

**caturano**  
and company

**Consulting  
Benchmarking Survey**

**2009  
Budgeting and Planning  
Results and Analysis**



# contents

- executive summary** 2
- demographics** 3
- the state of budgeting** 4
- survey findings** 5
  - the personnel involved 5
  - the budgeting process 8
  - the budgeting system 10
- marketplace trends** 13
  - budgeting efficiency & effectiveness 13
  - performance management processes & tools 14
  - budget & reporting lines 16
  - rolling forecasts 17
- conclusion** 18
- appendix** 20
  - demographic data 20
  - people 22
  - process 24
  - technology 26
  - other 27

# executive summary

In August 2009, Caturano and Company conducted a high-level budgeting and planning benchmarking survey of more than 70 finance executives throughout New England. The purpose of this study was to examine current trends and best practices, as well as identify issues organizations contend with during their budgeting and planning process.

While our findings confirm several long-held beliefs and leading practices, it also highlights the need to improve the budgeting process, as well as leverage tools to improve analysis. Budgeting and planning is seen as highly valued, but the associated process is not viewed in the same favorable light. By and large, respondents feel budgets and forecasts are an “above average” tool to manage their business. Yet participants only rate their budgeting and planning process “average” for efficiency.

The results of our survey indicate that businesses with revenue greater than \$50 million tend to use a corporate performance management (CPM) tool rather than spreadsheets for budgeting purposes—indicating that as the organization and the process become more complex it is essential to find ways to simplify and streamline the process. In fact, of the eleven organizations with revenue greater than \$50 million that do not utilize a software tool, three of these respondents have currently started the selection process for a CPM tool. Additionally, survey respondents express a strong desire to continue deploying leading CPM tools and techniques (KPIs, Dashboards, Benchmarking, Scorecards, and Strategy Mapping) in order to enhance the value of the planning process throughout the organization. The effective deployment of these tools allows organizations to understand organizational goals and objectives, and effectively manage to meet corporate goals.

Another way organizations can address budget process improvement is through the deployment of a continuous planning process. This allows organizations to dynamically forecast performance based on changing conditions. Survey results show that companies experience a 50% lower level of effort for the finance team while using a rolling forecast. Additionally, budget managers decrease their level of effort more than 300% versus respondents who do not use rolling forecasts. However, only 43% of survey respondents indicated that they utilize rolling forecasts. Despite the perceived extra effort of more frequent forecasts, rolling forecasts improve the budgeting and planning process and reduce the overall effort required.

Another highlight from the survey indicates that simplification, to the extent possible, is key. By defining key indicators to measure results and reduce the amount of line item budget detail, respondents believe the process is improved significantly. On average, simply reducing the number of budget lines 15% moves companies from an “average” score to “above average” score for process efficiency. Focusing the budgeting and planning process on driving performance in key areas, and not allowing the process to become overly complicated and cumbersome, allows managers to concentrate on their core function—managing the business. In speaking with individuals that have moved to a more stringent forecasting model, it has facilitated greater analysis and enhanced decision making capabilities.

Given its value to the organization, are organizations devoting sufficient time, effort, and resources to the budgeting process? Where should organizations focus their efforts to reap the largest rewards? This report aims to answer these questions, at a high level, by investigating the current and leading practices employed by companies to manage their budgeting and planning process.

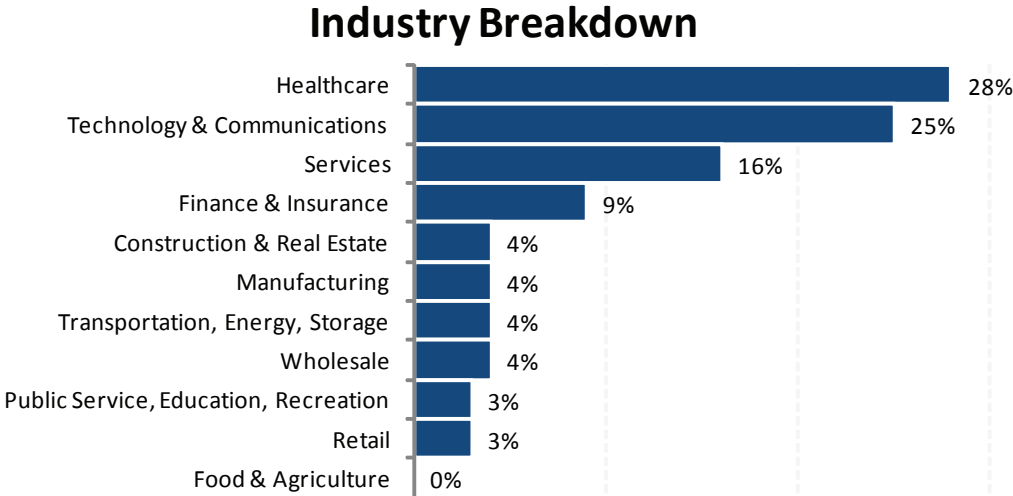
# demographics

75 financial executives throughout New England participated in the 2009 Caturano Budgeting & Planning Benchmarking Survey. The demographics reveal a fairly diverse group of respondents:

- company revenues range from zero to several billion dollars with median revenue of \$25 million
- the number of employees range from less than 5 to several thousand with a median FTE count of 250
- 41% of participant companies have only one location while the other 59% have multiple locations, and just less than half the group (45%) conducts business outside the United States

The majority of companies (83%) indicate that their fiscal year follows the calendar year; for 66% September and October represent the most popular budgeting kick-off months.

With most respondents in the New England area, it is not surprising that Healthcare (28%), Technology (25%), Services (16%), and Finance & Insurance (9%) respondents dominate the survey, representing a combination totaling 78% of all participants as shown below.



# the state of budgeting

Financial management professionals have been in the spotlight over the past couple years dealing with the most challenging economic environment since the Great Depression. During this time, it has become imperative for organizations to examine current processes and operational strategies, identify inefficiencies, and make a plan for change. Planning, budgeting, and forecasting are the processes for businesses to plan, implement, and monitor its strategy effectively.

As evidenced by the significant challenges of adapting to the volatile economy in this millennium, it is no wonder that companies are looking to improve planning, budgeting, and forecasting processes. Forward thinking companies are making more frequent strategic adjustments based on the latest operational data to improve their positioning and ability to compete. According to the latest company performance and economic information, the ability to plan iteratively is the hallmark of best practices in today's business environment.

However, despite being a high priority, there is a widespread dissatisfaction with the budgeting process within many organizations. In fact, the America Productivity & Quality Center (APQC) found that 63% of respondents said the tools they used for planning, budgeting, and forecasting do not make those processes either faster or more effective. Furthermore, the APQC studies indicate that more than 40% of companies admit that their current planning, forecasting, and performance management processes are not flexible enough to respond to opportunities or risks that are not considered in the annual budget. These challenges are echoed by Aberdeen's Financial Planning and Budgeting Report, which found that improving the overall accuracy of the budget, as well as the need to be flexible and adapt to changing conditions, are the top pressures impacting the budgeting process today.

*Forward thinking companies are making more frequent strategic adjustments based on the latest operational data to improve their positioning and ability to compete.*

Effective budgets can help organizations transform corporate strategy into action. However, many organizations struggle to align their annual budget to corporate initiatives. Leading organizations that are able to link their corporate strategy to their operating plan enjoy greater success.

For it to be successful, the budgeting process requires tight integration, strong direction, and open communication. With the current economic challenges facing executives, improving the budgeting process is becoming a higher priority than ever before, and using a rudimentary budgeting process may be the largest obstacle to driving performance.

# survey findings

## the personnel involved

*Two central roles drive the budgeting process: 1) budget managers who are closest to the business lines and are held accountable for budgets and 2) the finance team that manages and supports the overall budgeting/forecasting process.*

Not surprisingly, the level of effort required for the budgeting process shows a strong correlation with the revenue size of the company. As annual revenue increases, so does the number of budget managers and finance team members. However, as the table below illustrates, the number of days involved in the budgeting process is fairly consistent for finance employees at about 21 days for companies with revenue greater than \$25 million, while the number of days for budget managers trend upward as revenue increases.

Revenue	Co's Avg FTEs	Finance Team		Budget Managers	
		Avg FTEs	Avg Days	Avg FTEs	Avg Days
< \$25M	95.1	1.9	12.3	4.0	4.0
\$25-49M	315.3	3.1	21.7	8.1	6.4
\$50-99M	357.1	3.7	19.9	10.1	10.0
\$100-499M	546.2	4.8	21.9	14.8	8.8
\$500M+	700.0	6.0	25.6	31.0	16.5

The days required of the finance team indicates that the finance process is fairly consistent across organizations. Despite having more to do at larger organizations, the additional finance employee count held the process level of effort steady. While it is difficult to determine the optimal number of people needed to be involved in the budgeting process, the data shows a strong correlation for time and effort to increase as a company's revenue, complexity, and/or volume increases in size.

Comparing spreadsheet versus non-spreadsheet users revealed a similar trend.

Budgeting Tool	Median Revenue	# of Finance Members	# of Budget Managers
Excel	\$20M	2.5	5.5
Non-Excel	\$75M	4.4	14.3

As company revenue increases, so too does the use of budgeting solutions. Users move away from the spreadsheets in favor of more robust, dynamic applications that offer greater benefit to the majority of employees involved in the process.

As companies grow, more input is required from business managers across the company, thus challenging the finance department to control and consolidate input in a timely manner to meet deadlines. As a result, larger companies seek to leverage the inherent benefits that a multi-dimensional, scalable modeling tool provides.

## leading practices

Team alignment is critical to improve the budget and forecast process. Organizations must clearly communicate to all budget participants the true purpose and outcome of the budgeting process. Typically, for any organization, the purpose of the budgeting process is: setting targets, conducting financial performance and analysis, and aligning the organization's resources with its strategic goals.

These budget outcomes can be achieved by increasing collaboration, participation, and accountability in the budgeting process. Companies also need to leverage the budgeting process as a management tool. This application of process will enhance and create value across the organization, as it is not only a measurement tool used merely for variance analysis.

Nearly all of today's budgeting solutions are web-based with a spreadsheet-like user interface. These features make users comfortable and give them access to information wherever they can connect to the internet. As a result, employees are more eager to leverage their knowledge and participate, thereby improving the budget's accuracy. Increasing collaboration in the budgeting process by having more users examining the business drivers and assumptions used to build the budget enables greater discussion and, ultimately, generates better forecasts.

## the budgeting process

*What are the steps and parameters under which the budget is developed? This section addresses the time requirements, measurements, and guidelines for the budgeting process. These items help shape the budget into a manageable process that generates useful financial data about the business' future prospects.*

Overall, survey respondents score the efficiency of their budgeting process as “average” and the usefulness of the budget as a management tool as “above-average.” While this is consistent with historical trends, survey questions about the budgeting process provides interesting points.

Several companies in the \$100-\$499 million revenue range who report using spreadsheets as their main tool rate the efficiency of the budget process as “below average.” This is a lower rating than those companies using more sophisticated budgeting tools. We interpret this trend for companies of this size to be a sign that they have outgrown spreadsheet capabilities and may benefit from a more robust budgeting solution.

From a timing perspective, the majority of respondents complete their budgeting process in two to four months. However, on the extreme ends, it takes eight companies five or more months to complete the budgeting process while only three of the companies complete the process in less than one month. The companies who take less than one month to complete their budgeting process are the smaller respondents with less than \$25 million in revenue, all use spreadsheets, none conduct business outside the US, and each has fewer than 25 employees. Clearly, the smaller, less complicated businesses facilitate a quicker budgeting process.

The responses to “Do you use rolling forecasts?” (the process of forecasting for a consistent future period of time, 18 months for example) show interesting results when combined with the level of effort required from the finance team and the budget managers. With only a small revenue difference between the groups, a company that employs rolling forecasts requires less total effort to complete a budget or forecast for both the finance team and budget managers.

Do you use Rolling Forecasts?	%	Finance Team Level of Effort (in days)	Budget Managers Level of Effort (in days)
Yes	43%	36	19
No	57%	71	89

While the majority of companies that use rolling forecasts only plan four quarters into the future, the additional iterations and more frequent updates performed throughout the year significantly saves time and effort on an annual budgeting basis for the company.

## leading practices

The first step to developing a good budgeting process is creating and communicating the corporation's strategic goals. Armed with this information, budget managers can develop better budgets that allocate resources to support and achieve strategic goals.

To further enhance the budgeting process, rolling forecasts provide additional benefits. Employing rolling forecasts drives repetition and enables managers to become better forecasters.

With practice, comes speed. Time management and cycle-time are improved using frequent, rolling forecasts, and dynamic budgeting tools. After changing assumptions at the lowest levels, spreadsheet budget models often take days to consolidate and roll-up, whereas today's budgeting tools perform this task in hours or even minutes. This increased budgeting speed facilitates more frequent re-forecasting or rolling forecasts, which, in turn, provide a more relevant and accurate view of the company's position.

Accurate forecasts that take less time and effort to create result in decision makers having up-to-the-minute (real-time) financial forecasts. With more frequent and accurate forecasts tied to a corporate strategy, the overall budget process becomes less painful, costly, and time consuming. Ultimately, better information allows management to adjust quickly and make better decisions in changing business conditions.

## the budgeting system

*Which technologies are employed to facilitate and support the budgeting process? This section explores the additional CPM tools that help with analysis and make financial information both more useful and relevant.*

Consistent with similar research projects, the majority of respondents (approximately 75%) use spreadsheets as their main budgeting and forecasting tool. Budgeting tools match spreadsheet use at the \$50-\$99 million bracket but begin to outnumber spreadsheets in companies with \$100 million or more in revenue.

Revenue	Budgeting Tool Users	Spreadsheet Users	Total
< \$25M	3	37	40
\$25-49M	4	6	10
\$50-99M	4	4	8
\$100-499M	7	6	13
\$500M+	3	1	4
<b>Grand Total</b>	<b>21</b>	<b>54</b>	<b>75</b>

One driver for moving away from spreadsheets to a budgeting system is the advantage and benefit gained from improved scenario and “what if” analysis capability. We find that planning three or more scenarios or using a system that enables “what if” analysis significantly increases the efficiency of the process and usefulness of the budget as a management tool.

Number of Scenarios Planned	Budget Process Efficiency	Usefulness of Budget to Manage Business
1	3.0	3.2
2	3.1	3.4
3 or more	3.3	3.8

*Scale: 1 = poor and 5 = excellent*

Budget Tool Supports “What If” Analysis	Budget Process Efficiency	Usefulness of Budget to Manage Business
Yes	3.3	3.8
No	2.9	3.1

*Scale: 1 = poor and 5 = excellent*

Moreover, using both scenario and “what if” analysis increases the process efficiency and budget usefulness by 20% and 27%, respectively.

Use Both 3+ Scenarios and “What If” Analysis	Budget Process Efficiency	Usefulness of Budget to Manage Business
Yes	3.5	4.1
No	2.9	3.3

*Scale: 1 = poor and 5 = excellent*

**By accounting and planning for change with multi-scenarios and “what if” analyses, organizations can plan and react to changing external market conditions in a timely manner. As such, respondents with more flexible and dynamic budgets rate their process more useful and efficient.**

## leading practices

Data management is another key attribute of budgeting tools. Features to look for include one central data source, version control, data integrity, real-time updates, and multi-dimensional capability. Budgeting tools enable easy data manipulation by facilitating “what if”, sensitivity, and scenario analysis. This functionality is in demand by managers, but difficult to produce and manage in spreadsheets. To this end, software reporting engines have emerged that produce data in a consistent and reliable format while creating powerful analysis, such as budget vs. actual, multi-dimensional analysis, and drill-down capability.

An additional feature demanded by managers is data security. Despite password protection and cell locking, security is one of the largest black holes in spreadsheet-based budgeting. Today, many budgeting tools offer user defined roles to limit access to sensitive information and permit users to see only the information they need.

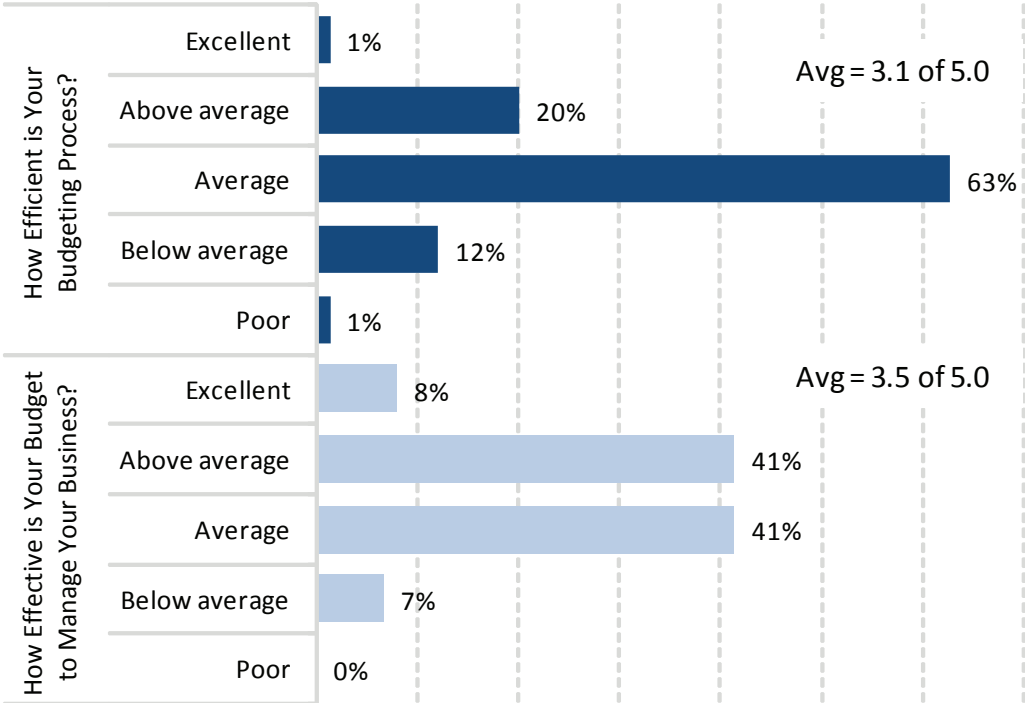
Another useful tool available is the ability to manage the budget’s workflow—the automatic routing of documents to users responsible for working on them to complete the business cycle in a defined sequence—saving the company needless hours chasing down budget information and streamlining the approval process. Along with audit trail functions, these tools provide managers the ability to control their budgets with greater accuracy and accountability.

# marketplace trends

## budgeting efficiency & effectiveness

*The design and management of the budgeting process determines how efficient it will be to create a budget that is high quality and provides a useful tool to manage the business effectively.*

Only one survey respondent rates its budgeting process efficiency as “excellent” on a scale of 1-poor to 5-excellent, while 8% of survey respondents score the budget’s effectiveness as “excellent” for managing a company’s business, and no respondents rate the process as “poor.”



While we might expect lower scores in the efficiency question, we are not surprised by the higher score for the budget’s usefulness in managing the business. In fact, we expect the budget’s usefulness in managing the business scores to be higher given it is the fundamental tool used to measure and manage financial performance.

## performance management processes & tools

While many respondents feel that the annual budgeting process is a useful tool to manage the business, others indicate that they lack the functional processes and tools to close the performance management loop. On average, respondents employ only two of the six CPM tools we surveyed, but indicate they want to add two additional processes or tools. The survey data indicates that companies are beginning to integrate some of the leading management practices to help manage their performance, but there still remain many opportunities for companies to improve their processes.

	KPIs	Benchmarks	Dashboards & Scorecards	Drill-Through Reporting	Strategy Mapping	Tie Comp to Performance
Currently deployed	18	23	36	20	9	34
Like to have	18	30	28	23	26	18

Interestingly, of the 36 companies utilizing Dashboards and Scorecards (by far the most pervasive CPM tools to help manage the business), 42% indicate that they use KPIs, 25% use Benchmarks and only 8% use both KPIs and Benchmarks in their organization. Indeed, the use of KPIs and Benchmarks is much lower than expected for respondents who indicate using Dashboards and Scorecards.

Count of Dashboards & Scorecards	Respondents who use Dashboards & Scorecards and also use:		
	KPIs	Benchmarks	Both KPIs and Benchmarks
36	42%	25%	8%

**Well designed Dashboards and Scorecards show business leaders the important and relevant performance measurements in a quick and summarized view—and typically show performance relative to KPIs and Benchmarks. The survey results show that few participants utilize the readily available CPM tools that enable decision makers to analyze operating results and measure performance to an appropriate peer group.**

Benchmarking and KPIs enable process comparison (i.e. costs, cycle-time, productivity, or quality of a specific process/method) to a metric that is widely considered to be an industry standard or leading practice. Benchmarking serves as an objective measuring stick business managers use to make informed business decisions, develop strategy, create initiatives, as well as improve business processes and systems. It can also help identify where gaps or inefficiencies exist and provide insight for improving that process.

Notably, strategy mapping is the CPM process least utilized but high on the list of respondents' needs. This indicates that companies understand the importance to incorporate and map strategy in the budgeting process enabling departmental initiatives to be tied back to the overarching corporate goals.

The data also points toward improving both the process and usefulness of the budget in managing the business by incorporating CPM processes and tools. As shown below, implementing three or more of these tools increases the process efficiency rating by more than 10% while also increasing the budget's usefulness.

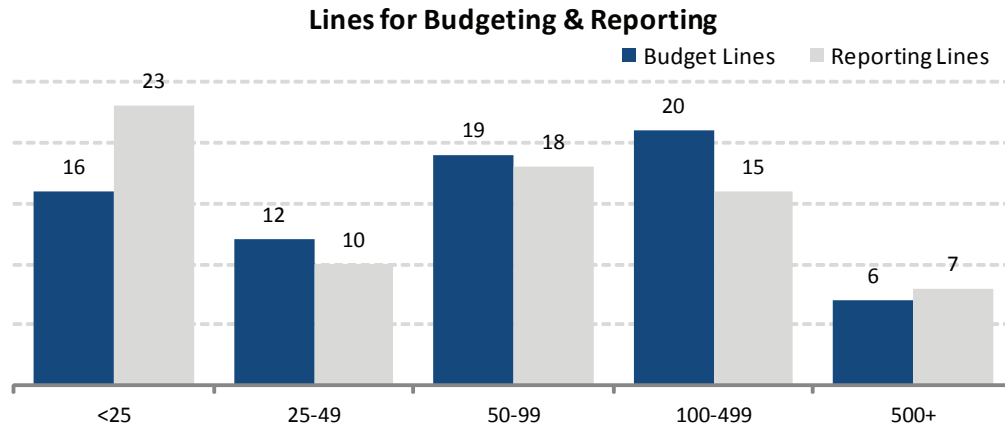
CPM Processes or Tools Used	Budget Process Efficiency	Usefulness of Budget to Manage Business
0 – 2	3.0	3.5
3 or more	3.3	3.6

*Scale: 1 = poor and 5 = excellent*

Despite the seemingly pervasiveness of CPM and business intelligence (BI) tools in the market, there is still a large need for basic, functional process improvement and tools to help circulate information quickly and accurately within most companies.

## budget & reporting lines

When shown together, the *number of lines budgeted to* and the *number of lines reported against* appears similar.



Survey results indicate that there is close correlation between how effective the budgeting process is and the number of lines included in the budget and the number of lines reported against. The table below shows that respondents rate their budgeting process more effective and efficient when they use fewer line items.

		Average Lines Budgeted	Average Lines Reported
How useful is your budget to manage your business?	Below Average / Poor	203	158
	Average	161	158
	Above Average / Excellent	156	132
How efficient is your annual budgeting process?	Below Average / Poor	205	181
	Average	159	158
	Above Average / Excellent	140	108
<b>Average</b>		<b>161</b>	<b>150</b>

The usefulness of the annual budgeting process to manage the business is ranked lower by companies that budget to more lines. In fact, those companies that score the usefulness of the budget as “below average” use 203 lines for budgeting and 158 lines for reporting. Whereas, companies that score their budget’s usefulness as “average” use 161 lines for budgeting and 158 lines for reporting; companies that score their budget’s usefulness as “above average” or “excellent” use 156 lines for budgeting and 132 lines for reporting.

This data confirms another leading practice: simplify and remove complexity from the budgeting process to improve results and efficiency. From the table above, we can see that more budgeting and reporting lines do not make for a more effective or efficient budget. In fact, the survey data indicates the opposite—fewer lines for budgeting and reporting increase both the effectiveness and efficiency of the budgeting process.

## rolling forecasts

As demonstrated previously, companies that employ rolling forecasts reduce the level of effort required from the finance team and the budget managers in the budgeting process. Moreover, respondents that utilize rolling forecasts typically use fewer line items for both budgeting and reporting—particularly for budgeting tool users.

Budgeting Tool	Rolling Forecasts? – NO		Rolling Forecasts? – YES	
	Average Lines Budgeted	Average Lines Reported	Average Lines Budgeted	Average Lines Reported
Excel	146	145	141	119
Non-Excel	249	247	104	75
<b>Average</b>	<b>184</b>	<b>183</b>	<b>131</b>	<b>106</b>

**Ultimately, companies may leverage rolling forecasts to eliminate the annual budgeting process all together. As survey respondents indicate, they currently utilize rolling forecasts to help streamline the process and increase its efficiency and effectiveness.**

# conclusion

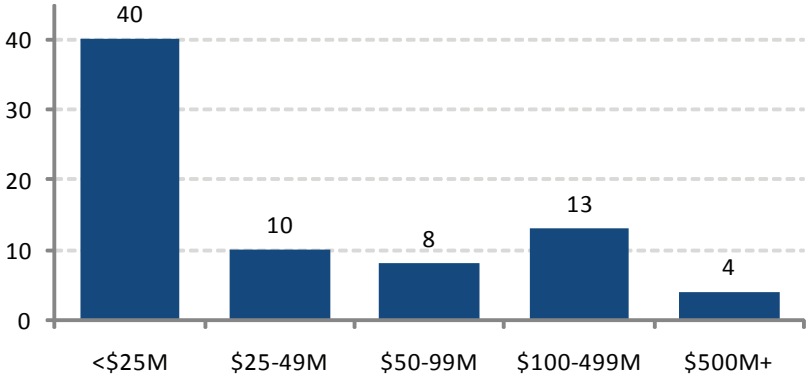
There is no single solution for improving the budgeting process. Rather, companies need to understand the process and its limitations. The key point to deploying an effective planning process is to align strategy with budget and forecast development. To that end, some of the key ideas utilized to achieve a successful planning process include:

- increase employee collaboration by utilizing tools
- reduce the level of detail required
- take advantage of rolling forecasts for improved process and results
- leverage technology and systems while optimizing the budgeting and forecasting processes to improve performance
- get the right data in the hands of decision makers on a timely basis

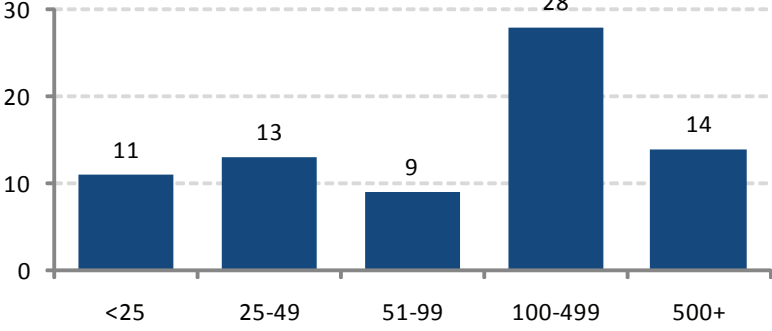
**Implementing these changes can help simplify and streamline the budgeting process while improving overall performance. Our survey indicates a strong link between deploying an effective budgeting and planning process with the ability of organizations to achieve desired organizational goals.**

# appendix...demographic data

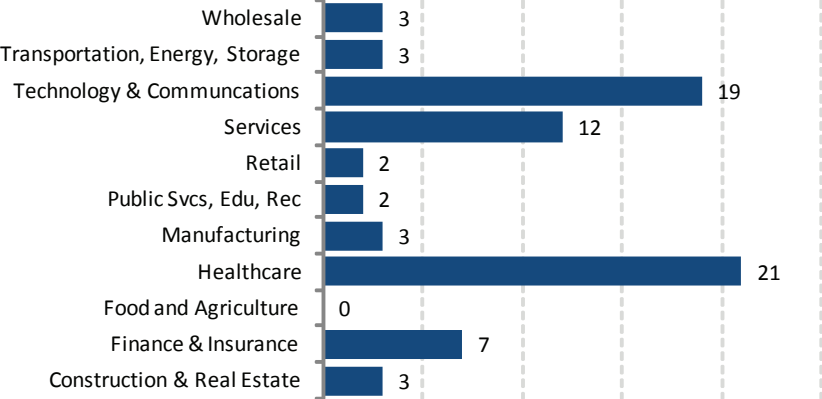
**Annual Revenue**



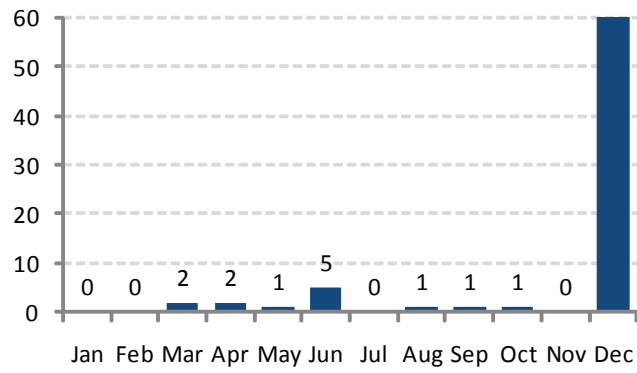
**Total Number of Employees**



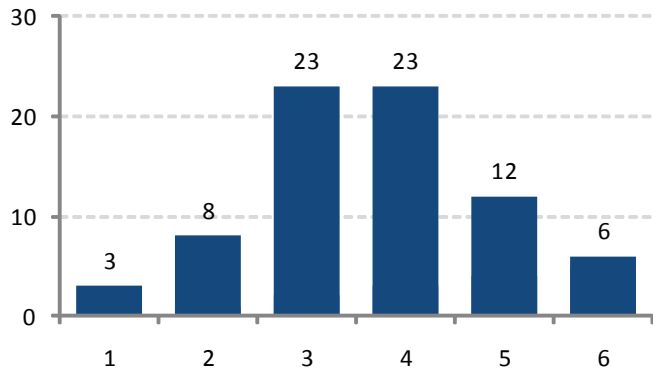
**Industry**



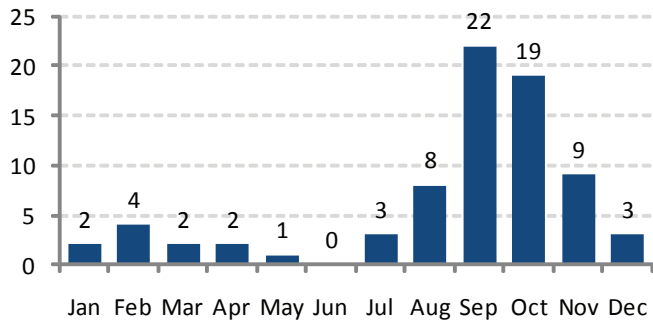
### Fiscal Year End



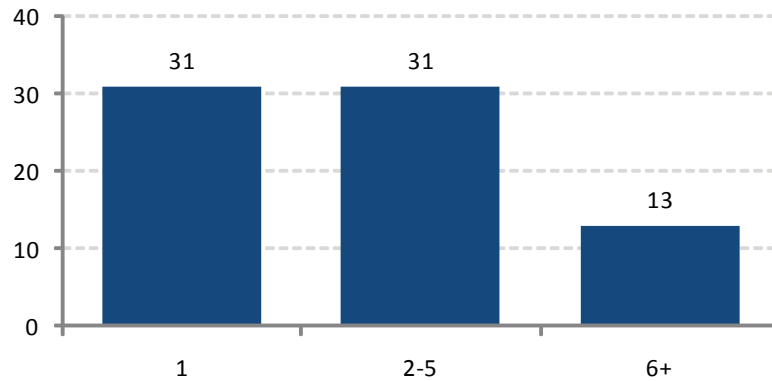
### Months to Complete Annual Budget Cycle



### Annual Budgeting Process Kick-Off Month

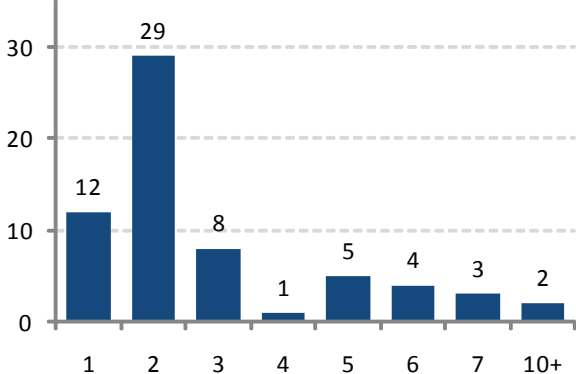


### Number of Locations

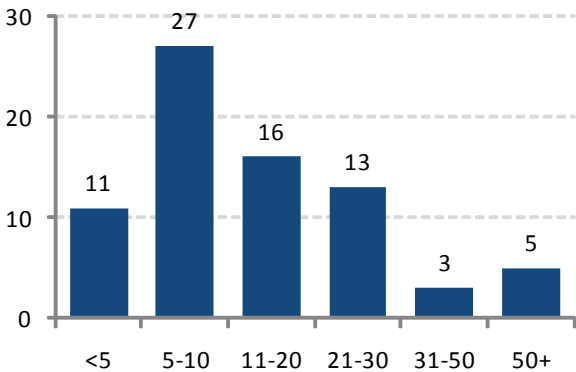


# appendix...people

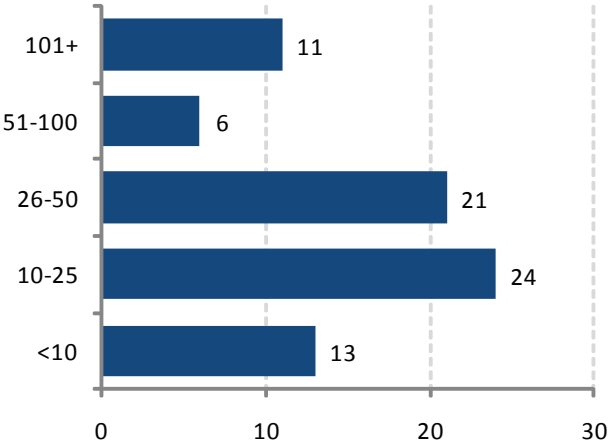
### Finance Employees Involved in Annual Budgeting Process



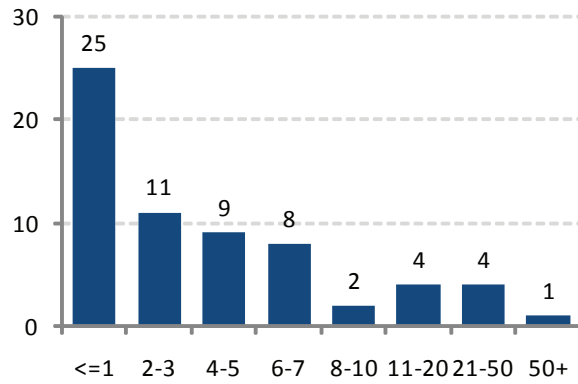
### Days Spent By Finance Personnel on Annual Budgeting Process



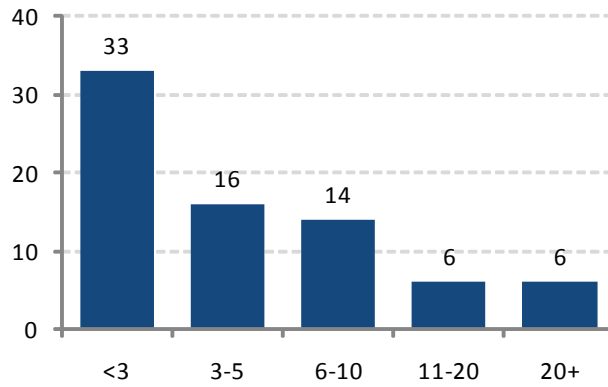
### Finance Team Level of Effort



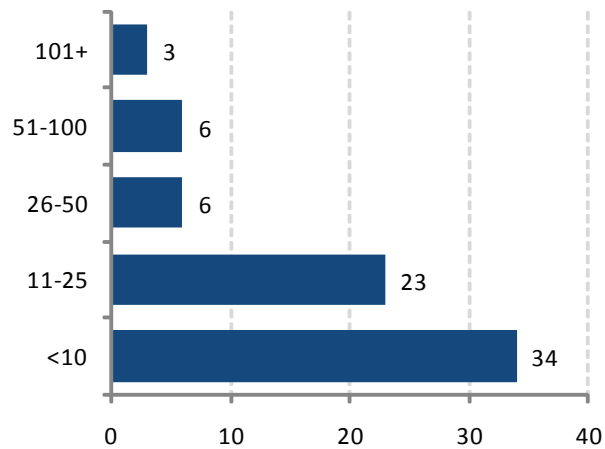
### Budget Managers Involved in Annual Budgeting Process



### Days Spent by Budget Managers on Annual Budgeting Process

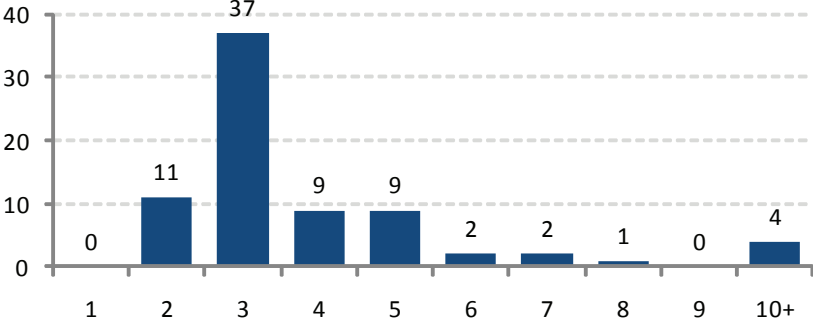


### Budget Managers Level of Effort

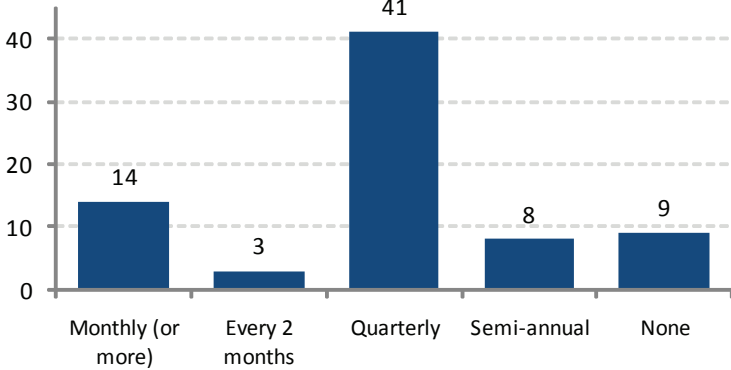


# appendix...process

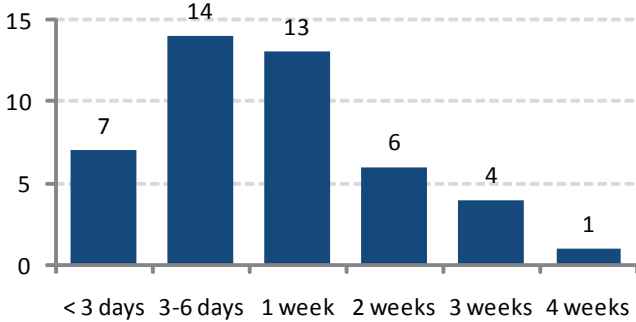
### Number of Budget Versions Before the "Final Budget" is Submitted?



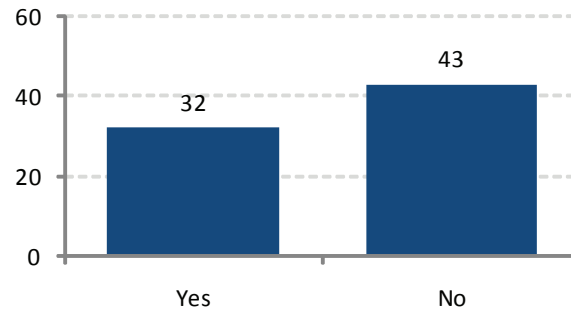
### How Often Do You Reforecast Financials?



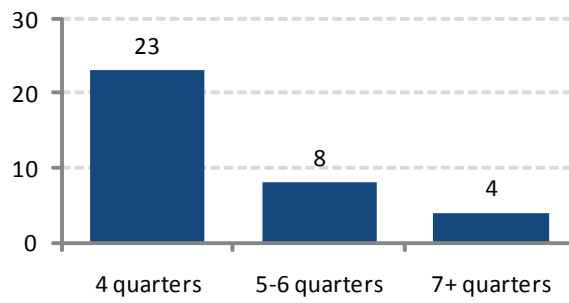
### How Long to Complete a Reforecast?



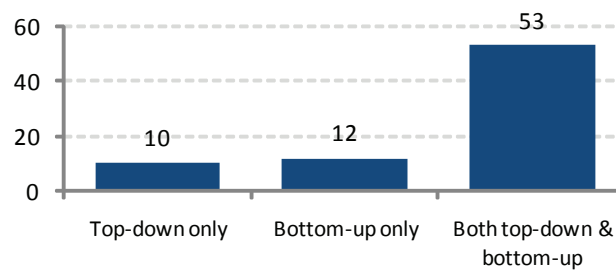
### Do You Use Rolling Forecasts?



### What Time Period Does the Rolling Forecast Cover?

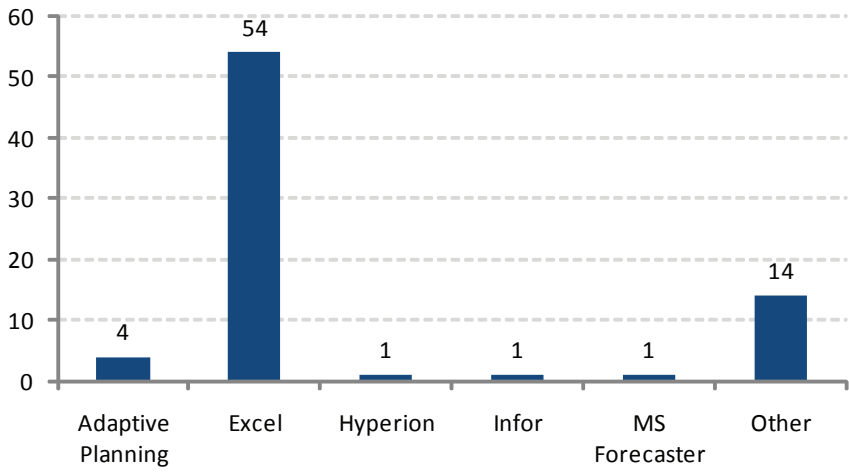


### How Does Your Company Plan?

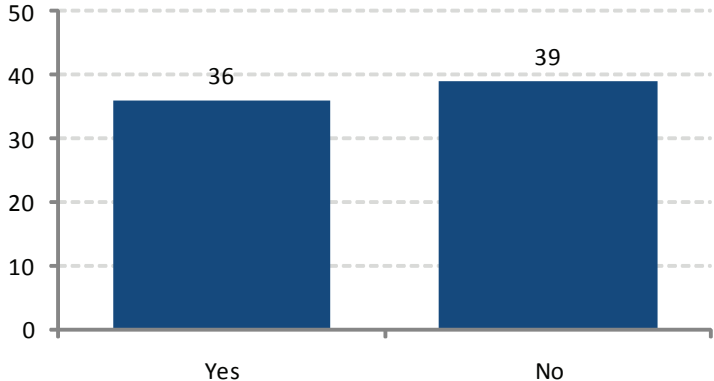


# appendix...technology

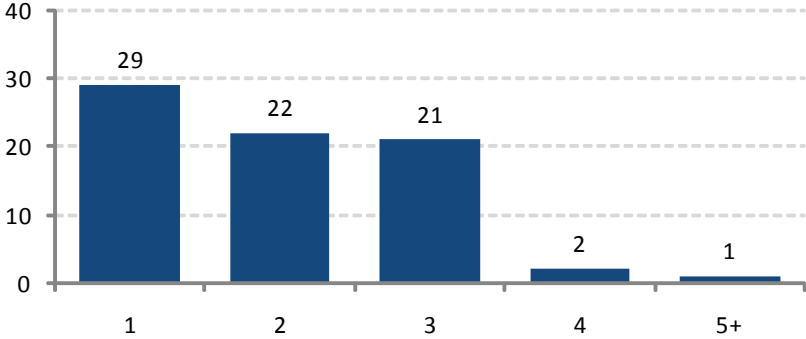
### Current Budgeting Tool?



### Does Your Budget Tool Facilitate Using "What If" Analyses?

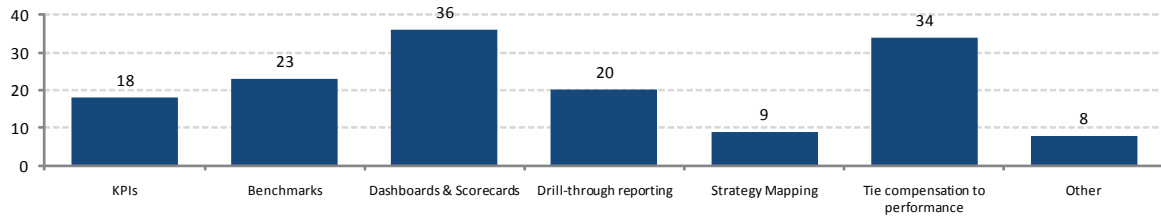


### How Many Different Scenarios Do You Plan for Each Budget or Reforecast?

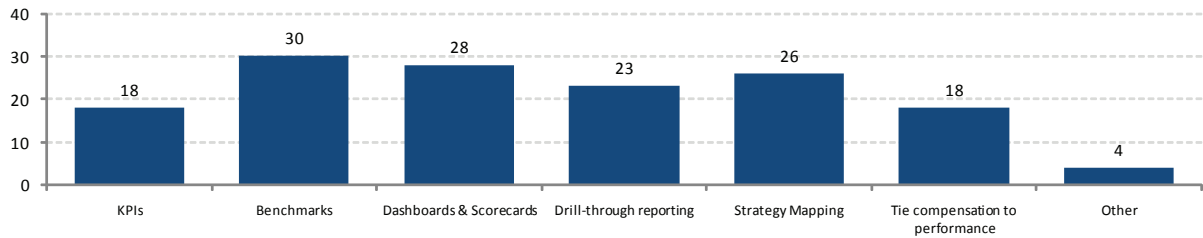


# appendix...other

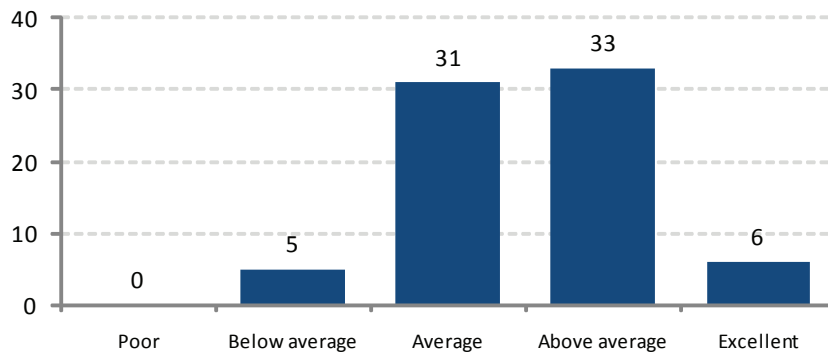
### Which of the Following Do You Employ to Manage Your Business?



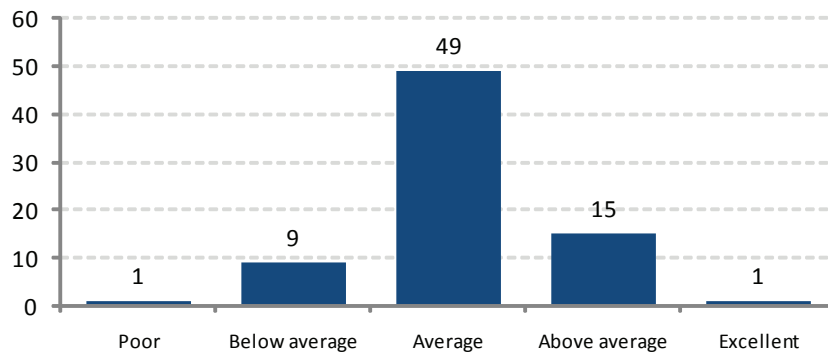
### What Tools Would You Like to Have to Manage Your Business?



### How useful is Your Annual Budgeting Process in Managing Your Business?



### How Efficient is Your Annual Budgeting Process?



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