consuming and non-value added for even the most experienced Microsoft Office users.



In almost all cases, after the presentations and reports are completed, there is requirement for updates and scenarios, meaning the entire process of updating the underlying budget data and re-creating charts and reports must start from scratch.

For years, Excel has been the primary tool used by many businesses to turn tables into visuals. Spreadsheets are relatively easy to use and contain features for easy chart creation; however, cannot intelligently process large volumes of data and require a significant amount of manual work to produce one-off charts. Data stored in Excel and shared also does not provide the highest level of security, tables often contain static data that has an expiry date (becomes quickly outdated), and the integrity of the data can be a concern as it can be overwritten or formulas can be broken. The next best option is to employ expert analysts or IT folks to create custom business analysis applications and algorithms— a very lengthy and expensive solution not practical for small and medium-sized companies.


### **Commonly used ways of compiling budget reports & presentations using Office:**

Word and PowerPoint do allow for linking to an underlying Excel data file. This is a great feature of the Office suite that makes it easier for finance to update various presentations when the underlying data file is updated. This functionality has been around for a while and is commonly used to reduce the time and work needed to produce essential reports. There are also great PowerPoint add-on solutions like Markido® Engage™, which can automatically link presentations and values to Excel data sources.

In reality, however, **this never goes as smoothly as one would hope**. Just like budget consolidation is broken if templates are altered, any Word or PowerPoint links are broken if the underlying Excel document is changed.

The ideal state is for companies to spend **less time compiling** budget data and reports and **more time on value-added activities** like trend analysis and insights.

To accomplish this, **companies need one single source of budget data** that can feed real-time information into dynamic reports, useful presentations, and insightful visuals. For proper data consolidation and reporting, modern businesses require the use of technology. While there are budget software solutions available on the market that can provide either budgeting centralization or reporting/business intelligence, there are more and more solutions available that integrate



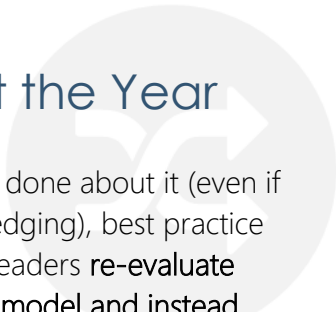
budgeting and reporting into a central corporate performance management (CPM) platform. In well-designed CPM platforms, the budget and reporting data model is entirely integrated, meaning as soon as data is updated at the detailed level, everything built off of that (reports, charts, and presentations) is automatically updated. Robust CPM platforms also extend beyond budgeting and reporting, allowing for dash boarding, scorecards, strategy maps, and analytics.

## Mistake #7: Not Re-Forecasting Throughout the Year

Companies that rely on annual budgets alone, risk identifying key trends that could lead to better decision making and business results. A classic problem with completing an annual budget is that it quickly loses accuracy as the year progresses.

Assumptions that are made at the beginning of the year are typically not correct in the middle of the year. There is growing evidence that **even the most carefully crafted budgets become obsolete within three to six months**. This is not a reflection of the people involved in creating the budget, but of the inevitable and real changes in a company's micro and macro environment. For Canadian firms, for instance, it might be because exchange rates change significantly which then impact revenues in export markets and conversion from that country's currency to CDN.

Too many companies fail to supplement the annual budget with forecasting, with less than 50 percent currently practice continuous planning and adjust resource allocations in response to changing conditions<sup>3</sup>.



While not much can be done about it (even if a company practices hedging), best practice suggests that financial leaders **re-evaluate their annual budgeting model and instead, implement quarterly reforecasting** either up to the end of the fiscal year (meaning a Q1 forecast for Q2, Q3 and Q4) or using a four (or five) quarters rolling forecast where every quarter, the company adjusts the last quarter's forecast and extends it to one more quarter. An additional benefit of the rolling forecast concept is that the third quarter rolling forecast actually forms a solid basis for the next fiscal year's base budget – thus streamlining the entire process.

The idea of going through the forecasting exercise quarterly might seem like a lot, considering most organizations struggle to collect and consolidate the data and forecasts from contributors on an annual basis; however, business systems and budgeting platforms exist for this reason. By implementing **modern budgeting and forecasting software** throughout the company, contributors will have instant access to incorporate rolling forecasts and make better decisions.

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<sup>3</sup> Financial Planning and Analysis Influencing Corporate Performance with Stellar Processes, People, and Technology. 2015 survey by Grant Thornton LLP and the American Productivity and Quality Center (APQC)

## Conclusion

Company budgeting & planning shouldn't be painful and collecting and compiling budget data doesn't have to be like pulling teeth. For most companies, spreadsheet-based budgeting is more of a handicap than a business tool, resulting in an unacceptable amount of wasted time, lengthy budgeting cycles, outdated data, and frustrated contributors who cannot access or collaborate on plans. However, tremendous strides have been made in world of budgeting & planning software. Cost effective and scalable solutions are now available to suit any company size or level of budgeting complexity. These solutions are built for budgeting and are dedicated to taking the best of Excel with the centralization and convenience of online access with corresponding security. Just like all business processes must evolve to become streamlined and automated, so should the company's budgeting process.



Experts in Budgeting, Forecasting Corporate Performance Management and Business Intelligence

If you would like to learn more about finding the right budgeting solution for your company, contact us.

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