

7 Ways to Reduce the Time You Spend on Budgeting without Spreadsheets



A Prophix white paper

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Introduction

Who should read this best practices whitepaper

This whitepaper is for financial professionals – in any industry – who need to reduce the time and effort involved in creating annual budgets.

What you will know/be able to do after reading this best practices whitepaper

By outlining practical budgeting best practices, this whitepaper will assist financial professionals to better establish and hone budgets and related procedures. The result: financial professionals can devote time to those activities that enrich their business and personal lives. Because you could do so much more if you reduce the time spent you spend on budgeting.

Why Prophix has prepared this whitepaper

For over 25 years, Prophix has served as a valuable partner to professionals in corporate finance departments around the globe. In so doing, Prophix has continuously developed, tested, and refined technology solutions that help companies become more profitable, more efficient, and more future-ready.

As one of the world's recognized leaders in Corporate Performance Management (CPM) software, Prophix is committed to helping financial professionals by offering practical tools and insights that ensure budgeting process are more efficient, and the outcomes of those processes are more successful.

When financial professionals should use this best practices whitepaper

Financial professionals should use this whitepaper when conducting any of the following activities:

- Conducting in-house reviews of current budgeting processes
- Setting goals for improving budgeting processes
- Exploring ways of improving company-wide budgeting processes
- Establishing criteria for technology solutions designed to improve budgeting processes
- Reviewing the capabilities of solutions designed for improving budgeting processes

What research was done to prepare this best practices whitepaper

Prophix drew on the experience of the following internationally renowned groups dedicated to helping improve the effectiveness and outcomes of budgeting processes:

- Aberdeen Group
- Institute of Management Accountants
- Chartered Professional Accountants Canada

Prophix has also drawn upon its own considerable experience in developing tools and implementing technology solutions that improve budgeting processes for many of the world's most influential and prestigious companies across industries, including: financial services, hospitality, construction and engineering, government, healthcare, high tech, life sciences, manufacturing, non-profit, professional services, retail and wholesale, transportation and logistics, and utilities.

Benefits of Reducing the Time You Spend on Budgeting

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The following are selected benefits of adopting the budgeting best practices outlined in this whitepaper aimed at reducing the time required to complete budgets:

- Ability to reallocate time to other business and non-business priorities
- Reduced number of budgeting errors
- Faster and more reliable monthly closes and consolidations
- Greater alignment among departments and/or business units
- Increased accountability and ownership of processes and outcomes
- Improved cross-department/cross-function communications
- Ability to conduct more advanced analysis -- incorporating financial and non-financial data

The Greatest Challenge to Reducing the Time You Spend on Budgeting

The Greatest Challenge to Reducing the Time You Spend on Budgeting

The greatest challenge that companies face to reduce the time spent on budgeting is the existence of well-entrenched and well-meaning budgeting processes that are out-of-step with the needs of a growing business.

Specifically, companies rely heavily on spreadsheets to create their budgets as well as build budgeting processes around the functionalities of spreadsheets. However, because spreadsheets were designed to help businesses organize and adjust data, they are limited when it comes to accommodating growing amounts of increasingly complex data. Furthermore, they serve as an 'island' – separate from rigorous workflow processes that meet growing companies' needs for data security, data accuracy, cross-functional integration of data, and remaining nimble in the face of rapid change.

The actions identified in this best practices whitepaper help you address this challenge head-on.

7 Ways to Reduce the Time You Spend on Budgeting

1. Define your budgeting process

A well-defined budgeting process allows professionals in finance departments to make better and more informed business decisions because it produces financial documents that accurately capture the complete costs of producing their products and services. At the same time, a budgeting process that is managed efficiently frees up time so that financial professionals can conduct meaningful analyses, improve the ability to forecast, respond quickly to changing needs, and devote time to important non-work related priorities.

Actions:

- Identify everyone in your department who is involved in your budgeting processes
- Identify everyone outside of your department who contributes to your budgets
- Conduct a workflow review to see how/when information and data critical to your budget is being gathered, stored, modified, and/or analyzed

2. Identify the infrastructure that supports your budgeting process

A well-honed budgeting process is the outcome of optimizing four key components regardless of the size of your business, the nature of your business, or the industry in which your business operates. These components are: employees, financial and project management skills, processes, and technology.

Actions:

- Document your current budgeting procedures
- Assess the skill levels of all those involved in the budgeting process
- Identify the financial and project planning tools used throughout the budgeting process
- Identify any gaps in required skills and resources to produce efficient budgets

3. Define your budget parameters

Effective budgets provide enough detail to make long-term resourcing decisions while still providing enough flexibility to modify day-to-day finances as needs change. Defining your budget parameters reduces the time spent on budgeting and reviewing items/activities that have a limited impact on your business.

Actions:

- Define the degree of detail required to make your budget practical (i.e. actionable)
- Document these requirements in order to focus data collection, review, and analysis on your current budgeting procedures

4. Define relevant performance metrics for your budget

By defining Key Performance Indicators (KPIs) at the onset of your budgeting, the resulting budget, and related processes, will remain focused on your company's most important business drivers. This will be a unique combination of measurements that are common to your specific industry as well as those used to determine the financial health of organizations across industries such as revenue growth, earnings growth, debt reduction, and EBITDA margin.

Actions:

- Review peer companies and/or industry analysts' reports to confirm KPIs that are relevant for your industry
- Identify KPIs that are unique to your specific business – given the nature of the business and its stage of evolution
- Establish KPIs for your organization to serve as benchmarks against which you will measure future improvements

5. Enable and encourage collaboration

When a business encourages and structures budgeting processes to be more collaborative, the resulting budgets are more widely understood, adopted, referenced, and monitored.

Action:

- Identify people within the finance department (and beyond) who should direct, manage, contribute to, and review budgets
- Identify people who should validate the details and the assumptions upon which budgets are being built
- Use managerial meetings and feedback forums to encourage collaborative participation

6. Plan for changing conditions

Leading companies use budgeting and planning processes that anticipate and/or adapt to changes within, and external to, the business – changes such as: fluctuations in cash flow situations, price changes, product line changes, shifting capital allocations, and organizational changes. Building nimble budgeting processes decreases the cost and time spent on analysis while increasing the quality of decision making.

Action:

- Conduct monthly re-forecasts to gauge performance against the budget and competitors
- Conduct rolling forecasts for a forward-looking view that allows management to take remedial action on unexpected changes
- Conduct what-if analyses which allow you to test assumptions and play out the benefits, risks, and costs of likely business scenarios

7. Leverage the advantages of budgeting software solutions

Adopting software solutions designed to increase the efficiency, accuracy, and consistency of budgeting processes yields measurable time savings for finance professionals.

Industry analysts Aberdeen Group recently identified [how Best-in-Class organizations use software automation solutions to increase the efficiency of budgeting](#) and achieve tangible benefits. Corporate Performance Management (CPM) software is designed to help such organizations automate budgeting and planning processes.

Actions:

- Choose a solution that automates time-consuming and/or repetitive tasks in your budgeting processes
- Choose a software solution that accommodates Business Intelligence data and insights
- Use the 'Choosing the Right Budgeting Software' checklist found in the section entitled **Next Steps**







Next Steps

Next Steps



Corporate Performance Management (CPM) software is designed to help organizations reduce the time spent on budgeting by automating time consuming and repetitive processes.

To choose a CPM software solution that helps you reduce the time you spend on budgeting that is appropriate for you, your budgeting goals, and your organization, use the following tool, **the 'Choosing the Right Budgeting Software' checklist**.

Choosing the Right Budgeting Software Checklist

Items	Actions	Look Within Your Company	Ask a CPM Vendor
Processes in place that suggest you company will benefit from a budgeting software solution			
	Identify bottlenecks in your budgeting and/or planning processes		
	Identify when budgeting outputs been compromised because you have had incomplete and/or inaccurate data		
	Quantify the amount of time spent on manipulating spreadsheets within your Finance Department		
	Confirm your confidence with the outcomes of your forecasting and/or "what if" analysis conducted in your Department		
	Identify the quantifiable benefits your organization, your team, and you could achieve if the time required to collect/analyze financial and operational data was reduced by 70%+		

Items	Actions	Look Within Your Company	Ask a CPM Vendor
Structures that suggest your organization will benefit from a budgeting software solution	Confirm your organization has more than one operating unit or operate in more than one geographic location		
	Identify if your organization is increasing, or planning to increase, the number of employees or offices in the next 12 to 18 months		
	Confirm whether you have multiple stakeholders that your business is accountable to		
Planning for implementing a software solution that reduces the time spent on budgeting	Define immediate/short-term goals that you would like a budgeting software solution to solve		
	Document the processes that you would like to improve/automate with a budgeting software solution		
	Confirm the process for integrating data from your ERP, CRM, HRMS, or payroll system into a budgeting software solution		
	Identify the area(s) within your company where you would like to increase collaboration for budgeting and forecasting		
	Identify someone within your Finance Department that would be initial users of a budgeting software solution		

Items	Actions	Look Within Your Company	Ask a CPM Vendor
Building knowledge of software solutions (CPM) that reduce the time spent on budgeting	Review industry analyst reports about CPM solutions		
	Speak with colleagues in your industry about their experiences with CPM solutions (including total cost of ownership)		
	Attend CPM vendor presentations and product demonstrations		
	Identify a wish list of qualities and functionalities of a CPM solution that would help you reduce the time spent on budgeting and improve budgets		

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

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