5 practical advices

to plan in today's uncertain times

Seyfor

The old saying goes:

A good plan is essential

The speed of today's world is affecting our everyday lives and is visibly stamped into our society and economy. Frequent changes and an uncertain outlook into the future are some of the defining characteristics of today's turbulent environment. All this can be further magnified by the effects of global character, which can have a fundamental effect on the economic environment.

Although it may sound somewhat contradictory, uncertain times force us to plan more and to regularly forecast future developments of the company and society. To achieve the necessary positive effect, it is necessary have high quality planning and to put a sufficient amount of effort into the whole process.

A high quality plan and forecast will reward you in many ways. Firstly, this ability may improve financial results thanks to decisions that are made on the basis of quality data. Satisfied and motivated employees are those that know where they stand, why that is so, who is responsible for this and what will happen in the future. Everybody feels much better in such an environment, rather than surrounded by uncertainty.

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The recommendations that we provide below contain field proven procedures that are certainly worth considering. Make an effort to think about them and let yourself be inspired by where effective management and planning of your company may lead.

1. Rolling forecasts

It is not always necessary to start every year from the very beginning. Unfinished orders do not in reality finish at the end of the year and then start running from scratch on New Year's Eve. For this reason, a floating plan is quite a natural path to take. Always look several months ahead and with each passing period move this window forward. This window may be three, six, twelve or even more months wide.

When applying this method, one actually continuously updates entered values and nothing is created entirely from scratch. Gradually updating values is much less demanding than creating values from zero. Furthermore, it tends to be more accurate since previously entered values are neatly updated using expected changes.

This approach works best in situations, where there are no fundamental or radical changes made to the structure or operations of a company. If it is, nevertheless, necessary to completely re-plan all the values, it is most certainly better to apply a "zero-based" approach, where each financial year starts at zero.

2. Online planning

The ability to rapidly react to changes is fundamental for effective management. This is all the more true at a time of great uncertainty and frequent changes. For this reason, it is necessary to shorten the flow of information as much as possible, and thereby also minimise the time between the discovery that a change is taking place and the implementation of measures that take this change into account. And it does not matter, whether this relates to mitigating risk or taking advantage of an opportunity.

Utilising online planning can substantially shorten this time period. In practice, it provides for one or more planning scenarios, which are constantly kept alive, to enable changes to be continuously entered into forecasts. These changes appear within a few moments in related reports and analyses and it is possible to immediately start working with them.

In addition to the significantly shorter time between the change and the response to it, the set of auxiliary files, which temporarily hold these not yet projected changes and increase the complexity of the entire process, are eliminated. During online planning, changes update directly into the live scenario of the planning tool.

3. Data analysis – comparison and evaluation

Utilise all your precisely planned data for other analyses. A well-built planning solution handles not only the planning process but also supports data analysis. It is necessary to identify where reality deviates from the plan and to present this in percentage and absolute values. Another essential function is the analysis of time series and their trends. Valuable information is provided by the comparison of branches, product groups or customer groups across a region or segments. Monitor deviations against the plan and between individual groups.

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Focus on the best and the worst results in the given categories and analyses. Identify reasons for explanation. Attempt to support the positive and mitigate the negative. Present data in the highest quality form possible. The fact is that you need to clearly see the information contained therein and not be bothered by useless visual clutter that prevents lucid understanding of the situation and needlessly slows down your data processing.

4. Modelling

Model future developments and individual scenarios using what-if analyses. This will provide answers explaining how individual factors can affect the financial results at your organisation. These may include changes in exchange rates, inflation or financing rate curves. Apart from purely financial parameters, it is possible to have the models also include the prices of input raw materials and services, pricing policy changes or modelling of the impact of falling sales caused by the entry of new competitors to the market.

5. Scalability in the ability to engage the largest possible number of people in the planning process

Select a planning solution that will growth with you. It is quite normal for the planning process and the resulting solution to gradually improve over time. Based on your needs, changes will be made and the solution will be adapted in line with your growth. Essentially this means that the solution will continue to cover a greater number of key company agendas in the planning process, with systematic planning and evaluation.

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Planning is not the prerogative and burden of only the controlling department. Engage all responsible managers with related agendas in the planning process. Allow individual branch and regional managers to utilise planning tools. Their plan for their given area will better reflect the actual situation. This will lead to greater involvement of individual employees who will thereby much more easily accept the plan as their own, will have a better understanding and will have an interest in its implementation.

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If you cover all key agendas with a robust planning process, you will meet one of the key prerequisites for data-based management of the organisation. The resulting benefit is improved effectiveness and a significant increase in the ability to make the right decisions at the right time.

"At the start of the project, we specified the application for approximately 120 users, 150 entities and 300 cost centres. Today, some 5 years later, we have almost 650 users and more than 300 entities and 600 cost centres".

CPI Property Group

Petr Vojáček
Head of Finance Management and Controlling
CPI Property Group

A final word of advice:

Make planning your strength

Improving the planning process is one of the ways of improving the operations and financial results of the entire organisation. Think hard about your planning process and identify its strong and weak spots. List the benefits and applications of your current planning process as well as areas where support is lacking or where there is room for improvement. Identify an area that will bring the greatest utility and development. Start implementing it.

You have lot's of work ahead of you but the benefits of your hard work will arrive in the form of a better functioning organisation and the opportunity for data-based management.

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