

# Gaining Competitive Advantage Through Enterprise Planning

*An Oracle White Paper  
Updated August 2007*

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**Organizations can reap the following benefits from employing planning best practices:**

- **Shorter planning cycles (which translate to improved responsiveness)**
- **More tightly aligned operations and strategies**
  - **More-predictable financial performance (despite changing conditions)**
- **Instant access to information across departments and at any level of granularity**
  - **Improved accuracy**
- **Involvement of nonfinancial employees in planning and budgeting**
- **Better decision-making through what-if scenarios**
  - **Clearer insight into how business plans will impact the balance sheet and cash flow**

## **EXECUTIVE OVERVIEW**

No matter how good its products or innovative its services, no organization can perform to its full potential without an adequate planning structure in place.

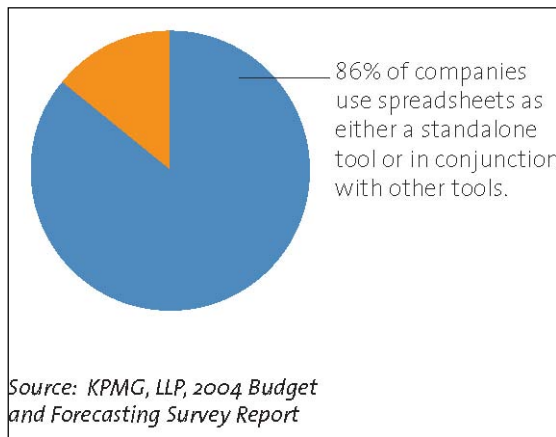
Allowing enterprises to allocate their most precious (and finite) resources—money and people—in response to changing conditions and objectives, today’s enterprise planning solutions facilitate a dynamic planning process that both promotes best business practices and spawns new ones. These solutions provide the enterprise planning tools that organizations need to maximize their resources and execute their business strategies.

## **INTRODUCTION**

In today’s fast-paced business environment, planning has to entail more than a once-a-year activity. If managers are to perform the thoughtful analysis and what-if projections essential to smart decision-making, planning needs to be an ongoing dynamic activity that promotes collaboration across departments and organizational layers, and links budget allocations to real-world drivers.

However, to derive the wide spectrum of business benefits availed by this type of best practices enterprise planning—such as more tightly aligned operations and strategies, shorter planning cycles, and more-predictable financial performance—companies must implement new technologies. Out-of-date planning tools simply cannot link planning processes and data across the enterprise, facilitate collaboration among all process participants, or provide critical capabilities (such as drilldown and what-if scenario management) in the way that today’s sophisticated enterprise planning technology allows.

By taking advantage of advances in enterprise planning technology, organizations can transform an annual exercise that adds little value to the business into one that ensures the continuous optimization of resource allocations and the consistent, effective execution of the business strategy across the enterprise.



**Figure 1: Most companies use spreadsheets as a standalone planning tool or in conjunction with other solutions.**

## A BRIEF HISTORY OF PLANNING

Before the advent of computers, companies performed planning tasks with paper spreadsheets and calculators—a “technology” that required documents to be physically sent between locations and that provided no means of automatically linking values among documents. Planning, in other words, entailed a completely manual process—slow, error-prone, and extremely inflexible.

The advent of PCs and desktop spreadsheets, however, brought about a revolution in the way organizations planned and managed their budgets. For the first time, users could produce planning documents that could be easily shared and updated. In addition, those documents could contain far more information, graphics, and detail than previously possible.

### Special Purpose Budgeting Applications

With users enthusiastically adopting spreadsheet software, technology vendors soon began enhancing them with specialized budgeting applications that could handle compound growth rates, currency variables, and other factors beyond the purview of traditional spreadsheets. Suddenly, organizations were able to quickly and reliably build planning documents based on more-sophisticated (and thus more-accurate) models. And for the first time, they were able to plan across multiple dimensions of a business—among product lines, for example, and across various pay grades within a department.

These calculation-related enhancements, however, did not address fundamental planning issues such as process management, auditing, and the linkage between planning documents and key enterprise data sources—such as applications for enterprise resource planning and human resources. They also relied on distributing and collecting budgeting “files” between finance and business planners.

## Web-Enabled Applications

The advent of the internet brought another wave of technological change to enterprise planning. Now, instead of having a fat client application distributed across the enterprise, an organization could provide browser-based access to shared planning databases and documents. And the documents could be maintained on a central Web server rather than dispersed across multiple users' desktops.

This Web-enabled architecture provided significant process advantages over its desktop predecessors. With documents maintained in a central location, version control and auditing could be introduced into the planning process. And because these documents were now stationary, budget values could be automatically populated with data from other documents and systems, and triggers could be set to automatically notify managers about thresholds and variances. However, management and integration capabilities were limited, and planning remained largely a static, top-down exercise rather than a dynamic process linked to core business applications and processes.

Despite advances in planning technology, organizations still face issues that hinder them from optimally allocating resources.

These include

- Periodic update processes that allow allocation plans to lag behind changing business conditions and corporate imperatives
- Limited tools for aggregating lower-level planning documents and drilling down from higher-level documents
- Potential for human error
- Inadequate linkage of planning documents and enterprise data
- Exclusive use of monetary values versus head count or manufacturing units
- Limited support for the creation of what-if scenarios

## What's Still Missing?

As evident from this overview of planning's history, advances in corporate planning practices are largely contingent on advances in planning technology: Each stage of technological advance has yielded important enhancements in how business users collaborate to optimize the allocation of corporate resources.

Despite these advancements, however, corporate planning has yet to reach its zenith. Many issues remain, and it is only by embracing the next generation of enterprise planning technology that businesses will be able to further enhance their planning processes and reap substantial performance benefits as a result.

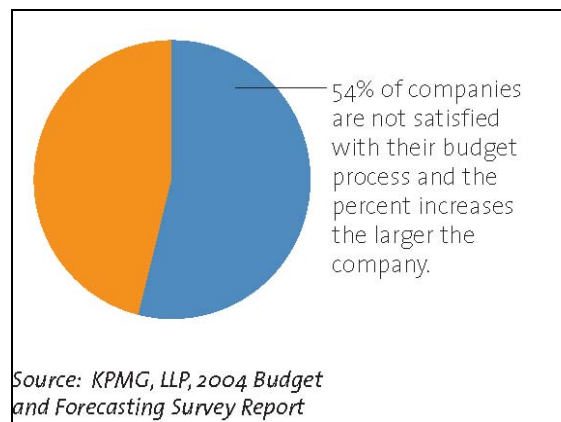
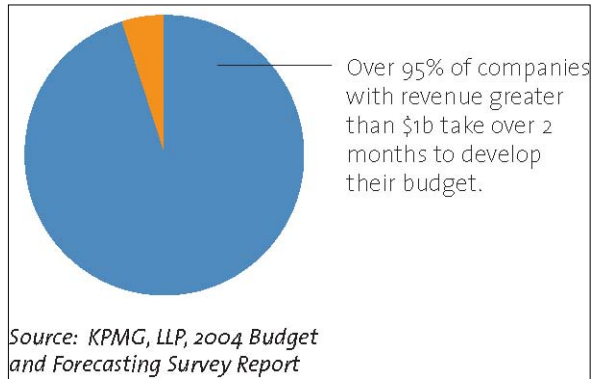


Figure 2: Many companies, especially large ones, are not satisfied with their budgeting processes.



**Figure 3: Almost all companies take longer than two months to develop a budget.**

### A LOOK INTO PLANNING'S FUTURE

What does next-generation enterprise planning technology look like? What differentiates it from previous generations of planning tools? And how does it enable organizations to implement proven planning best practices?

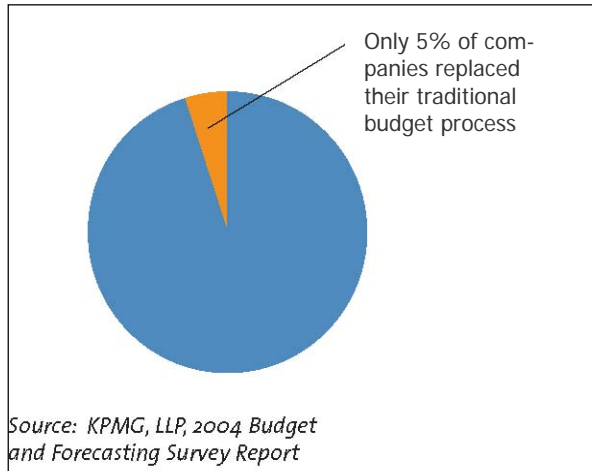
Although each organization applies best practices in its own way to suit its unique business requirements and culture, any company operating in today's highly competitive, compliance-conscious business environment should demand the following functionality from their next-generation planning technology:

- **Dynamic real-time updates.** Business moves too quickly for management to rely on annual or quarterly numbers alone; allocation decisions and forecast revisions must instead be based on events and conditions that can change at any time. Next-generation planning environments make it easy to adjust to frequently (or even continuously) changing conditions by providing automated Web-based links to planning drivers across an enterprise. As a result, events or initiatives in one part of the organization can quickly and accurately drive appropriate responses in other parts of the organization. This dynamic approach eliminates the lag times and disconnects associated with conventional planning tools and traditional annual and quarterly planning.
- **Multitiered aggregation and granularity.** From the boardroom to the project team, planning takes place on many levels, which means that aggregation can become a nightmare if every team at each level uses a separate planning system. Even worse, it can be virtually impossible for upper management to drill down from an aggregated document to discover underlying issues. And finally, manually aggregating multiple spreadsheets introduces the possibility of gross human error. This is why the next generation of planning solutions unifies planning in a single environment, linking data across all organizational levels, departments, and functions.

Today's next-generation enterprise planning solutions differ from their predecessors in the following ways:

- They provide real-time dynamic links to organizationwide data.
  - They provide a unified organizationwide planning environment.
  - They're able to access data from a variety of sources and be used with familiar tools such as Microsoft Office.
  - They link (and translate between) financial and nonfinancial metrics.
  - They can model and assess multiple hypothetical scenarios.

- **Integration with enterprise applications and datasources.** Everything from sales pipelines to labor rates, material costs, interest rates, currency exchange rates, and more can affect an organization's planning and budgeting. With data of this nature typically available from enterprise resource planning systems, human resources applications, external information services, and other sources, businesses need to be able to tap into these sources dynamically to adjust planning variables to reflect changing conditions—and they want to use familiar tools, such as Microsoft Office, to do so. A good next-generation enterprise planning solution will provide the integration interfaces and variable adjustment functions that are required to fulfill these needs.
- **Translation between financial and nonfinancial metrics.** Best practices accounting depends on organizationwide user collaboration. Web-based clients foster this by distributing application functionality wherever it's needed. It's equally important, however, to involve managers and team members who think in terms of operations rather than currency-quantified budget spreadsheets. A good next-generation enterprise planning solution will thus translate between financial and nonfinancial metrics (such as head count, materials, and product units).
- **Enhanced creation and management of what-if models.** What if we open additional regional facilities? What if interest rates rise dramatically? What if the sales department misses its quarterly goal by 10 percent? Modeling and assessing divergent business scenarios represent a big part of best practices planning. Spreadsheet-based systems, however, have made it difficult to work with multiple theoretical scenarios: They simply lack the tools required to relate the hypothetical scenarios in meaningful ways. In contrast, next-generation planning solutions make it possible to manage multiple alternative scenarios in a common manner, allowing decision-makers across the enterprise to freely experiment with various hypothetical conditions without creating document chaos or undermining the integrity of core planning documents.



**Figure 4: Very few companies have replaced their budgeting processes.**

## **THE BENEFITS OF NEXT-GENERATION PLANNING SOLUTIONS**

Next-generation planning technology derives its business value from the best practices it facilitates. The following subsections describe some of the key benefits companies experience with these technology-enabled planning best practices.

### **Rapid Response to Change**

When you reduce planning cycle times, you significantly improve your organization’s ability to respond to change—whether those changes are in the buying habits of customers or in the state of the economy as a whole. Instead of being a problem, change becomes an opportunity that your organizations can use to achieve competitive advantage over less-nimble competitors.

### **Actionable, Accessible Business Insight**

When all planning data across the enterprise is available in a single, easy-to-navigate application, managers can effortlessly zoom up and drill down in search of data. This leads to better decisions being made more quickly, more confidently, and with greater consistency.

### **Predictable Performance**

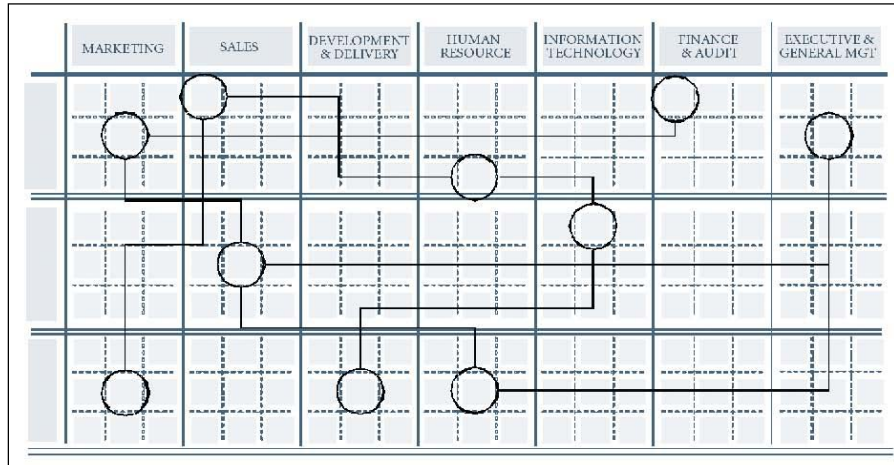
Capital markets reward companies that consistently “make their numbers”; however, it’s hard to achieve that consistency when planning cycles lag behind market conditions and your planning process includes substantial opportunity for error. Next-generation enterprise planning technology solves these problems by allowing you to continually assess real performance versus projected results, rigorously maintaining alignment between what-if predictions and execution.

## Optimal Resource Allocation

If marketing is planning a major push for Product A, the last thing you want to do is invest in increased manufacturing capacity for Product B. However, optimal resource allocation can only occur if planning is linked across all areas of your organization based on logical dependencies. With a unified enterprise planning environment in place, you can use such linkages to ensure that every dollar spent on infrastructure, payroll, materials, and outside services is optimally allocated.

## Full Participation of All Teams and Departments

Business is a team sport, which means that optimum bottom-line performance can only occur when everyone at every level and across every functional area is working together to achieve a common set of clearly understood goals. A shared enterprise planning environment that uses both financial and nonfinancial data ensures both the full enfranchisement of all appropriate process participants and the consistent enforcement of business priorities in every team, department, and business unit.



**Figure 5: Enterprise planning calls for better collaboration throughout the enterprise—both horizontally across every organization and vertically between management layers.**

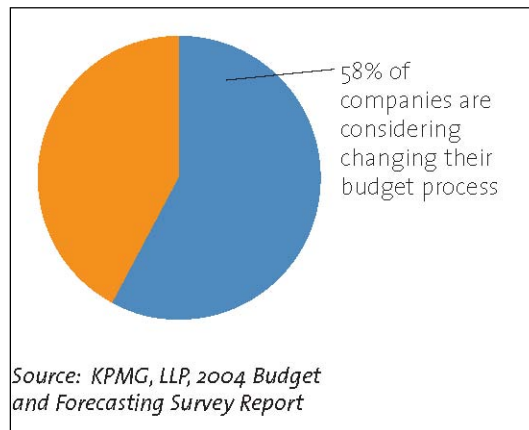
## Improved Vision and Leadership

No planning software can provide a crystal ball for managers; however, next-generation enterprise planning technology can make it much easier to examine and develop strategies for dealing with whatever the future holds. The ability to consider and experiment with a wide range of what-if scenarios greatly empowers managers at all levels. By providing them a clearer vision of the future, they and allowing them to exercise greater creativity in planning and to more aggressively pursue future opportunities.

These are just a few of the reasons it's imperative that businesses not remain complacent in their approaches to planning. Businesses that fail to drive planning practices and tools forward will remain bound by slow, stovepiped planning processes, finding it difficult to compete with more-nimble and unified organizations that are much better at leveraging their resources.

## TRANSFORMING THE PLANNING ENVIRONMENT

Even if you're relatively certain your organization will derive significant benefits from the implementation of a next-generation enterprise planning solution, you need to be certain that you can achieve those gains with a minimal amount of pain (in terms of effort, disruption, and cost). Keep in mind, however, that hundreds of organizations in a range of vertical markets have already made the transition, which means you're ahead of the competitive curve but far from the bleeding edge: plenty of pioneers and early adopters have already paved the way by implementing and proving the viability of these technologies.



**Figure 6: Many companies recognize the need to change their budgeting process.**

If you are considering spearheading your organization's enterprise planning initiative, you should

- **Focus on your company's biggest planning problems first.** Although planning best practices provide invaluable direction, not every company has to implement every practice—or do so all at once. Often, it's wiser to focus on alleviating the most pressing planning issues first. Whether you want to achieve shorter cycle times or better alignment between marketing and sales, by attacking high-priority issues first, you can score big, easy wins early that help you gain the support and credibility required to continue the transition.
- **Build broad-based consensus for change.** Acquiring the right technology is key to improved enterprise planning, but to take full advantage of that technology, the entire organization needs to have a clear sense of (and commitment to) the goals of the planning initiative. In addition, initiative leaders will need to be given strong incentives to buy into and support the initiative as it impacts their areas of the organization.
- **Make life as easy as possible for users.** Because next-generation enterprise planning aims to promote broad involvement across an organization, end-user acceptance is critical, and every effort should be made to accommodate their needs. This means selecting an intuitive planning tool, providing all necessary training, and even allowing more change-averse constituencies to continue using spreadsheets as their primary desktop tool.

- **Choose the right technology partner.** The right partner can provide three essential ingredients in any successful enterprise planning initiative: superior technology, a mature understanding of corporate planning objectives, and experience in helping other organizations make the transition.

Two additional technical issues you” need to consider are how to migrate existing data in enterprise systems and how to integrate the solution with existing systems. You should also look for scalability, highly customizable planning workflow rules, and flexible calculation tools.

Although the challenges associated with overhauling an enterprise planning environment can seem daunting, they pale in comparison to the challenges associated with trying to succeed in today’s supercompetitive business world without one. Companies must make planning decisions faster and with more intelligence and accuracy than ever before—and the only way they can do so is by putting in place next-generation enterprise planning technology.

## CHOOSING AN ENTERPRISE PLANNING SOLUTION

By combining prepackaged software with business intelligence capabilities and proven best planning practices, next-generation enterprise planning solutions optimize business planning across the enterprise. With the right enterprise planning technology in place, you will be able to drive collaborative, integrated event-based planning at all levels of your organization and with all appropriate participants.

When choosing an enterprise planning solution, you should verify that it covers the following functional areas:

- **Strategic modeling.** Your enterprise planning solution should allow you to analyze, evaluate, and choose strategic financial models; model balance sheets, income statements, and cash flows; and run different scenarios on margins and investment requirements.
- **Financial planning and forecasting.** The planning environment should allow you to create, track, and monitor business plans and forecasts in real time, and consolidate forecasts by geography and product.
- **Operational planning.** Your enterprise planning solution should speed workforce, capital, and project planning across the enterprise, providing real-time awareness of the impacts of your resource allocation decisions.

### A comprehensive enterprise planning solution should

- Translate strategic objectives into operational goals and targets
- Seed operational plans with strategic targets
- Update strategic plans using the most current operational plans and forecasts
  - Update strategic and operational plans easily and frequently
- Perform powerful what-if and ad hoc analysis
- Integrate all planning processes into a single centralized environment



**Figure 7: Enterprise planning integrates strategic financial modeling with operational planning and forecasting.**

## **CONCLUSION**

A world-class enterprise planning solution represents a key component of any enterprise performance management system by bringing discipline to strategic financial modeling, facilitating enterprisewide operational planning and forecasting, and linking strategies with operations.

By letting management, finance, and operating staff focus on analyzing information rather than gathering and processing it, such solutions provide organizations with the agility they need to capitalize on business opportunities, optimize resources, and link strategic goals to operational plans.



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Updated August 2007

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