Corporate Budgeting
Simplifying a Complex Roadmap

"We need one version of the truth…a roadmap plan that can be executed…but, the supporting details to each budget version are buried in spreadsheets on individual computers or in notes stored in files and drawer…" Aerospace Finance Executive

Just Numbers on a Page

Each fiscal year the company spent a great deal of time developing an annual budget that represented how the company would adapt to new constraints, competitive forces, and challenges in the marketplace. Each department prepared their new operational plans and new budget numbers for approval in many different presentation formats – Excel, Power-Point, Word, Access, etc. Since the approval process required several iterations of the numbers, enormous efforts were required to reduce errors since each error would reduce the chances that the operational plan could be properly executed. Too many errors and the results would be just numbers on a page that would erode user confidence.

Why Did We Budget That?

A major shortcoming was the lack of capability to enter the explanations and assumptions for the numbers below the G/L Account Number level. Once the new Budget Year started, accounting tracked the variance of actual expenditures against the approved Budget, and if there were questions they often had to go back to the Budget Owner for an explanation.

Lost Detail Means Difficult Execution

Accounting had to manually keep track of both the expenditure purpose and the time fence movements of the expenditures in order to effectively monitor and control the company's finances. Sometimes process owners disputed the numbers that were entered into the accounting system, stating that the wrong version of their Budget was used or was targeted for a different purpose. The supporting details to each Budget version were buried in spreadsheets on individual computers or in notes stored in files and drawers. Meetings had to be held to discuss and hopefully re-agree to those budget items. Without the original information regarding the original assumptions and compromises, the budget was useful to act as an expenditure cap, but less useful as an operational roadmap.

What the Company Needed

The company needed a new, cost-effective budgeting methodology and supporting analytical capability that would be easy for everyone to use, with a single repository for all Budget numbers, Variance Explanations, and adjusted forecast amounts that could be entered directly by the Budget owners and accessed on demand. The solution had to also easily integrate with existing departmental, group and corporate systems. They also needed a reporting system that would allow Accounting and the Budget Owner to be able to easily drill down from the high level G/L Account Summary Number all the way to the Actual Detail, Budget Detail, Variance Explanations, and Forecast Amounts. Most importantly, what they needed was a way to find the explanations regarding the assumptions and compromises related to the individual budget items so that the operational managers could ensure proper execution of the budget roadmap.

A Need to Integrate with Legacy Data

The customer had multiple IT systems with voluminous, historical information, so the solution had to also easily integrate with existing departmental, group and corporate systems.

The customer is international firm that engineers, manufactures and supports corporate jet aircraft.

What they needed:

- a cost-effective budgeting methodology
- a supporting analytical capability
- a single repository for all budget numbers
- results that could be viewed along side the original budget assumptions and compromises the ability to facilitate oversight based on the original plan
- a "single version of the truth" that would provide an operational roadmap that could be executed by everyone

Information was stored in multiple formats and databases, so there was a requirement to import and export information to those systems without constant IT assistance.

The Solution

When the customer could not find an off-the-shelf solution that satisfied their requirements, they turned to AccessIG, Inc., a Microsoft Certified Partner with whom they had prior experience, to develop a solution that would mitigate the risks while capturing the intended benefits. Because the AccessIG team has many years of business experience that complements their technological capabilities, the customer saved a lot of time and resources by not having to script each step of the process. Also, during the business improvement process AccessIG was able to alert the customer to potential upstream and downstream consequences in order to reduce risk and capture the maximum benefits. As a result, the customer gained faster benefits at a lower cost due to the acceleration of the process improvements and prototyping phases, the identification of the cost/benefit, and avoidable risk.

AccessIG recommend, developed, and implemented a solution based on Microsoft .NET technologies and the SQL Server database. Using their extensive business experiences in best practices, AccessIG was able to quickly deliver a prototype which the customer could exercise using their own data. The customer began to further imagine new, beneficial possibilities that were not originally contemplated and that could easily and inexpensively be incorporated during original development. Using the "prototype" methodology helped to draw out the tribal knowledge of the workers so that it could be formalized as business rules within the new solution.

The Results

The customer now enjoys a financial budgeting system that is cost-effective, easy to use, and combines financial information with the details that support the budget. Users can develop their budgets then attach that detail to the budget so it can be readily available to those with oversight responsibility. Managers can also create new budgets using historical information provided by the system, and are therefore more confident in the numbers that they produce. Executive management can view the summary results and analyze variances, but they can also easily drill into the detail to understand the implications of the results and provide better oversight.

Shared Resources

Shared resources require extra visibility because more than one budget will be paying for a resource and share that resource - for example: a trade show planner that is shared by multiple lines of business but paid by a single department. The customer can easily budget shared resources with confidence that the operational planning and compromises that were agreed upon will be remembered and executed without holding endless meetings to remember who was to pay and who was to benefit.

The Relentless Pursuit of Improvement

More importantly, rather than viewing the annual budgeting process as a brand new event each year, managers can set and invest in longer term goals that will drive improvements over a period of years. Rather than setting a yearly budget and watching things happen, management can make things happen, turning a once onerous and risky process into the relentless pursuit of specific goals, such as increasing market share, increased funding, productivity improvement, etc.

Benefits

- Corporate management can make decisions faster based on facts
- Users can enter and store the reasons and expected results at each level of the budget
- Management can view the detail of the budget alongside the actual numbers
- One version of the "truth" exists
- Drill to budget detail invites the analysis of lower level budget performance
- The customer experienced tremendous labor savings and report distribution costs
- Users are more confident in the budget numbers that they can produce
- Reduced budgeting cycle time saves resources and allows easy, periodic forecasting
- Performance reporting highlights failure or success and invites analysis
- The ability to drill to individual budgeting notes helps management make more informed decisions
- Colored alerts highlight unexpected budget variances for early corrections
- Users can easily access historic budget information, including all forecasts and the accompanying details
- Plugs and plays with existing workgroup, departmental, subsidiary, corporate systems