

Why Spreadsheet Budget Models Frustrate the CEO & Board of Directors



YOU'VE FINISHED DRAFTING YOUR BUDGET; NOW IT'S TIME TO PRESENT IT

For CFOs and financial teams, this is perhaps the most important and visible time of year. You're finishing up next year's budget, and preparing to present it to your leadership team and Board of Directors.

No one needs to tell you how hard you've worked creating the budget. If, like many companies, you built your budget in Excel, you've spent countless hours piecing together multiple spreadsheets, and programming complex formulas and macros to arrive at projections. You've also spent many hours preparing accurate, meaningful analysis and reports for the flood of meetings this time of year brings.

As you present your budget, you're sure to encounter various what-if questions and alternate scenarios. It's difficult to calculate the impact of these on-the-fly in Excel.

While Excel is an excellent program with many useful applications, it's just a simple fact that representing the complexities of a company budget in a spreadsheet is a difficult endeavor.



UNDERSTANDING WHY CEOS AND BOARDS ARE FRUSTRATED WITH EXCEL-BASED BUDGETS

Over the past five years, leadership teams have begun to look at budget models differently. They're now viewed as in-house planning tools allowing them to:

- **Measure performance vs. plan on a monthly, or even weekly, basis**
- **Forecast future performance based on current actuals and the plan**
- **Assess the impact of proposed business changes to your P&L, balance sheet and cash flow statement**
- **Have confidence in the quality of financial data they rely on to make decisions**

In short, they have higher expectations for the budget you present.





CEOs ARE BULLISH ON THE FUTURE & SMART TECHNOLOGY WILL GET THEM THERE

“CEOs see this time as one of opportunity and investment and are locking into what needs to be accomplished to distinguish their companies. They understand that in today’s fast-changing, ultra-competitive environment digitizing their business and investing in new technologies is critical and will result in a need for new talent.”

Lynne Doughtie, KPMG U.S. Chairman and CEO.

In its most recent CEO Outlook Report, KPMG writes that “CEOs have seen the future and it is digital.” This is leading them to adopt technologies and strategies that allow them to be faster to market and scale up their own business processes and operations.

For a long time, a company’s budget model has been viewed as – let’s be honest here – a checklist item that’s done once a year, almost always in Excel, and then put on the shelf until the next budget cycle.

This situation runs counter to the CEO’s increasing appetite to adopt smart technology.



It's Nearly Impossible to Test What-if Scenarios in Excel

According to the KPMG report, 46% of CEOs say they're confident about their company's growth potential, and 72% say they're not going to sit on the sidelines and wait for their competitors to "disrupt" the market.

In other words, CEOs and Boards of Directors are looking to make aggressive moves, like expanding into a new market or making strategic acquisitions.

At the same time, they need to mitigate risks. If you're considering acquiring a certain competitor, launching a new product, or entering a new geographic market, you'll want to know the impact on your cash flow, as well as the impacts on your balance sheet and P&L further out.

Here's where Excel falls short:

It's extremely difficult to build a spreadsheet that represents the inherent complexity of the budget, and its need to satisfy the requirements of multiple teams and departments. You need to piece together multiple spreadsheets and rely on complex formulas and macros to arrive at answers. The result is a budget that's difficult to manage and nearly impossible to manipulate in order to test multiple business scenarios.

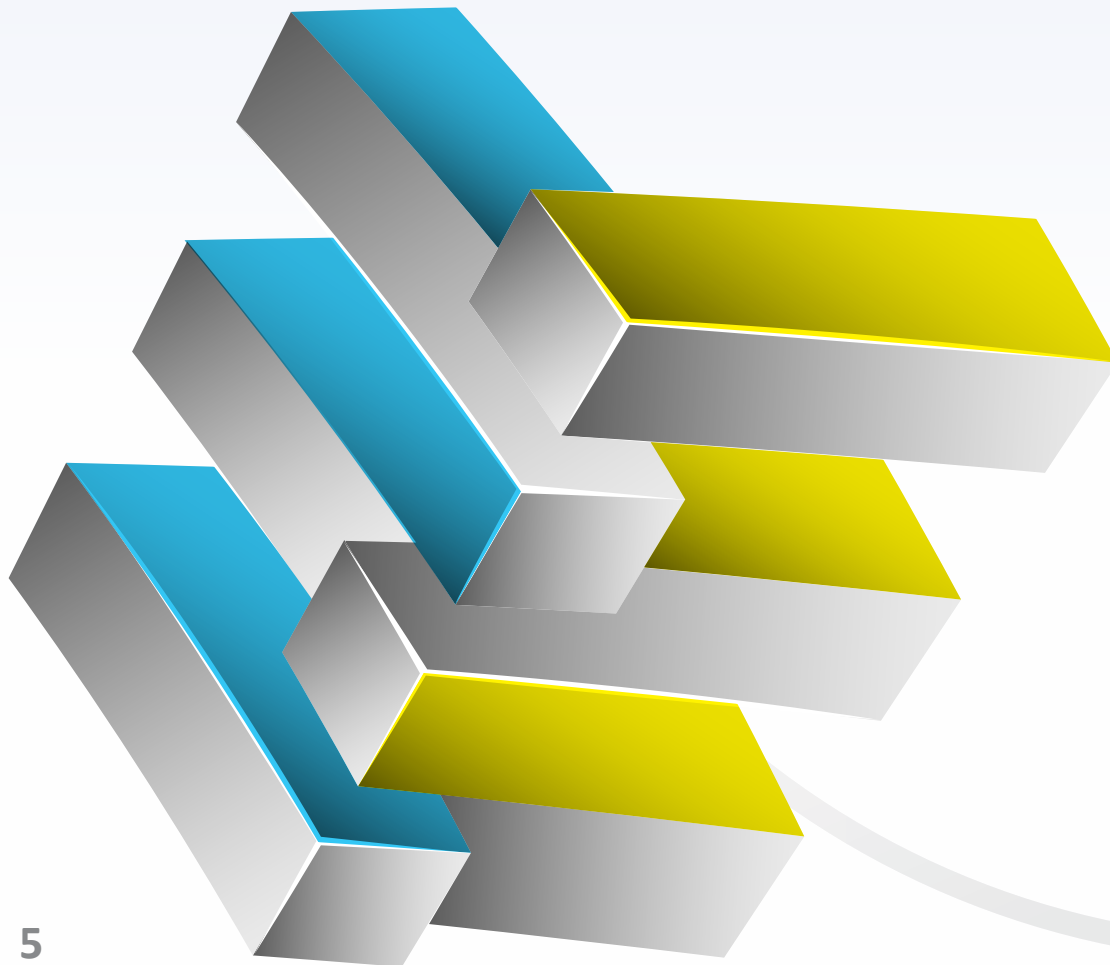
This is a critical consideration given that when building a budget model, **it's impossible to anticipate the variety of changes that might occur in the future.**

Spreadsheet-Based Budgets are Divorced from the Day-to-Day Business

While it's your job to create and manage a budget, you're rarely the sole owner of it. The truth is, that budget is a strategic asset to every department within the company. It's not a stretch to say it belongs equally to everyone. After all, it's the CMO who knows how best to allocate advertising budgets, and the CTO to manage IT investments.

This means that budgets must be managed from the bottom up, rather than top down, and that buy-in is essential. But when CFOs are forced to control their budget models via a master spreadsheet, those models are, by definition, managed from the top down.

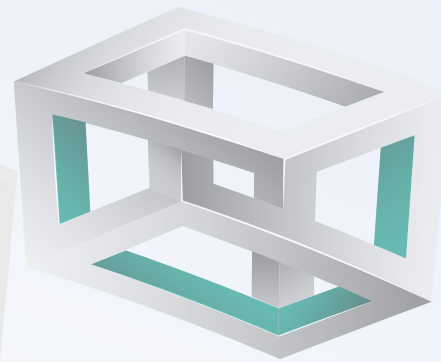
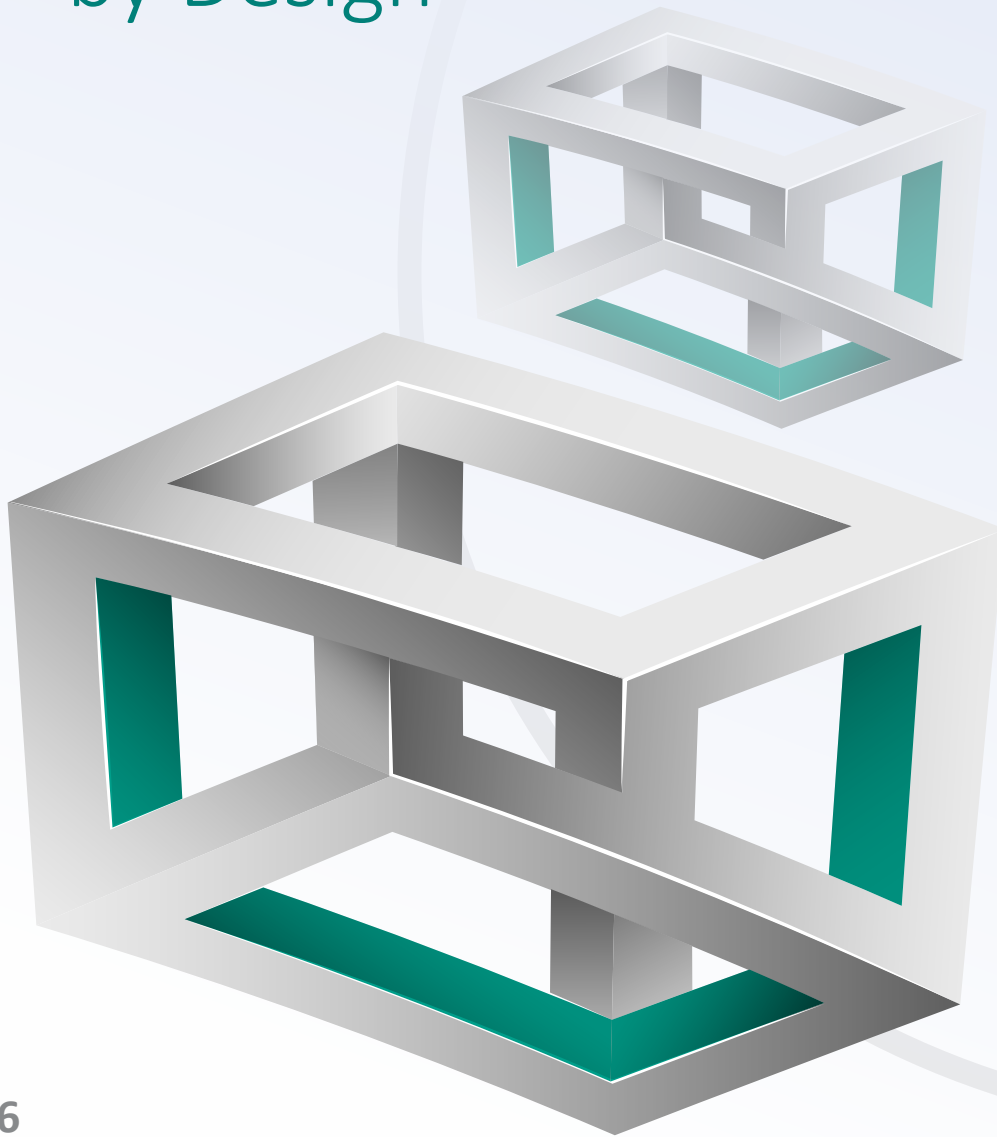
The result is a **disconnect between the model and the day-to-day activities** of an organization. Monitoring performance vs. plan becomes impossible.



Excel Isn't Collaborative by Design

Everyone loves Excel; we use it for countless tasks, but it wasn't designed as a collaborative tool; there's no feature that lets you farm out spreadsheets to contributors and consolidate input automatically. If you send out a spreadsheet to three colleagues for input, you'll get back three different spreadsheets to be consolidated. And you must do this every time you update the budget.

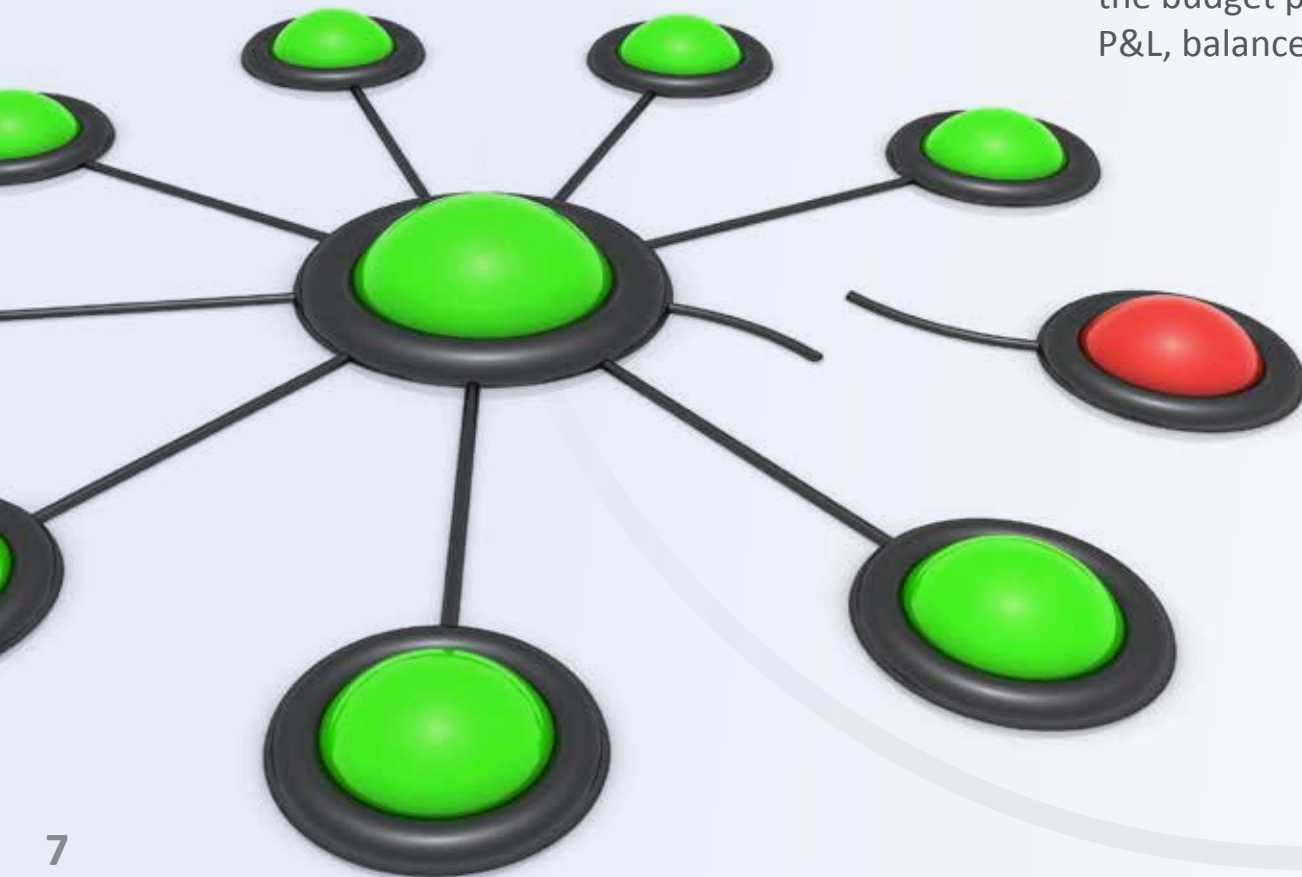
This frustrates CEOs and Boards because it means they **don't have real-time insight into this critical part of a business** at a time when they urgently need it.



Data Integrity Is Questionable

According to the KPMG report, 49% of CEOs are concerned about the integrity of the data they rely on to make decisions. It's easy to see how Excel can raise similar concerns with regard to the data that comes out of spreadsheet-based budget models. It's nearly impossible to connect the data entered by various contributors to the appropriate outputs.

This is frustrating because now more than ever, **CEOs and the Board want to connect the dots in real time to make decisions.** To get to that level of confidence in the data they use, each and every data input must ripple correctly through the budget plan, and accurately reflect their impact on the P&L, balance sheet and cash flow.

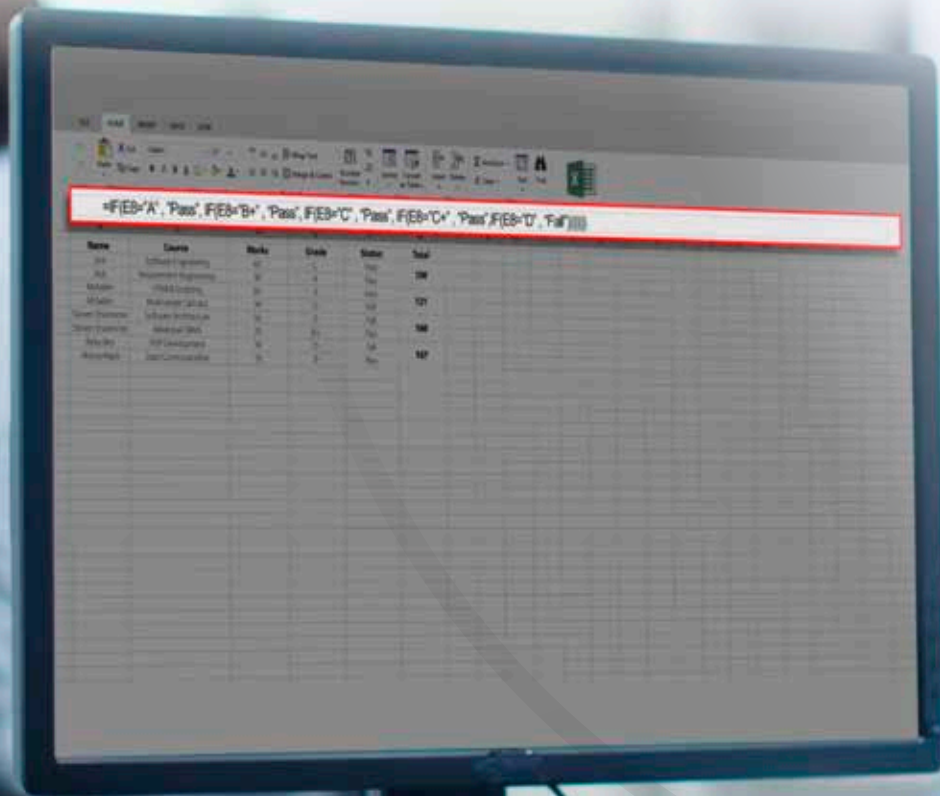


Reporting Isn't Self-Sufficient

Every day we talk to CFOs and every day we hear how CEOs want to better monitor performance vs. plan, cash flow, and P&L. Most want updates on a monthly basis, and some even prefer to review them weekly. They also want to view and drill down into the data in a variety of ways, by team, geography, product line and so on.

Unless the finance team can hire a team of Excel super users to do this task exclusively, CEOs and Boards are not going to get the insight they need.

While Excel offers exceptional charts and graphs, those charts are essentially snapshots of the business, and are outdated almost the moment they're created. To spot trends and make informed decisions **the CEO and Board need dynamic real-time reporting** with data connected to corporate financials via your general ledger, along with dashboards that visually present performance vs. plan across all aspects of your business.





CREATING A BOARDROOM-READY BUDGET

Fortunately, it's not that difficult to create a boardroom-ready budget. You just need a Smart Budget modeling program. In fact, Budget Maestro by Centage will help you create a board-ready budget before the end of the year even if your budget is still 100% Excel based.

Budget Maestro automatically generates accurate, forward-looking balance sheets and cash flow statements that are synchronized to the underlying budget.

Because the budget model links your GL account or account groups to various components of the statement of cash flow, every GL transaction is correctly reflected and applied across the budget.

Forecasting cash requirements during the planning period, along with the ability to drill down into the underlying data lets you understand risks, variances and opportunities, and **initiate faster changes to meet the anticipated cash needs well ahead of time.**

Want to learn more?

Request a customized, live demonstration for you and your team.





Ready to migrate away from spreadsheets?

Smart Budgets 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 forecast its future financial health.

Whether starting your move away from spreadsheets or implementing corporate performance management, Smart Budgets will work for you. You'll get a real-time line of sight into your business, speed up decision-making and deliver useful business information all year long.

To learn how Smart Budgets will work for your business, or to schedule a demonstration:

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