A publication of PwC's Financial Services Institute (FSI)

Breaking the Cycle: The Case for Eliminating the Budget

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Section 1

Point of view

Point of view

Most conventional budgets are little more than paperweights. Many budgets become obsolete before the fiscal year begins.

Annual budgets cannot keep pace with the constantly evolving business environment, making annual budgets obsolete.

- Many of the outputs created from the annual budgeting and planning cycle are of little use, as they become outdated or unrealistic by the time they reach their intended users; yet, variances continue to be reported, analyzed, and explained.
- There is a tendency to leverage the previous year's budget numbers, instead of moving toward alternative budgeting processes (for example, rolling forecasts).
- Annual budgets become obsolete even sooner in times of rapid change. As a recent example, the planning cycle for fiscal year 2009 began with market swings and seismic changes in the funding and liquidity landscape, rendering many traditional budgets obsolete before the fiscal year even started:
  - Seventy percent of CFOs said they could not forecast more than a single quarter out[1]
  - Two out of three executives predicted that their 2009 budgets would be obsolete within the first six months of the fiscal year[2]
  - Twenty-eight percent of executives reported that their budgets were effectively useless before the year even began[3]

[1] Vincent Ryan, "Future Tense," CFO Magazine, December 1, 2008.
[2] Jack Sweeney, "The Budget (1922-2009)," Business Finance, June 1, 2009.
[3] Ibid

Point of view

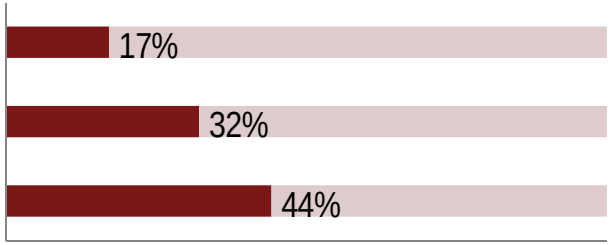
Executives and other stakeholders have long vilified the budgeting and planning processes.

Long before the credit crisis that began in 2007, the relevance of traditional budgeting and planning processes was in question.

"Budgeting is an unnecessary evil." – Jan Wallander, former CEO, Svenska Handelsbanken (2003)[1]

"The budget is the bane of corporate America. It should never have existed. Making a budget is an exercise in minimization, i.e., showing how little you can do."— Jack Welch, former CEO, General Electric (February 2006)[2]

According to a 2007 PwC study of organizations with annual revenues greater than $2 billion:



Source: PwC, 2007 Budgeting and Forecasting Study

- Only 17 percent of a company's executives were "very satisfied" with the company's current budgeting process.
- Only 32 percent of a company's executives believed that the company's budgeting process was "highly aligned" with actual performance.
- Nearly 44 percent of a company's executives see linking the budget and strategy as needing the most improvement.

Fast forward several years, and the problems with budgeting and planning processes still exist:

"*NOT to beat around the bush, but the budgeting process at most companies has to be the most ineffective practice in management." — Jack Welch, former CEO, General Electric (February 2009)*[3]

Highlighting the irrelevance of budgeting and planning processes, analysts and shareholders largely ignore performance against budget in favor of other performance metrics. To regain credibility, the finance department within financial institutions should consider extensive changes to make the budgeting process useful and relevant.

[1] Harvey Schachter, "CEOs often get tripped up by their leadership traits," The Globe and Mail, May 14, 2003.
[2] Alexander Mersereau, "Pushing the art of management accounting," CMA Management, February 1, 2006.
[3] "Managing in the Fog," The Economist, February 28, 2009.

Point of view

Costly and time consuming, the budgeting process provides little return on investment and is not always aligned with drivers of shareholder value.

Traditional budget and planning processes are costly and time consuming.

- Traditional budgeting and planning processes consume enormous amounts of time and resources within the finance department and individual business units, providing little value in return. Budgeting processes cost on average over $12 million annually for organizations with $10 billion or more in revenue.[1]
- According to a 2007 PwC study, only 12% of the participating business organizations completed their annual budget cycle in less than two months and 60% had a budget cycle exceeding three months.[2]
- For decades, financial institutions have typically prepared broad-based, bottom-up budgets and forecasts, with only minor revisions to the underlying process. Despite their limitations, many financial institutions have been slow to abandon or reengineer traditional budgeting processes.

Budgeting and planning processes divert attention away from the most relevant performance management activities.

- According to a 2007 PwC Budget and Forecasting Study, over 53% listed the annual budget as a primary driver of compensation plans, rewarding and enforcing behaviors that are not always in line with the company's best interests.[3]
- It is unclear how a conventional annual budget process assists with the effective management of the cost base. With the exception of direct variable costs, few companies have linked the preparation of detailed cost budgets to business drivers. When budgets are not aligned with business drivers, the process may be perceived as a futile exercise.
- The budgeting process focuses on profit and loss, and balance sheet elements. The process usually does not adequately incorporate non-financial measures into company performance.
- Once the budget is prepared, considerable resources are dedicated to explaining financial performance variances. These analyses focus on the past and provide little insight to support management action looking forward.

[1] PwC Finance Effectiveness Benchmarking research, 2010.
[2] PwC, 2007 Budgeting and Forecasting Study, http://www.pwc.com/en_CZ/cz/studie-analyzy/budgeting-and-forecasting-2007.pdf
[3] Ibid

Point of view

There are multiple barriers to improving budgeting and forecasting processes within many organizations.

Compensation should be linked to how employees contribute to the bottom line rather than how they perform against budget.

Over 50 percent of companies surveyed indicated that the annual budget is one of the major drivers of compensation.[1] Until alternative performance measures are developed and linked to performance management and compensation, the legacy budgeting process cannot be eliminated. This remains a major contributing factor to the longevity of annual budgeting processes.

Significant change requires strong corporate and business-unit sponsorship.

When an enterprise has poor centralized processes for budgeting and forecasting, independent planning and budgeting methodologies and systems emerge in individual business units. This increases the total cost of ownership. It may also lead to a situation in which distinct planning functions across the organization utilize disparate planning systems, different standards, varying levels of detail and assumptions, and different time horizons and frequency of updates. Strong corporate and business-unit sponsorship is key to standardizing and/or discontinuing legacy processes and systems.

Technology can either impede or enable progress.

Technological advances have enabled companies to store and process increasing amounts of data. Technology can in many ways become an enabler of bad planning practices. At many companies, for example, this capability has contributed to additional layers of budgeting and forecasting processes, adding more cost and creating even more inflexible processes. Management should first focus on defining the new process and discontinuing the old budgeting and forecasting processes. Otherwise, management runs the risk of replatforming its current budgeting process or simply processing large volumes of data in different, as opposed to better, ways.

[1] PwC, 2007 Budgeting and Forecasting Study, http://www.pwc.com/en_CZ/cz/studie-analyzy/budgeting-and-forecasting-2007.pdf

Point of view

Traditional, bottom-up budgeting and forecasting processes should be transformed into rolling forecast and performance management processes.

Current-state: Budgeting and forecasting processes		Future-state: Planning and forecasting processes
Misaligned incentives	▪ Compensation linked to performance against annual, static, and often irrelevant budgets	**Aligned** ▪ Compensation aligned with true business goals instead of outdated budget and forecast data ▪ Relevant non-financial and external metrics included in performance assessment ▪ Performance measurement weighted toward controllable metrics ▪ Fosters culture of continuous improvement, leading to additional cost reduction benefits and transforming planning into a value-added, self-funding activity
Stale	▪ Overly reliant on historical trends	**Flexible/ Relevant** ▪ Timely, driver-based data that enables organizations to be proactive rather than reactive ▪ Better understanding of cost-drivers ▪ Use of re-forecasted, relevant targets rather than static targets

Point of view

Traditional, bottom-up budgeting and forecasting processes should be transformed into rolling forecast and performance management processes (continued).

Current-state: Budgeting and forecasting processes	Future-state: Planning and forecasting processes
Inefficient ▪ Time consuming (often 60-120 days) ▪ Heavily reliant on manual data entry ▪ Involves too many people	**Efficient** ▪ Cycle times of two to three weeks ▪ Reduction of manual data entry and non-value-added data collection and processing ▪ Involvement of only those executives responsible for the strategic and tactical objectives of the organization ▪ Resources realigned to target setting, analysis, and measurement ▪ Less production and waste of detailed expense analysis and commentary
Bottom-up approach ▪ Not in line with key business drivers ▪ Performed in silos ▪ Too many managers "negotiating" how much they are allowed to spend	**Integrated** ▪ Capability to monitor and track results of strategic initiatives ▪ Fully aligned to strategic plans and management initiatives ▪ Increased collaboration and transparency between corporate and business units on cost management, and between finance and business operations ▪ Capital allocation decisions are part of the top-down strategic planning exercise ▪ Top-down cost management

Section 2

Case studies

Case studies

Several financial institutions have begun to achieve quantifiable benefits as a result of transforming their planning processes.

	Financial institution examples		
	Global bank	**Diversified financial services company**	**Multi-line insurer**
Drivers for change	▪ Customer focus/strategy led to a very decentralized operating structure ▪ Significant cost increases due to growing bureaucracy and market expenditures	▪ Inconsistent planning practices across each business unit (e.g. time horizons, level of detail) ▪ Multiple iterations required for budget development ▪ Over reliance on last year's budgets and historical analysis	▪ Detailed budgeting process started in late July and typically concluded in January of following year ▪ Budget gaps arose as the board-approved plan did not balance with detailed budgets ▪ Planning process devolved to budget gap resolution
Solution	▪ Discontinue traditional, bottom-up budgeting process ▪ Relative performance measurement system by region and competitor ▪ Regions and branches set targets ▪ Rolling cash forecasts prepared quarterly ▪ Manage expenses as percentage of income	▪ Minimum standards and guiding principles established by corporate ▪ Each business unit required to identify key performance drivers and develop driver-based models ▪ Proactive and well-defined communication strategy to manage change ▪ Implemented standard forecasting system ▪ Rolling, five-quarter forecasts implemented in parallel with existing processes ▪ Retired several legacy planning and forecasting systems	▪ Detailed expense budgeting process was retired ▪ Five-quarter, five-year, and 10-year forecasts with baseline assumptions and inputs ▪ Stochastic modeling for scenario analysis ▪ Models revisited on a monthly basis ▪ Appropriate model drivers were decomposed into key performance indicators (KPIs) for performance management ▪ Incentive compensation was linked to KPIs
Benefits	▪ Total cost of ownership for planning process reduced by approximately 60% ▪ Share performance and return on earnings have been higher than competitors for past several years	▪ Business units retained some flexibility to meet specific planning or budgeting needs of their business partners ▪ Cycle time to consolidate firm-wide forecast was shortened to six business days	▪ Model can be quickly updated to reflect impact of unexpected economic or external events ▪ Management teams are much more focused on behaviors that impact KPIs ▪ CFO estimates organization saves approximately $1.5MM a year by displacing annual budgeting process

Section 3

A framework for response

A framework for response

Effective strategic planning and rolling forecast processes: essential characteristics

Flexible/Relevant

Re-forecasted and non-static targets are used to manage performance.

Integrated

The annual plan is derived from and refreshed by the six-quarter rolling forecast.

Efficient

Cycle times are reduced to two to three weeks. Expense budget true-ups are phased out.

Aligned

In addition to financial measures, non-financial and external metrics are incorporated into performance management and drive incentive compensation.

A framework for response

The strategic planning and rolling forecast processes should be relevant to key business objectives and linked to performance management.

Strategy development

- Occurs annually
- Considers external drivers: competitors, regulators, markets, customers
- Produces a corporate and business-unit strategy that can be translated into business unit plans with actionable and measurable performance objectives

Planning

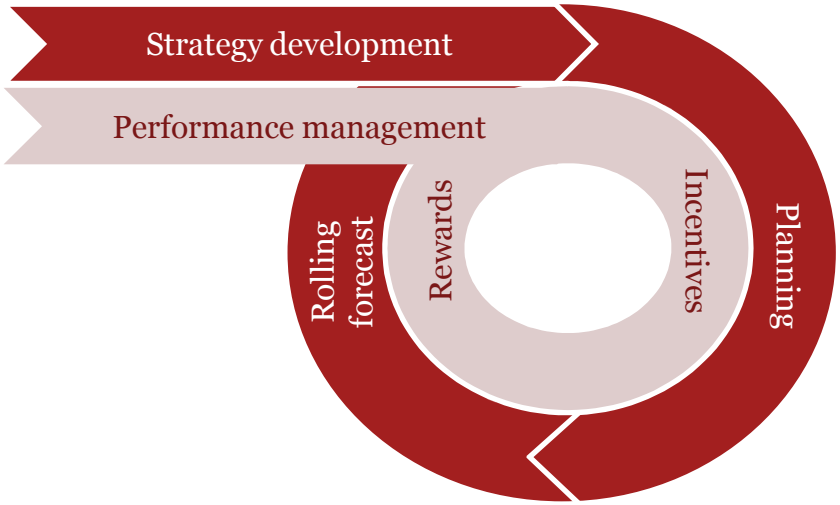
- Occurs annually
- Leverages the six-quarter rolling forecast as a starting point
- Translates the corporate and business-unit strategy into business unit plans
- Updated business unit objectives and performance targets produced during the strategy development phase are cascaded into the six-quarter rolling forecast

Rolling forecast

- Occurs quarterly
- Typically performed for a six-quarter time period
- Highly integrated with the annual planning process
- Refreshes the annual plan

Performance management

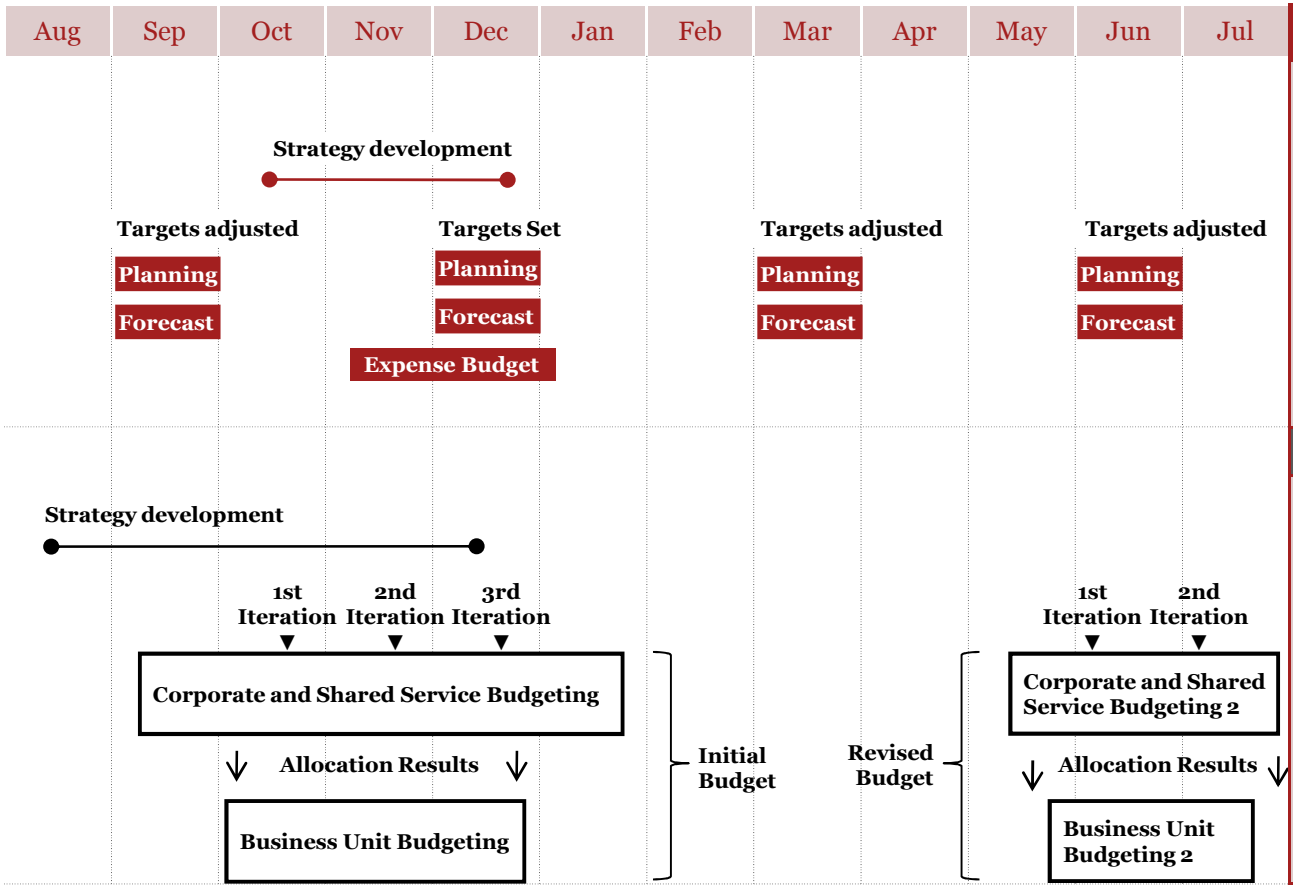
- Continuous and flexible
- Highly aligned with strategy development and rolling forecast processes
- Incentives based on a mix of plan targets, forecast targets, and financial and non-financial measures
- Rewards based on plan-to-actual variances, forecast-to-actual variances, and controllable KPIs



A framework for response

A rolling forecast, integrated with strategy development, is timely, relevant, and efficient.

A rolling forecast requires less overall effort than traditional budgeting and spreads that effort more evenly throughout the year. The practice of revising obsolete budgets is replaced by rolling forecasts that produce refreshed KPIs. Excessively detailed expense budgeting is abandoned. The six-quarter rolling forecast should drive development of and updates to the annual strategic plan. As a result, finance organizations are able to more efficiently produce a plan for the next calendar year.



Strategic planning and forecasting

- Strategy development is performed in Q4,and provides input to target setting process
- Shared service planning and forecasting processes are integrated with business units
- Forecasts consistently refreshed before quarter-end
- Quarterly forecast-to-actual variances drive adjusted targets and performance management
- Expenses are budgeted at a summary level only, and in some organizations, detailed expense budgets have been dispensed with completely

Traditional budgeting process

- Strategy development is performed mid-year to accommodate budgeting process, or is performed in parallel, resulting in potential budget or plan gaps
- Corporate and shared service budgeting exercise is a separate process, with little business unit collaboration, increasing the number of iterations
- Budgets revised when numbers become “stale” or obsolete
- Periodic actual-to-plan variances drive need for additional budget setting and may be used for performance management

A framework for response

Below are key factors for achieving effective strategic planning, rolling forecast, and performance management processes.

		Strategy development	Planning and rolling forecast	Performance management
Delivering change	**Strategy**	Consider the impact of external change drivers, such as competitors, markets, regulators, and customers, on strategic goals	Ensure plan development and rolling forecast processes are continuous and integrally linked	Align performance measurement and rewards to the true business goals of the organization
Delivering change	**Structure**	Link actionable financial and non–financial performance measures to the organization's strategic goals	Derive the annual plan from the rolling forecast, incorporate a high-level expense budget, and leverage common workflows and tools	Base incentives on a mix of plan targets, forecast targets, and financial, non-financial, and external measures
Delivering change	**Process**	Embed these measures within the forecasting and planning processes and link to compensation, considering capital allocations as part of overall strategic plan	Eliminate redundant data collection, integrate shared-service planning and forecasting processes with business units, and link cost budgets to business drivers	Consider the relative weightings of controllable versus non-controllable costs in performance measurement and incentive compensation
Delivering change	**People**	Involve only those key executives responsible for strategic and tactical objectives	Realign organization resources to target setting, analysis, and measurement, standardize planning and forecasting processes across the organization	Embed the critical performance measures (typically <10 KPIs per business unit) down through the organization and link to manager compensation
Delivering change	**Technology**	Defer major IT investment to later phases once methodology and processes are solidified	Rationalize data structures and data management processes	Simplify all processes and reporting and eliminate manual processing where possible
Driving change	**Change management**	Solicit strong corporate, CFO, and business-unit sponsorship	Consider iterative rather than "big bang" migration. Allow for bottom-up expense "true-ups" in initial cycles	Develop comprehensive communication plan around performance and compensation plan changes
Driving change	**Program delivery and design management**	Develop methodology to capture, measure, and communicate benefits	Realize benefits progressively with the goal of maximizing level of self-funding for each phase	Ensure compensation systems and forecasting and planning processes are redesigned in tandem

Section 4

How PwC can help

How PwC can help

Comprehensive finance transformation through strategic planning and forecasting

Our finance transformation services address strategy definition, implementation of more efficient forecasting processes, consistent delivery of performance management information, and simplification of budgeting processes. Our experience can help you reduce low-value-add activities; define new process inputs, outputs, and models; and document the requirements for tools and templates required to make the process repeatable.

Corporate performance management	Development of relevant and actionable key performance indicators, accurate cost management information, and incentive compensation programs linked to KPIs are critical steps to drive accountability and promote a performance-driven culture.
Treasury and capital management	The importance of sound liquidity, risk, and cash management practices often leads to a need for better capital forecasting capabilities. Capital management should be an integrated component of the overall strategic planning and forecasting solution.
Sustainable cost reduction	Better cost management information helps executives identify cost-saving opportunities and provides more transparency. But more importantly, the information defines a foundation for management reporting that needs to be embedded within the planning processes to ensure cost reductions are sustainable.
Shared services	Many corporate and business unit leaders lack visibility into the benefits, costs, and services being provided by shared service organizations. The expense drivers and allocation methodologies of shared services should be addressed.
Financial systems implementation	When reengineering the planning and forecasting processes, companies should assess how new or existing technology can best be leveraged. Technology used within the finance function should be optimized to create an integrated finance application platform that maximizes automation, enhances data quality, and improves control at a reasonable cost.
Data management	Implementing repeatable planning and forecast processes requires successful data management. Data gaps and inconsistent definitions must be resolved to ensure standard and consistent reporting.
People and change	Every meaningful change to a planning or forecasting process requires change management. Whether managing the more critical aspects of stakeholder management and communication or redesigning an incentive compensation program, change management helps finance change "stick."
M&A integration	Acquisitions often result in the need for pro forma information, but also highlight the need for more flexible and insightful plan and forecast processes. The planning process should address the unique aspects of Day 1, Day 2, and beyond.

PwC's tailored approach focuses on identifying and communicating the business drivers behind strategic planning and forecasting requirements.

How PwC can help
Finance transformation

PwC is an advisor to 44 of the world's top 50 banks and 46 of the world's top 50 insurance companies, and the leading service provider to investment managers, pension funds, and hedge funds around the world. This diverse client base provides us unique access to develop peer insights and to understand from experience what works in specific client circumstances. In the United States alone, we are able to call upon our 800-person Financial Services Advisory practice and over 3,000 financial services professionals.

Expertise

Our Advisory team includes professionals with a full range of finance transformation capabilities. Our finance transformation services integrate the people, technology, and process aspects of large-scale change projects, and include developing a strategic planning process, reengineering the planning and budgeting processes, and implementing a performance management framework. We enable these solutions with the implementation of Enterprise Resource Planning (ERP) or "best of breed" analytical applications and business intelligence tools. Most importantly, our services address the people and change aspects of stakeholder and change management, promoting change that "sticks."

Thought leadership

PwC has a significant body of thought leadership. Our Advisory team has published many white papers on the topics of cost reduction in the finance function, performance management, and process improvement, and PwC continues to present at major industry and vendor conferences. Our timely, thought-provoking and informative publications provide new intelligence, perspective, and analysis on trends affecting the financial services industry.

Methodology/ tools

PwC has a detailed methodology for driving significant change within organizations. Large-scale, transformative efforts require a disciplined but flexible approach. Our Transform methodology provides the management drivers and necessary steps to deliver results on finance change initiatives. Most importantly, the methodology can be tailored to the unique needs of a client's culture, global presence, and timeline. The Transform methodology is supported by tools, templates, and project artifacts that can increase the timeliness and quality of change efforts.

How PwC can help

For further information, please contact:

Americas

Robert Ross	robert.m.ross@us.pwc.com +1 312 298 2042
John Garvey	john.garvey@us.pwc.com +1 646 471 2422
Brett Maher	brett.r.maher@us.pwc.com +1 312 298 3377
Kurtis Babczenko	kurtis.babczenko@us.pw.com +1 312 298 3559
Hal Houser	harold.s.houser@us.pwc.com +1 904 366 3691

Appendix

Select qualifications

Select qualifications

Strategy transformation and implementation—leading Swiss life insurer

Issues	When a sustained period of cost containment gave way to the development of a three-to-five year growth strategy, the client needed help in crafting the framework to implement and execute the new plan.
Approach	Working with the client, PwC utilized its strategy transformation model to translate the strategic vision into precise goals, metrics, and projects. As part of this work, PwC performed an evaluation of the client's current portfolio of more than 300 projects to assess the projects' quantitative benefits and to evaluate the extent to which they aligned with strategy. As a result, the project portfolio was significantly restructured and reprioritized. PwC also helped the client to restructure the budgeting and planning processes. Rolling forecasts and project portfolio rebalancing processes were implemented to increase flexibility, enabling the client to respond to changing market conditions. PwC also developed a detailed budget calendar, which provided an end-to-end map of tasks and associated deadlines required to complete the annual budget process.
Benefits	Implementation of the strategy transformation model and the associated project portfolio assessment reduced the project portfolio from more than 300 projects to 70 projects. This restructuring delivered planned profits with 30-35 percent less capital investment than originally budgeted, resulting in significant improvement to the bottom line. Rolling forecasts, which provide ongoing, dynamic, and shorter-term targets, produced timely, relevant decisions support information.

Select qualifications

Budgeting and forecasting diagnostic and roadmap—US commercial bank

Issues	Constrained by a highly decentralized finance function with manually intensive budgeting and forecasting processes, the client sought greater speed and accuracy and reduced cycle times. Given the potential size of the transformation, the client requested that PwC perform a rapid assessment to diagnose the root causes for inefficiency and develop recommendations and a preliminary roadmap.
Approach	PwC designed an online survey to identify and diagnose the key pain points and their root causes within the current processes. The survey results, based on confidential responses from the top 35 finance executives, enabled PwC to develop a roadmap that stakeholders then confirmed and refined. The end-to-end diagnostic and roadmap development process was completed in three weeks.
Benefits	The upfront assessment fostered the appropriate level of engagement across the various finance stakeholders. Moreover, it confirmed many of the underlying issues with the planning processes and uncovered additional issues that needed to be addressed as part of the solution. For example, the survey highlighted previously unarticulated concerns, citing an overreliance on historical data for formulating projections and inconsistent performance measure definitions across the lines of business and corporate.

Select qualifications

Planning system implementation—large US multi-line insurance provider

Issues	The client's legacy budgeting and forecasting maintenance processes were time consuming, decentralized to field users, and, hence, highly duplicative. As a result, more time was spent on system and data management than on analysis. The client, eight months into the implementation of a new system that had failed on a previous "go live" attempt, engaged PwC to assume project management for the implementation of its new budgeting and forecasting system.
Approach	PwC helped the client perform a rapid assessment of the root causes for the delays and prior "go live" failure. The main areas that needed to be addressed were: ▪ Lack of focus on the project's critical path ▪ Under-investment in testing and training ▪ Lack of discipline with regard to scope PwC leveraged the existing team and structure, while reallocating resources where appropriate. Additional project governance processes were implemented to maintain control over scope.
Benefits	Once the system was implemented, the average analyst was able to spend 25 percent more time performing analysis as opposed to maintenance.

Select qualifications

Corporate performance management assessment and roadmap—large US multi-line insurer

Issues	The client's corporate performance management reporting system relied on non-standard, overly complex processes and suffered from a lack of data and system integration. Specific challenges included: ▪ Low user adoption of corporate-supported reporting tools, resulting in non-standard planning and budgeting processes across business units and corporate ▪ Multiple data repositories for development of management reporting and lack of integration of expense management data ▪ Overly complex, multi-step allocation process with little understanding within the business units
Approach	PwC's finance function rapid assessment methodology and Corporate Performance Management toolkit enabled PwC and the client to complete the following within a nine-week period: ▪ Conduct more than 35 interviews across corporate, the business units, and the technology team ▪ Develop process maps where appropriate ▪ Identify the root causes of issues, including that low user adoption rates of corporate's financial data warehouse and tools were largely due to data gaps and quality issues
Benefits	At the conclusion of the nine-week assessment, the following cost-saving recommendations were presented to the executive steering committee for inclusion in its annual plan: ▪ Simplified methodology for shared service cost allocations ▪ Additional data sources for finance data warehouse acquisition ▪ Legacy reporting environments for retirement ▪ Integration of expense management analysis and reporting environment with finance data warehouse ▪ Retirement of corporate planning system and business unit process integration

Select qualifications

Corporate performance management implementation—large US financial guaranty corporation

Issues	PwC was engaged to help the client improve its budgeting and planning processes and applications, and increase visibility into customer and channel profitability.
Approach	A PwC finance effectiveness team completed a series of interviews with key executives to gain an understanding of the functional and informational requirements to support the analytical reporting and planning needs. Using leading practices, PwC worked with the client to develop new budgeting and reporting models to improve the information flow and timeline. Next, proof-of-concept sessions were held with a leading corporate performance vendor to validate the new processes and models. Once the proof of concept was complete, PwC helped the client manage a rapid design and rollout of the new processes and applications.
Benefits	A new planning and corporate performance management process and system were deployed, providing key information and metrics on a more timely basis. Forecast accuracy was increased, and the overall budget timeline and level of effort were significantly reduced.

Select qualifications

Management information rapid implementation—division of leading global insurance broker

Issues	Hampered by management information that suffered from significant shortfalls in timeliness and relevance, the client's new CEO and business leadership team urgently needed decision support information that would provide transparency into the division's key business drivers.
Approach	PwC helped the client frame the problem and identify two workstreams: 1) Prioritization of key performance indicators (KPIs): Assessment of proposed KPIs, promoting correct alignment with the business strategy and key value drivers 2) Management information design: Development of a business dashboard that monitors KPIs and alerts management to areas requiring remedial action
Benefits	The new management information data stream has helped the business become more customer focused and deliberate in its targeting strategy. It has reduced the time spent analyzing historical data, allowing management to focus on forward-looking activities. As a result, the business now embodies the continuous improvement mindset, reviewing industry leading practices and further streamlining its management processes on an ongoing basis.

Select qualifications

Rolling forecast design and implementation—major European investment bank

Issues	The client struggled with a laborious budget process that produced outdated results, as it required a five-month turnaround time for key stakeholders to reach consensus on internal targets. In addition, the volatility of some trading activities was not easily incorporated into the budgeting and monitoring process. Seeking to address the issues by developing a better understanding of industry leading practices related to rolling forecasts, the client commissioned PwC to conduct a survey and design a target model.
Approach	PwC conducted a survey of rolling forecast current practices with a focus on the financial services industry and investment banking. The survey, which was made available online, included telephone interviews and select face-to-face meetings. PwC also helped the client redesign forecast and budget processes, including a tailored rolling forecast that incorporated lessons learned from the survey, PwC's Global Best Practices® knowledge, and the client's vision.
Benefits	The survey demonstrated that there is no "one-size-fits-all" rolling forecast methodology. The results of the study and the subsequent design work were critical in obtaining management buy-in for the need to improve and rationalize the budget process. The CFO, corporate management, and business unit heads began to meet and discuss the numbers on a regular basis, which was a significant post-implementation benefit. These discussions have led to "back testing which enhances the approach and improves the quality of the information. The process has also resulted in greater connectivity between strategy and its operational implementation.

Select qualifications

Forecasting and reporting process improvement—global private equity firm

Issues	Due diligence performed prior to a private equity firm's acquisition of a private transportation and logistics company identified weaknesses in the target company's financial reporting structure and IT systems. As a result, the private equity firm questioned the quality of the forecasts and reported results produced post-acquisition by the acquired company.
Approach	The private equity firm engaged PwC to develop a prioritized 100-day plan that included assistance with improving the portfolio company's forecasting, close, consolidation, and reporting cycle. PwC focused significantly on management reporting and standardization of the underlying chart of accounts to support consolidated business-unit requirements. Actionable recommendations were developed to streamline the close process, redesign forecasting and budgeting processes, and align metric reporting and key performance indicators. Business and reporting requirements were defined within a standardized chart of accounts that prioritized financial and non-financial information to be consolidated from the business units. Technology platforms and corporate performance management solutions were evaluated on their ability to meet the defined business requirements.
Benefits	The portfolio company's month-end financial close and consolidation processes were improved significantly. While it previously took more than 25 days to close the books and complete the month-end reporting packages, the cycle time was cut to less than 12 days—a reduction of more than 50 percent—while monthly forecast updates became more accurate and efficient. Furthermore, with the right technology in place, the company is better able to meet the private equity firm's analysis and reporting requirements.

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