



# Transitioning from Spreadsheets to Specialized Budgeting & Planning Software

A Practical Guide for Businesses of All Sizes



# Introduction

The scenario is familiar to many FP&A professionals; “I was trying to apply sophisticated best practices using spreadsheets. The plan became unwieldy and my team was forced to spend an inordinate amount of time manually reconciling data from multiple sources.”

The problem starts with legacy spreadsheets that many businesses still use to build their budget, despite recognizing the limitations. But breaking from the familiarity of spreadsheets can be difficult. It often takes a painful issue, such as the inability to confidently answer tough ‘what-if’ questions from the Board.

But there’s good news. Specialized budgeting & planning software is no longer the domain of large enterprises. In this paper, we detail the benefits delivered by a new generation of applications. We also propose a practical road map to a budgeting and planning solution that enables more collaboration, control, accuracy and compliance.





## FINANCE LEADERS FACE EXTRAORDINARY CHALLENGES

CFOs and other finance professionals face unrelenting pressure to align operations and strategy, deliver accurate and timely financial information and monitor progress toward goals.

The budget is no longer viewed as a checklist item that's done once a year and then put on a shelf. High performing businesses use them as year-round planning tools, allowing leadership teams to regularly measure performance vs. plan, forecast future performance, highlight potential risk and assess the financial impact of proposed business changes.

In short, you need to have confidence in the quality of the financial data you rely on to make decisions, and spreadsheets simply aren't up to the task.

# WHEN THE SPREADSHEET BECOMES A DISADVANTAGE IN BUDGETING

Good budgeting practices are structured to minimize errors and inconsistencies. Top-down guidelines and standards combine with bottom-up individual knowledge and experience to produce an achievable plan for the business.

Excel is a powerful personal productivity tool but cannot support the modern nature of ongoing budgeting, planning and forecasting. Programming the model requires complex macros, creating opportunities for formula errors and broken links between workbooks.

Spreadsheet budget models are difficult to distribute and even more difficult to collect and consolidate. Data confidentiality is almost impossible. Spreadsheets are not designed to hide or expose data (i.e. payroll) based upon each user's role.

It's easy to see why relying on spreadsheets inhibits best practices, effective decision-making and analysis.

# 10 Warning Signs That Your Business Has Outgrown The Spreadsheet



1. It takes more time to manage and maintain the spreadsheet than to perform the actual analysis and planning.
2. No single version of the truth guides (or emerges from) the budgeting process. Managers need to roll multiple budgets into a single enterprise perspective, but it's too hard to do because there are too many variations.
3. Executives can't answer important business questions, such as 'Who are my most profitable customers?' or 'Why are certain metrics "out of sync"?'
4. Operational users have little ownership and accountability; and control over consolidating the budget has been concentrated to a single person.
5. Financial statements are not fully integrated.
6. Detail becomes impractical. The spreadsheet has grown so large that budgeting for some line item expenses or revenue items is done only at a consolidated summary level.
7. Data integrity issues – mistyped data, broken formulas, missing links, logic errors – make budget models unreliable. Changes to data structure or roll-ups break the model.
8. Comparing current year actual results to plan and/or last year's actual results is a manual, cut-and-paste exercise that takes too much time and slows down month-end analysis and reporting.
9. It's difficult to accurately track payroll, taxes and benefits expenditures for all employees, including contract, part-time and seasonal workers, resulting in over budgeting for payroll taxes such as FICA or underestimating total employee costs impacting year-end cash flow.
10. Deferred revenue projections (for projects, maintenance contracts, royalties, renewals, subscriptions, etc.) are too complex to model, requiring the layering of multiple revenue schedules within multiple periods to create the waterfall effect.



# Benefits of Budgeting with Specialized Software

The fastest track to best practice budgeting and planning is specialized software, designed to ease the process and deliver useful business information all year long.

Among the many benefits that can be expected from such an application are:

- **Greater Accuracy:** Rather than battling with complex formulas and macros, the software will utilize built-in financial intelligence and business rules, based upon your assumptions and workflow, to ensure continuous accuracy.
- **A Single Version of the Truth:** Using a centralized database eliminates data disparities that evolve when you try to link worksheets together. Any changes to estimates or assumptions are automatically updated.
- **GL/ERP Integration:** Secure exchange of financial information between your GL and the planning software enables faster budget creation and ongoing actuals vs. budget comparisons and accurate forecasts, while eliminating the potential for data entry errors and duplicated information.
- **“What If” Scenarios:** Robust budgeting software effortlessly handles business changes – large or small. Unlimited versions of the budget let you quickly test the impact of different scenarios. Seeing the resulting future revenue and cash flow takes the guesswork out of crucial decisions.
- **Collaboration:** All your budget contributors are involved from the start. Business managers can work on their own role-based view of the budget, and everything rolls up to a consolidated model. Individual teams get to test the impact of any potential action, while your budget remains accurate and up-to-date.
- **Automatic Balance Sheet and Cash Flow Statements:** Accurate forward-looking Balance Sheet and Cash Flow Statements are synchronized to actuals and the underlying budget. Drilling down into the data lets you understand risks, variances and opportunities, and initiate faster changes in response to actual and predicted results.
- **Reporting and Analytics:** Specialized software puts immediate reporting and analysis in the hands of the people who need it, rather than relying IT. Connecting to corporate financials means reports are generated using the most current data. Slice and dice analytics let you understand where the numbers are coming from.

# FIRST STEPS TOWARD BEST PRACTICE BUDGETING

Implementing best practices leads to budgets that are easy to build and change by the people who need them most. They let all budget owners work together, so your budget aligns the needs of each team with the needs of the business. They show you how well your business is performing and help you spot the warning signs that a problem is unfolding, so you can stop it from intensifying or from happening at all.


Here's how to begin:

1. Fully understand your current budgeting model. It's likely to contain embedded assumptions, formulas and reporting requirements that are important to transfer over to the software application.
2. Determine what works and what doesn't work in your current process. For example, if your business model requires the bottom-up forecasting of many participants, you'll need software that enables collaboration.
3. Project the ideal vision of your budgeting process, including who would participate, what integration would be helpful, which GL or other transactional systems your budget should link to, and your reporting needs.
4. Document the users that should participate in your budgeting process. Understand their needs and set the stage for a good level of user acceptance of the new software.
5. Secure high-level executive sponsorship and ensure that you will have sufficient project justification and funding.



# Developing Your Vendor Checklist

With your transition goals in place, you can start a vendor selection process. The following criteria will be particularly useful for a project leader:

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- ☐ Can you build and maintain the budget model yourself, or is the vendor suggesting ongoing services to develop customization for formulas and other business data?
  - ☐ Is the user interface intuitive?
  - ☐ Ask for an implementation schedule. Is it days, weeks or months? How much business disruption should I expect?
  - ☐ Does the software integrate with your GL, ERP or other transactional systems? (Don't get trapped by solutions pushed by your GL or ERP vendor.)
  - ☐ How easy is it to change the budget model or create multiple versions? (Remember that updating numbers is easy enough in any budget. It's when you start modifying the structure of the model that things often get ugly. Just adding an account can cause the budget to fall apart.)
  - ☐ Can I build a collaborative plan that involves all budget owners? (When budgets are created in siloes, information gets missed or misunderstood. Managers can waste hours or days pulling information together. Confirm that you won't need to manually reconcile any data.)
  - ☐ Does the budgeting solution integrate with downstream needs for forecasting, reporting and analytics? Is it self-serve or does IT need to be involved?
  - ☐ Are there alternatives to on-site implementation? (Consider this option if your firm is cost-sensitive about the implementation part of the project.)
  - ☐ Does the chosen solution meet your budget, including potential add-ons and services?
  - ☐ Will the software scale to support business growth in the short to medium term?



# Conclusion

The primary benefits of graduating from spreadsheet budgeting to a specialized software are a more accurate, inclusive and timely budget with significantly reduced cycle time.

If you know what lies ahead, you can prepare for it. Companies often report that they can move from a one-and-done annual budget to a rolling planning and forecasting cadence, resulting in faster, more informed decisions – all year long.

The ability to assess past, present and future business performance helps determine where to put resources, cash and personnel. The right software will offer a complete line of sight into your finances, blending top-down and bottom-up perspectives, incorporating historical and forward-looking information.

Recognizing that your business will likely depend upon this system as part of standard operations for many years, conducting the necessary due diligence to explore available alternatives is a worthwhile investment.

# About Centage Corporation

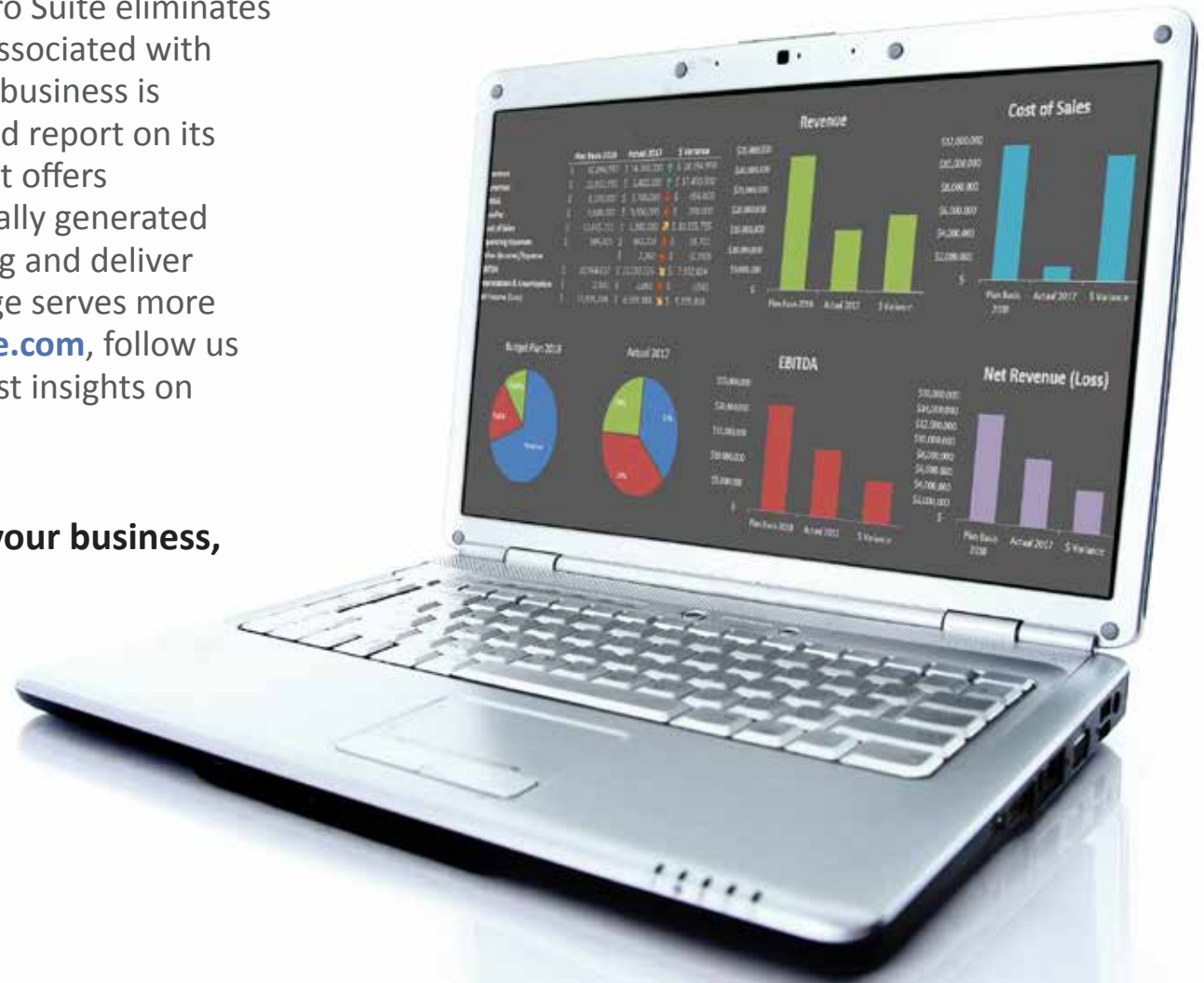
Centage Corporation's Maestro Suite enables faster, more accurate budgeting, forecasting, analytics and reporting for businesses of all sizes. Cloud-based and collaborative, the Maestro Suite eliminates the time-consuming and error-prone activities associated with using spreadsheets. It shows you how well your business is performing and helps you accurately forecast and report on its future financial health. It is the only solution that offers synchronized P&L, balance sheet and automatically generated cash flow reporting, to speed up decision-making and deliver useful business information all year long. Centage serves more than 10,000 users worldwide. Visit us at [Centage.com](http://Centage.com), follow us on [Twitter](https://twitter.com/Centage), or visit the [Centage Blog](http://Centage.com/blog) for the latest insights on budgeting and forecasting strategies.

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