

2011 Budgeting, Forecasting, and Planning Survey

**Insight into Processes,
Solutions, and
Business and Finance Teams**



QUANTRIX™

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Introduction to Quantrix's 2011 Budgeting, Forecasting, and Planning Survey

As a leading provider of business modeling and analytics solutions, Quantrix is interested in how business and finance professionals develop accurate and insightful forecasts, budgets, and plans. The company surveyed its list of customers about their company's forecasting and planning process, team, and toolsets so that it could gain insight into industry trends.

The survey was conducted during February 2011, with 267 responses. Respondents were offered no guaranteed individual incentive, but were able to enter for a chance to win either a Kindle electronic reading device, or a \$150 US donation to the charity of their choice.

The following pages highlight results from the survey. Respondents varied across company size, geography, and industry; readers can find further information on respondent demographics starting on page 19.

Charts represent averages across all demographic responses. Where the data vary from the averages in significant ways, more information is included in the text.

This survey uses these terms to mean the following:

- **Budget:** A one-year financial plan of detailed revenue and expenses by profit and cost centers, consolidated at the corporate level.
- **Strategic Plan:** A multi-year plan used by an organization to align its organization and budget structure with organizational priorities, missions, and objectives. Also used for strategic initiatives such as acquisitions or market expansion and to identify sources and uses of capital.
- **Scenario Plan:** An ad-hoc plan to analyze variation to budget or plans and/or to a specific business event/request.
- **Business Forecast:** Periodic (e.g. quarterly or monthly) revisions to budgets and plans based on actual results and new data.
- **Sales & Operations Forecast:** An estimate of future operational outcomes that uses historical internal operational and sales data in addition to external market and economic indicators; usually a sub-component to budgets and plans based on actual results and new data.

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Executive Summary

Top-level information from the Quantrix 2011 Budgeting and Forecasting survey:

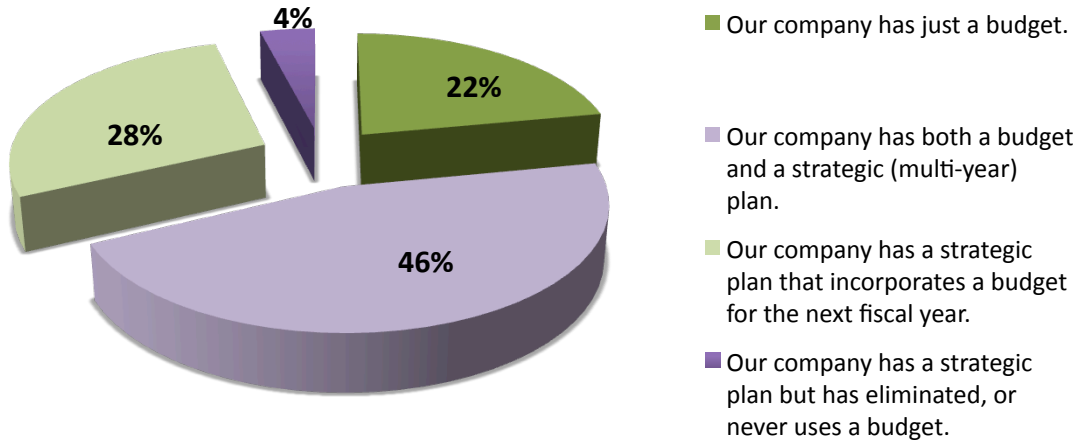
- Business and finance professionals spend a significant amount of time **recasting budgets** and responding to **ad-hoc queries**. Most companies report that they must rework budgets quarterly and that they must respond to more than four requests for ad-hoc scenarios per year. Turnaround time is important: on average, companies request scenarios within one week or less, but 40% of very large companies say they must respond within 24 hours.
- **Sharing budgets, forecasts, strategic plans**, and other models with co-workers, management, and external business partners is increasingly important for companies as the pace of business accelerates. This survey discovered that, on average, more than 35 people are involved in the financial planning and analysis process and that companies share financial plans with more than 60 individuals. Companies with more than 5,000 employees work with more than 335 people in the process, and share plans with more than 350 people within their organization.
- Business and finance professionals are spending a lot of time on **routine, administrative tasks**, rather than on **in-depth analysis**: Approximately two-thirds of their time is spent administering the overall process and collecting and validating data. Only for one third of the time are they actually conducting value-added analysis.
- The most important driver for the creation of scenarios and ad hoc plans is “variance from forecast”. Since professionals are spending two-thirds of their time on routine tasks rather than value-add analysis, **what is being sacrificed is quality**. Ideally, companies should be placing more importance on the business factors driving scenarios/ad hoc plans rather than on the current plan being wrong.

The financial planning and analysis process involves a complex array of people and tools, and too much time and effort is wasted in non-essential tasks. These pressures can only be overcome with robust toolsets that enable professionals to gather, analyze, model, and share data efficiently and effectively.



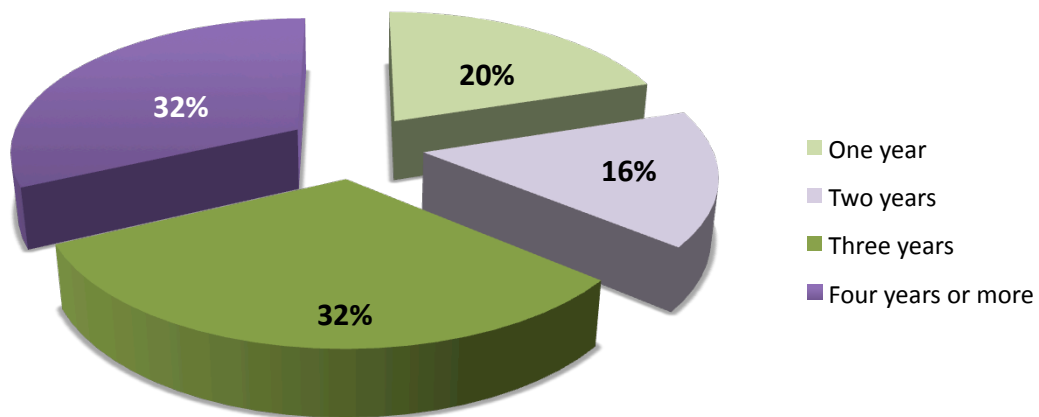
Section One: About Your Forecasting and Planning Process

What best describes your organization's budgeting and planning process:



Most respondents to the survey report that they develop a strategic plan that incorporates a budget. While this enables companies to have only one model for business and finance purposes, it can become extremely large and complex. Very large companies (those with more than 5,000 employees) report that they rely on both budgets and strategic plans: 65% report they use both, compared with 46% of respondents from all company sizes. Companies that sell to consumers (B-to-C) are more likely to have both a budget and a strategic plan (57.1%) than those that sell to other businesses (B-to-B).

How far into the future does your strategic plan extend?



The majority of respondents to the survey report that their strategic plans extend for three years or more. Not surprisingly, very large companies (those with more than 5,000 employees) develop long-term strategic plans: 55% of these companies have plans that extend four years or more, compared with 32% at companies of all sizes.



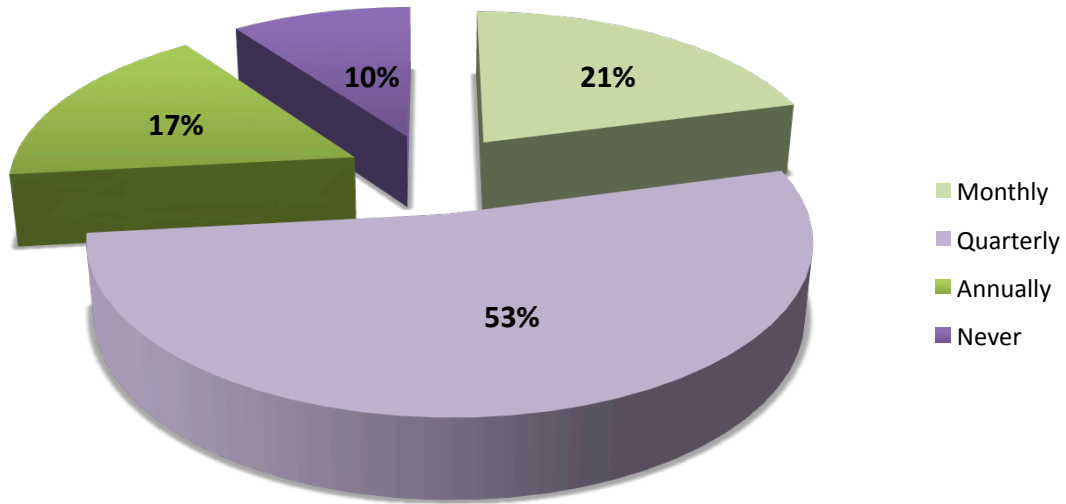
How applicable is last year's forecast to your upcoming year's forecast?

1 = not applicable; 2 = somewhat applicable; 3 = extremely applicable

Average answer: 2.2

The average answer was 2.2 – slightly more than “somewhat” applicable. As the pace of business accelerates, companies need robust modeling and analytics solutions to develop accurate and insightful forecasts – they can no longer rely on last year’s information as a strong guide.

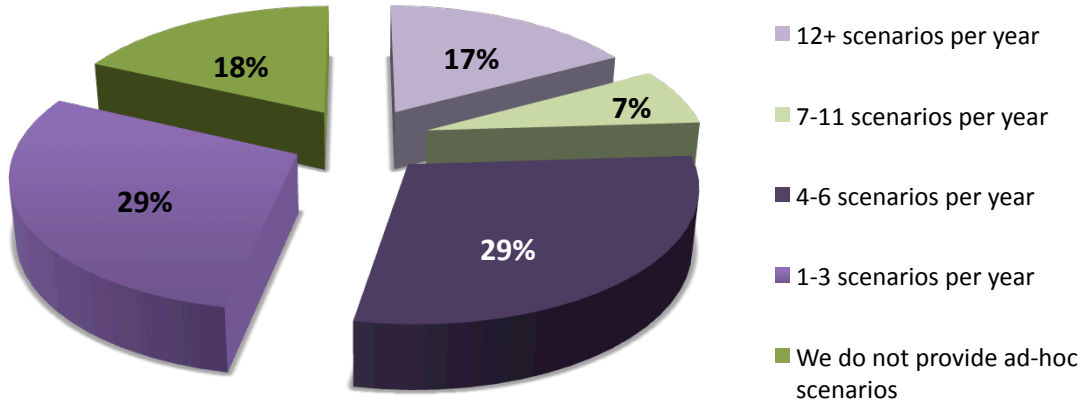
On average, how many times do you recast your budget, as a business forecast, throughout the year?



Once a year is still the most common timeframe for the budgeting cycle, with more than half of all respondents reporting that they recast their budgets quarterly. Very large companies (those with more than 5,000 employees) and companies that sell to consumers (B-to-C) report that they recast their budget more frequently: 35% of very large companies, and 32% of B-to-C companies report monthly revisions, compared with 21% across all company sizes and sales strategies.

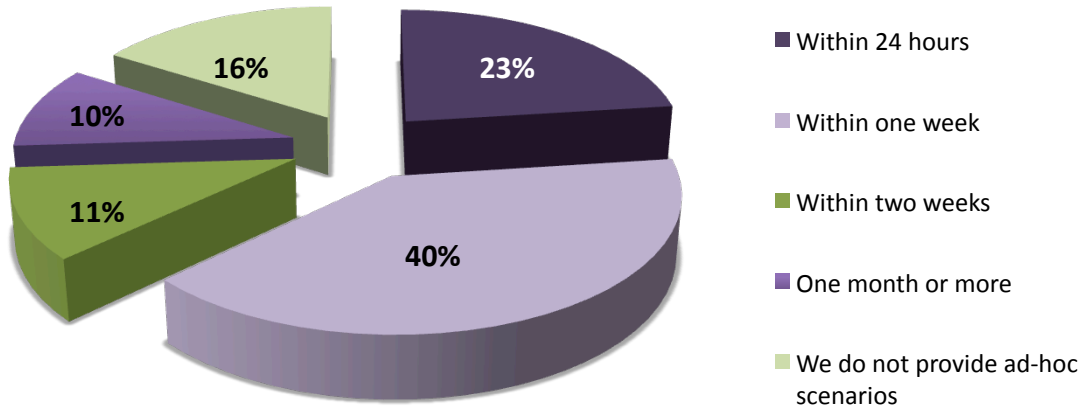


How many scenarios or "what if"/ad-hoc type of forecasts are you required to provide during the course of a year?



The top two categories for respondents were 4-6 scenarios per year and 1-3 scenarios per year. Very large companies (those with 5,000 or more employees) and very small companies (those with less than 50 employees) actually generate more scenarios than the average: More than 25% of small companies and 30% of very large companies generate 12+ scenarios per year as opposed to the 17% average for companies of all sizes.

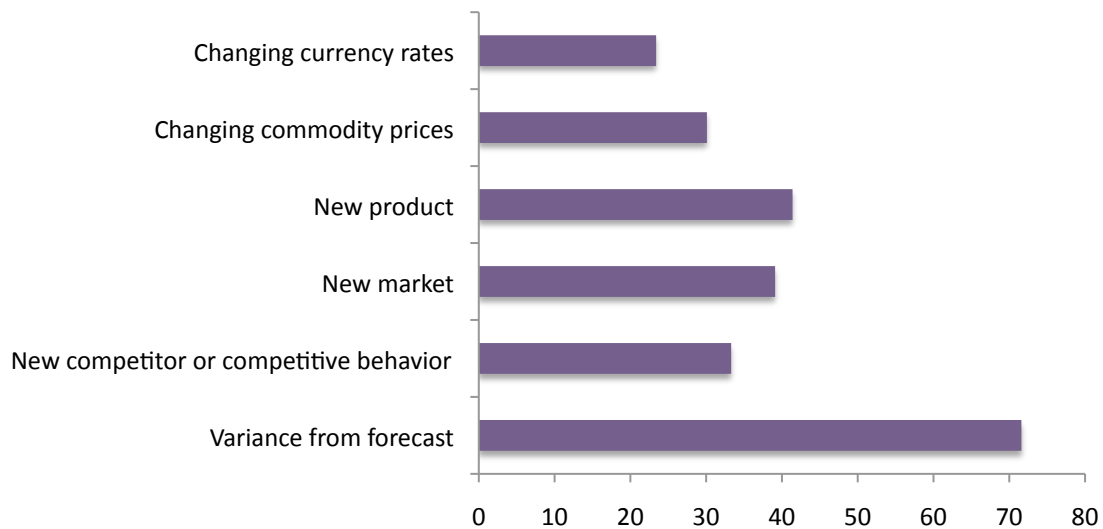
How quickly does your team need to turn around requests for ad-hoc or "what-if" scenarios?



The majority of respondents report that they must provide ad-hoc scenarios within one week – a short time frame for detailed insight and analysis. Very large companies (with 5,000 or more

employees) and very small companies (those with 50 employees or less) actually need to provide faster response than the average: 40% of very large companies and 27% of very small companies say they need to respond to queries within 24 hours, compared with 23% of all companies. Business-to-consumer companies (B-to-C) report the highest need for fast turnaround, with 42.8% reporting they need to respond within 24 hours.

Which of the following factors prompts requests for alternative or additional scenarios/ad-hoc plans?

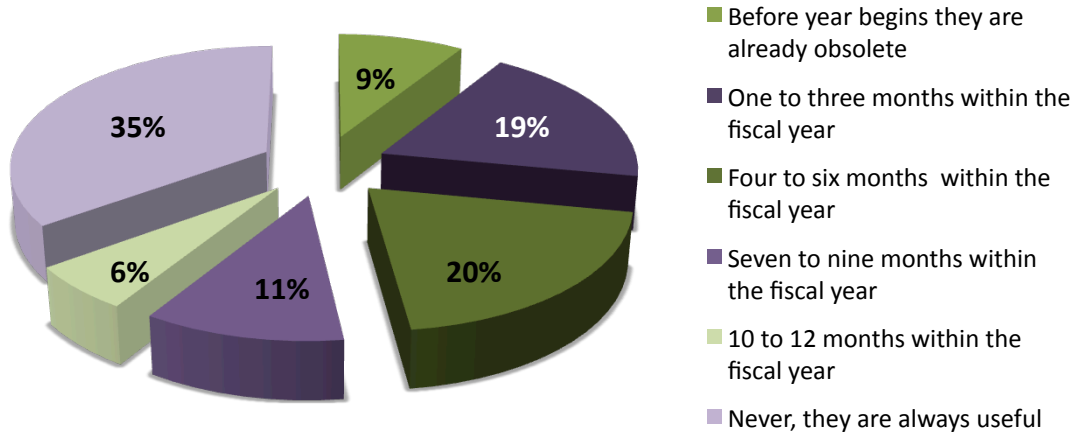


By far, the biggest prompt for additional scenarios is a variance from forecast; companies rely on alternative views when their expectations are not met. While 71.6% of companies of all sizes report that variance from forecast drives a new scenario, 85% of very large companies report the same. And while 33% of all companies report that competition drives a new plan, 50% of very large companies say it's a prompt. Not surprisingly, plans of very large companies also are more influenced by currency rates, with 45% indicating that changing currency rates will prompt a new plan versus 23.4% of companies of all sizes.



Section Two: About the Elements Involved in Your Budgets, Forecasts, and Plans

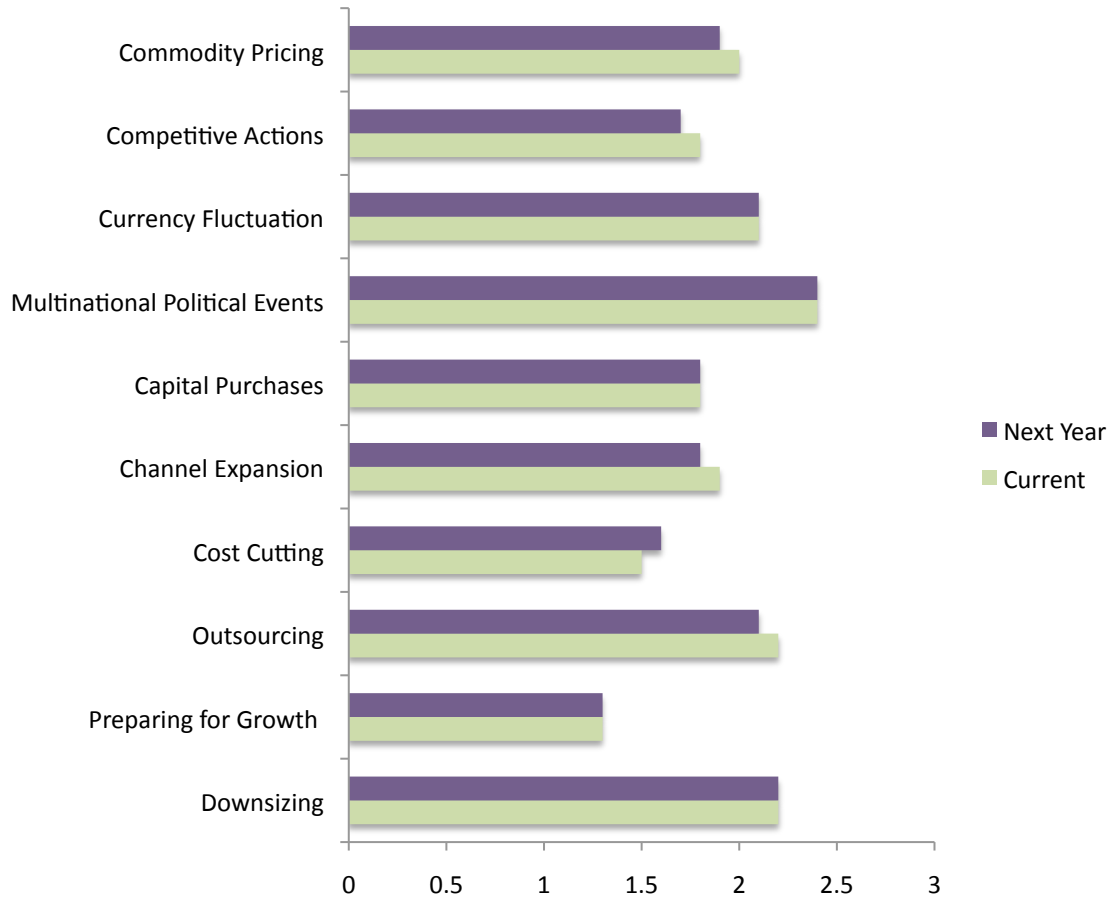
At what point do you expect your annual budget targets to become obsolete?



Companies continue to develop budgets, but more than half of respondents report that at some point within the year, they become obsolete. More than a third of respondents say that this happens within the first six months of the year. These data support an important concept in business and finance forecasting and planning: the future is uncertain, and the playing field is always changing. Business people with domain knowledge and skills need flexible tools that enable them to rework plans in real time in order to maintain a competitive advantage. As Dwight Eisenhower said, "Plans are worthless, but planning is everything." As companies continue to step up the pace of their planning activity, they need tools to support this dynamic process.



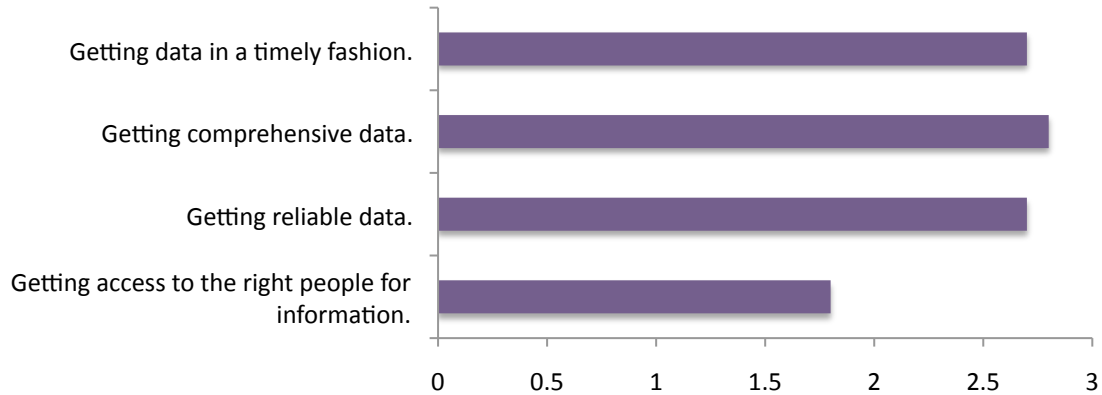
How important are the following market forces and business drivers to your forecast? (Current vs. Next Year; Scale: 1 = Very Important, 2 = Somewhat Important, 3 = Not Important)



Answers to this question support reports citing the end to the global recession; the most important business driver for the survey respondents, both currently and anticipated for next year, is preparing for growth. There was very little distinction in the ranking of these factors across all demographics, with companies of all sizes and sales strategies reporting similar results. Year-to-year variances also were not significant among respondents.

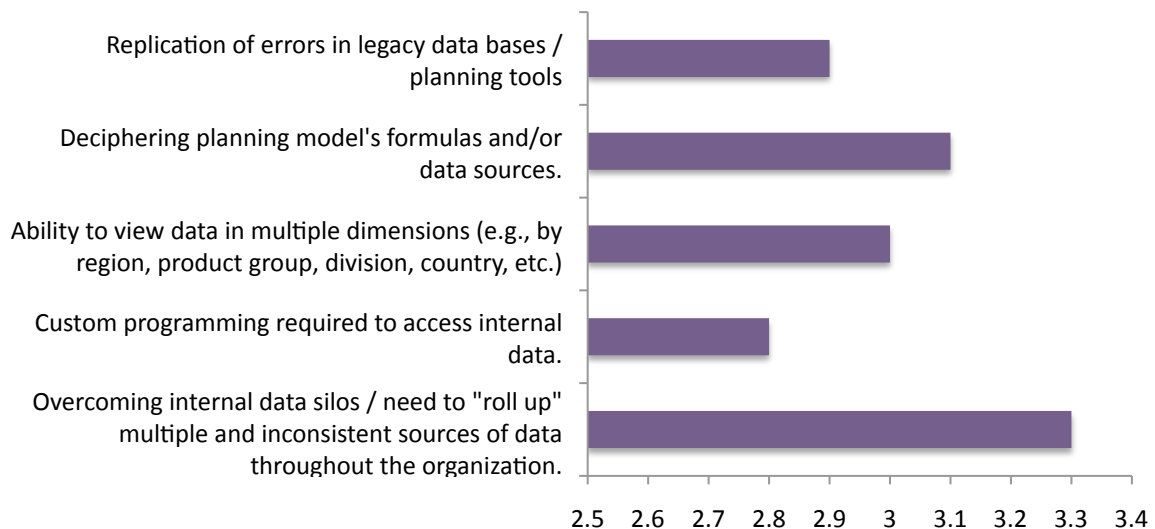


Please rank the following factors in terms of how much of an INFORMATION challenge they present to your ability to develop accurate, insightful forecasts, plans, and budgets. (Scale of 1 – 5, Where 1 = Least Challenging)



Business and finance professionals will not be surprised to learn that in terms of gathering information, no part of the process is easy. Respondents reported that getting access to the right people was the easiest part of the equation, but getting comprehensive, reliable data on time was problematic for all respondents.

Please rank the following factors in terms of how much of a TECHNICAL challenge they present to your ability to develop accurate, insightful forecasts, plans, and budgets. (Scale of 1-5, Where 1 = Least Challenging)

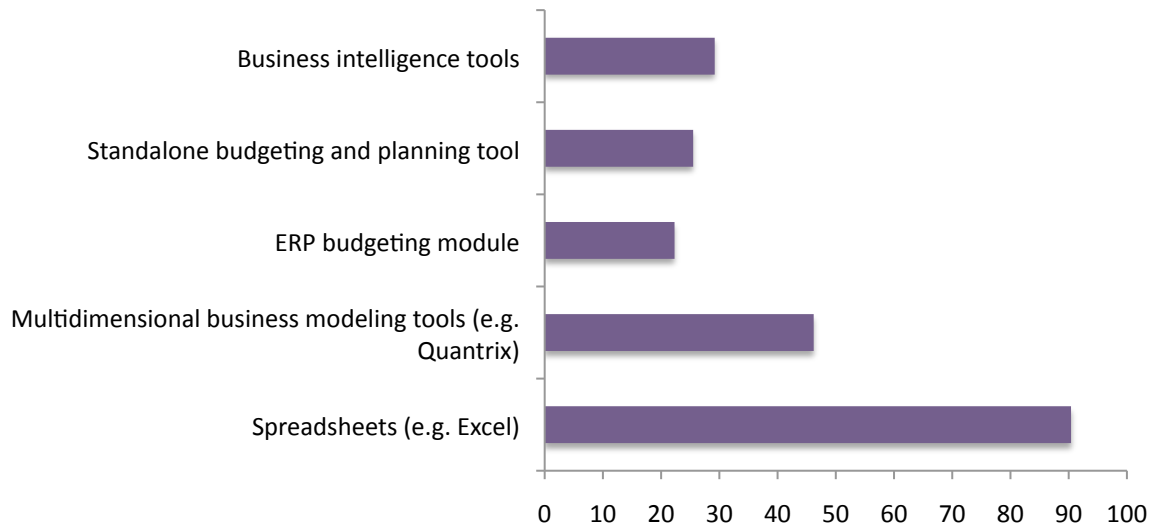


As in the previous chart that listed informational challenges, companies report across-the-board technical challenges in preparing budgets and forecasts. By far the largest challenge is in



managing the multiple and inconsistent sources of data they encounter. Following that are the challenges involved in deciphering the underlying formulas and data sources of models. Very large companies (those with more than 5,000 employees) report that overcoming internal data silos is exceptionally challenging: the average response ranked it at 3.9 on a 5-point scale, compared with the average rank of 3.3 across all company sizes.

Which of the following do you use in your financial planning and analysis process?

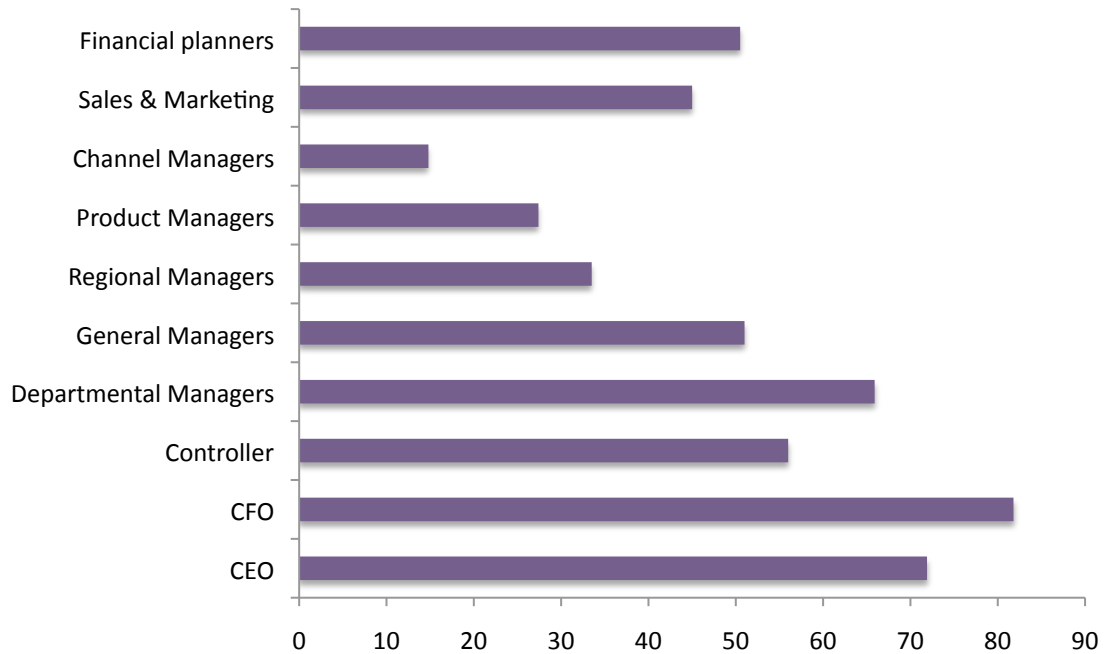


The challenges of using desktop spreadsheet tools are significant and well known: they are error-prone, create data silos, are not transparent, and have issues with scalability. However, they continue to be widely used by respondents, with more than 90% reporting that they are used in their financial planning and analysis process – 90% of very large companies rely on this tool, right on target with the 90.4% across-the-board average. Not surprisingly, smaller companies do not rely on ERP software as much as their peers at larger companies: 9% of very small companies (less than 50 employees) report using this software, compared with 45% of very large companies (more than 5,000 employees) and 22% of companies of all sizes.



Section Three: About Your Financial Planning and Analysis Team

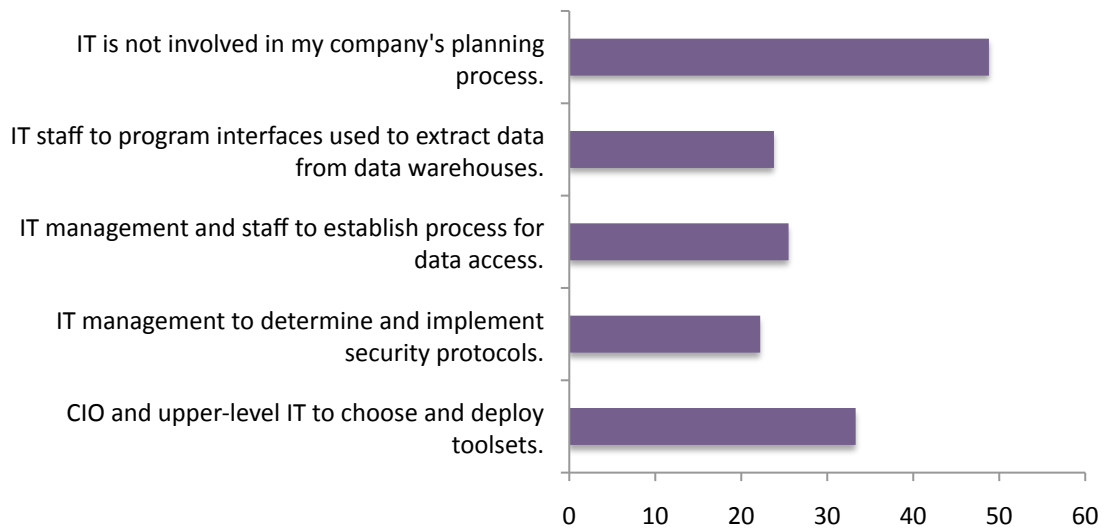
What managerial levels in your organization participate in the financial planning and analysis process?



Budgeting, forecasting, and planning requires the insight of all managerial levels: respondents to the survey report that everyone, from the CEO to regional and product managers, is involved in the financial planning and analysis process. This process continues to be complex, to require the input of a variety of people within a company, and shows no signs of abating.



What IT personnel in your organization are involved in the financial planning and analysis process?

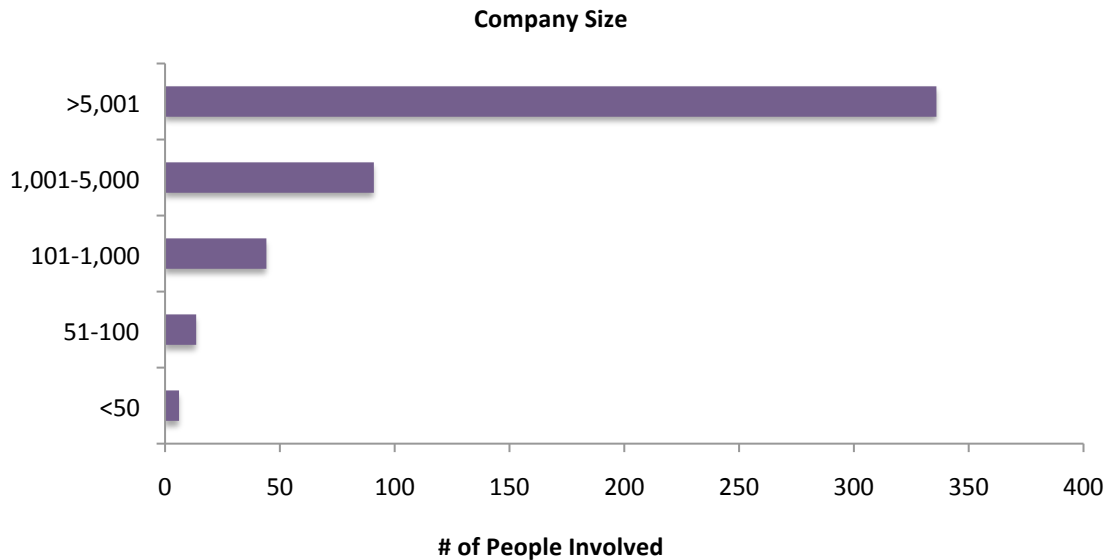


IT is less involved in budgeting and forecasting than business professionals, but more than half of respondents cite some level of IT involvement, from choosing toolsets to extracting data. Companies that sell to consumers (B-to-C) rely more on their IT departments in the financial planning process than other businesses. While 48.8% of all companies report that IT is not involved in their planning process, only 42.8% of B-to-C firms say the same.



On average, how many people in your organization, including IT and business, are involved in the financial planning and analysis process?

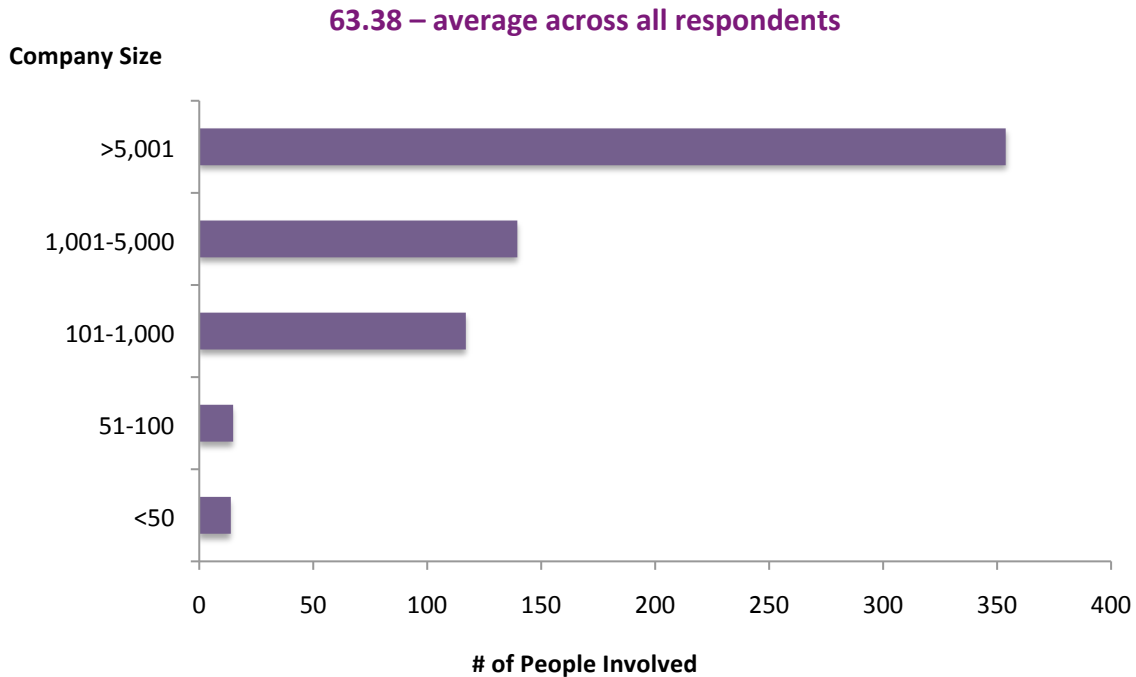
35.46 – average across all respondents



One of the biggest challenges in the financial analysis and planning process is managing the number of people involved. Across all company demographics, the average number is more than 35. The larger the company, the more people are involved: Very large companies (with more than 5,000 employees) report that close to 350 people are involved in the FP&A process, a staggering number of individuals to track, inform, and interact with.



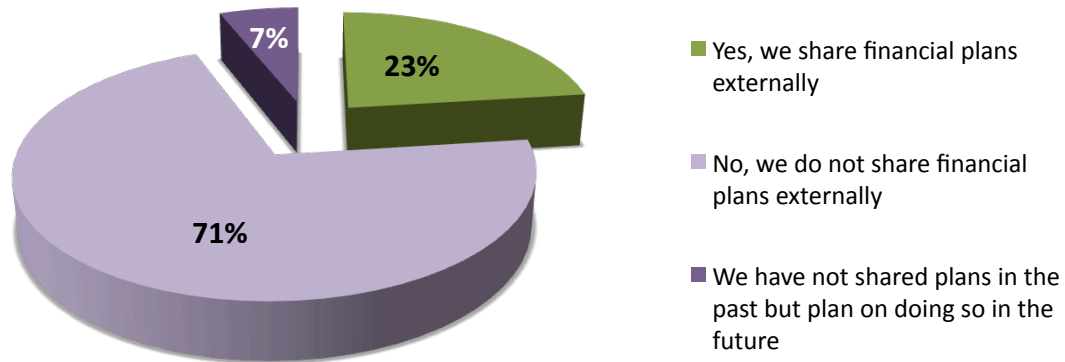
On average, with how many people within your organization do you share financial plans? (e.g., CEO, board of directors, country managers, sales managers, etc.)



Once budgets, forecasts, and plans are developed, business and finance professionals need to share them with a significant number of people within their organization. This factor should be a primary concern when choosing solutions – professionals must be able to share data easily, and without requiring the installation of specialized software toolsets. The larger the company, the more people are involved. At companies with more than 5,000 employees, more than 350 people receive the plans; companies with between 100 and 1,000 employees share with more than 100 people. Even small companies need to share plans: those with less than 50 employees share with 14 people, and those with between 50 and 100 employees share with 15.

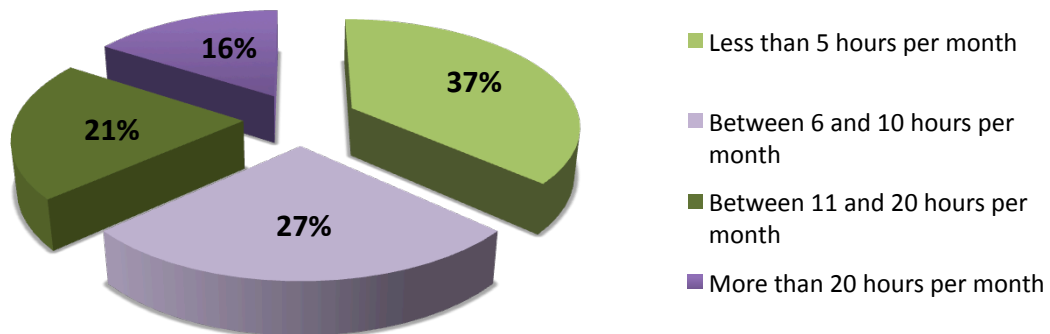


Do you share all or part of your business/financial plans with organizations outside of your company, such as suppliers and partners?



Less than one-quarter of companies surveyed share their business and financial plans with people outside of the company. However, the responses to this question differ significantly between those companies that sell to consumers (B- to-C) and those that sell to other businesses (B-to-B): While 23% of all companies share plans externally, 14.2% of B-to-C firms and 25.6% of B-to-B firms share.

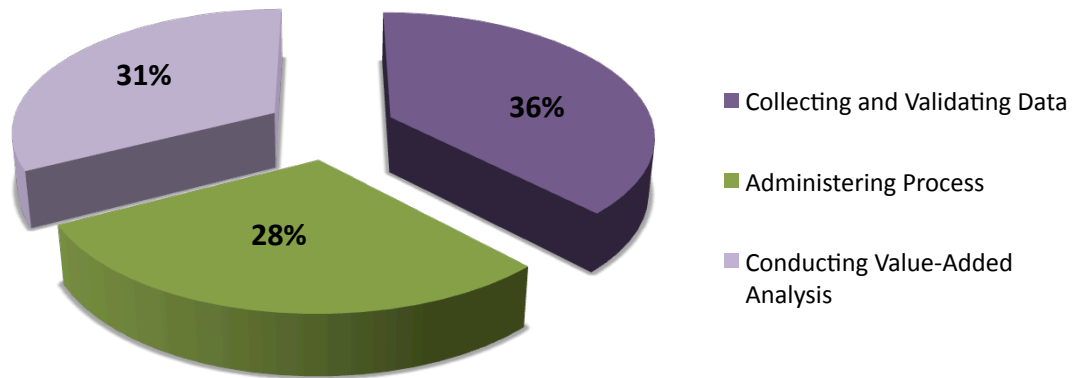
On average, how much time does your team spend each month formatting business/financial plans so that they can be shared both internally and externally?



The larger the company, the more time it spends formatting plans for sharing: 25.9% of companies between 100 and 1,000 employees indicated they spend between 11 and 20 hours per month formatting plans for sharing, compared with 21% across companies of all sizes. And 23.8% of companies between 1,000 and 5,000 employees indicate they spend more than 20 hours a month on this task, compared with 16% of responses from all company sizes. Business-to-consumer firms also spend a lot of time formatting data: 21.4% of these firms say they spend more than 20 hours per month on this task.



What percent of your team's time is spent on the following activities?



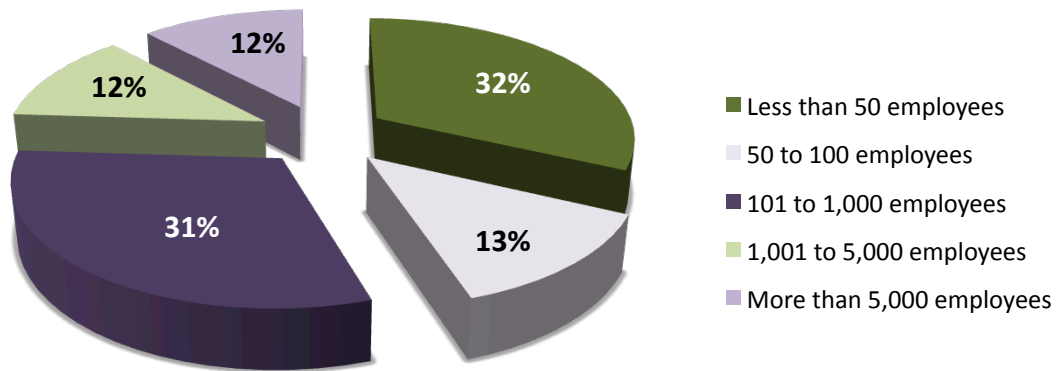
While companies might be surprised at how their highly trained business and financial professionals spend their time, the individuals themselves will not be: on average, they spend more than two-thirds of their time on the routine aspects of collecting and validating data and administering the financial process rather than on conducting the value-added analysis required to generate insightful and meaningful budgets, forecasts, and plans. Companies clearly would benefit from advanced toolsets that drive time out of the administrative aspects of the financial planning and analysis process and enable more time for strategic analysis.



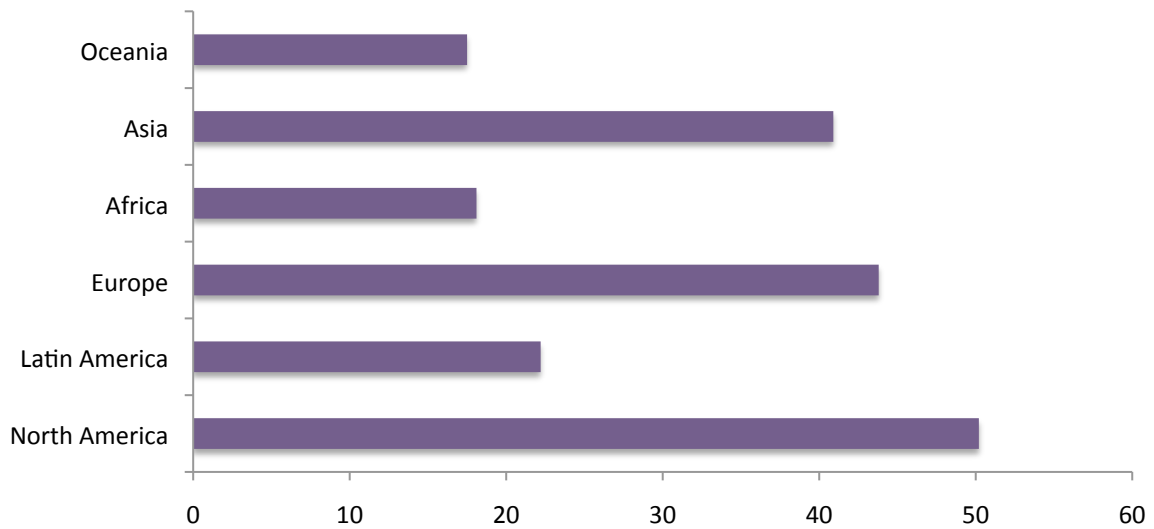
About our Respondents

Total number of responses: 267

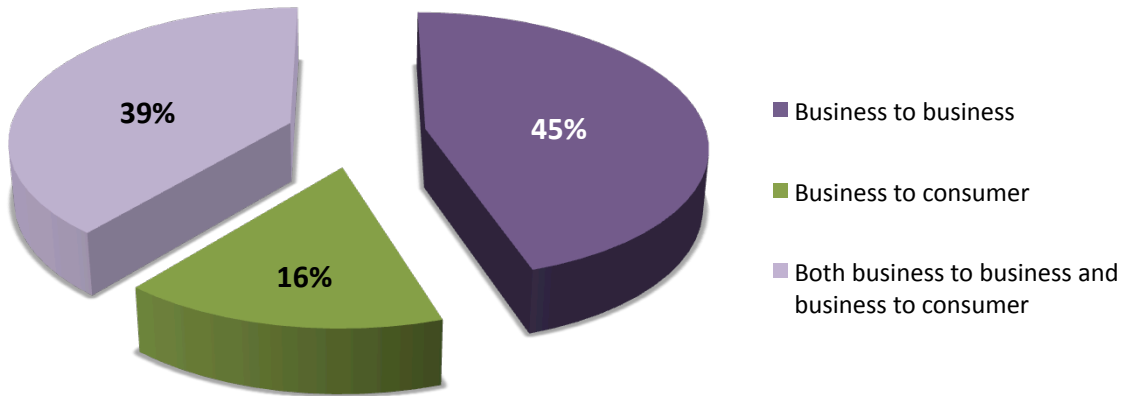
What is the size of your organization?



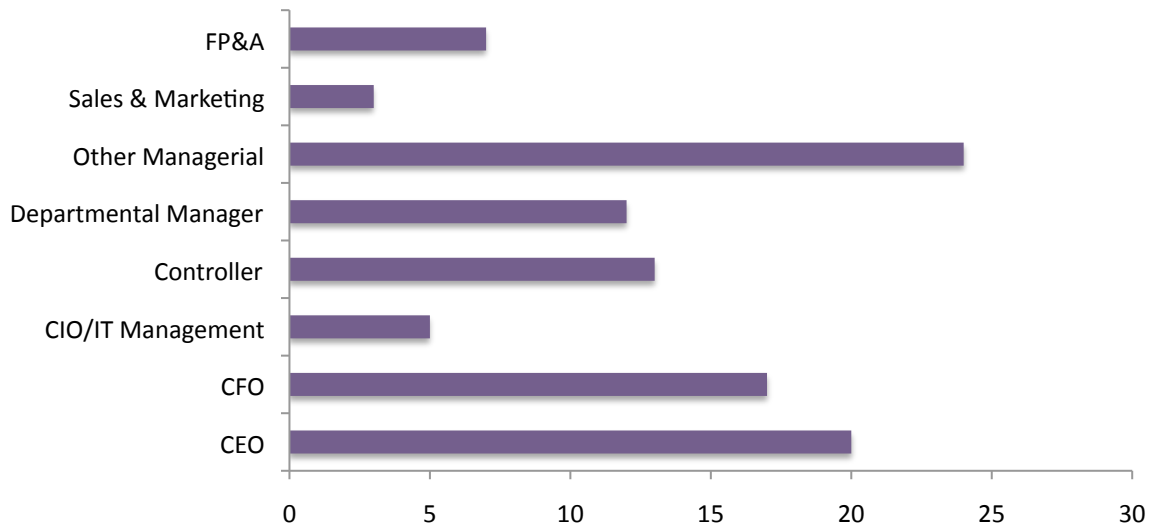
In what geographic areas does your company do business?



Please select one answer that best describes the markets to which you sell.



Please choose one item from the following list that most closely matches your title:



About Quantrix Modeler

Quantrix Modeler's multidimensional business modeling and analytics (BMA) software enables financial professionals to break away from the restrictions of spreadsheet technology and enterprise business intelligence applications to quickly develop financial models of the highest integrity, flexibility, and transparency. Quantrix Modeler is a desktop business modeling and analytics (BMA) software solution that enables financial and business planners to understand the impact of decisions through multi-dimensional modeling, visualizations, and "what if" scenarios.

Quantrix has released version 4.0 of Quantrix Modeler. Key new features include the ability to publish models to the Qcloud, dramatic improvement in calculation speed, and the ability for users to write their own scripts to drive models.

Sharing budgets, forecasts, strategic plans, and other models with co-workers, management, and external business partners has become increasingly important for companies as the pace of business accelerates. As this survey has discovered, on average, more than 35 people are involved in the financial planning and analysis process and companies share financial plans with more than 60 individuals.

Features of Quantrix Modeler 4.0 include:

- **Share Models via Quantrix Qcloud** – The new version enables users to publish business and financial models to the Quantrix Qcloud, a publishing server hosted by Quantrix. Users can invite colleagues or clients to securely view models or they can make models available to the general public. Individuals log in via a web browser, and do not need to install the Quantrix Modeler application to view models.
- **Speed Calculation by Up to 85%** – Version 4.0 includes a new calculation strategy that can dramatically improve the time it takes for a model to calculate. In addition to the cell-by-cell calculation strategy, Version 4.0 offers a range-based approach. Quantrix logged speed improvements of between 50 and 85 percent during internal testing on models that contained up to 21 million cells.
- **Customize Model Actions with Scripting** – The new version uses a Java language called Groovy Scripts that enables users to write scripts to drive models. Users can now develop mini-applications, add custom menu items, create canvas buttons, and edit actions and functions.

Quantrix version 4.0 is available for both Windows and Macintosh platforms. Visit the Quantrix web site to download a trial, view a [webinar of the new features and functions of version 4.0](#), or to view [a model published on the Quantrix Qcloud](#).

