

PLANNING CHALLENGES WITHIN THE ORGANISATION

Forward planning and budgeting cycles are terms that cause many executives a fair degree of anxiety at certain stages of the year. They are faced with answering difficult questions in order to enable drivers for future growth. Distilling the link from high-level issues (“What is happening in my business?”, “Why is it happening?,” “How do I fix it?”...) to more tangible / operational issues adds further complication. However, at their core, these problems all stem from the need to be able to manage more accurately and to plan more precisely.

There are many methods and tools available to assist in panning. However, when constructing a forward-looking strategy, there are certain methods that offer invaluable insights when compared to others:

- Bottom-up budgets
- Value driver trees
- Time-series analyses
- Spend migration management
- Competitor gap analysis
- Customer segmentation

These techniques are powerful elements in understanding and contextualising the prevalent problems encountered by your business. They form the basis of a thorough and well laid out plan.

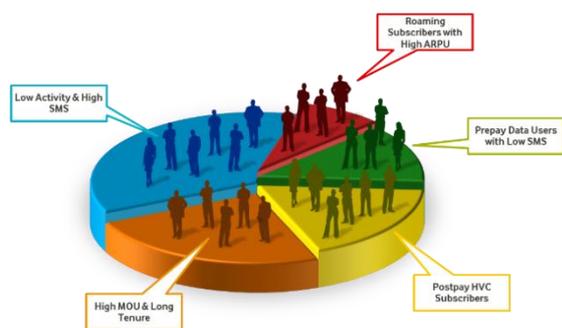


Figure 1 | Customer Segmentation

HOW THESE CHALLENGES TRANSPIRE WITHIN YOUR BUSINESS

Below, a typical budget planning process is assessed. The shortfalls of these processes are highlighted, in order to better appreciate the need for improved planning:

- Conventionally, a business begins the planning phase for the year by being given either a budget, a strategy or shareholders’ expectation.
- Management will typically attempt to put plans in place that aim to reach those targets, without a holistic view on whether the combined effect of all the plans will reach the targets. In many instances, this is successful, but more often than not, there tends to be a substantial gap between business expectation and what a business can actually achieve.
- By this stage, teams are now solely focused on their own plans and their own targets, at a micro level.
- Management and executives start comparing what has been achieved and what the variation to budget is. This gap analysis is usually assessed too late in the year to be able to change core business strategies, and is often a result of not fully understanding the fundamental issues driving the bottom line.
- Reactive corrective actions are put into place, but such plans are rarely sufficient in bridging the growing gap between expectation and reality.
- This creates unnecessary pressure nearing the end of the financial year. Instead of focussing on the next year, companies are now still focussing on the current year.

Having reached the end of the year, contingencies are the name of the game, but the bottom line is that targets have not been met, and business expectations have been compromised.

Because this is typically the way the majority of organisations run through their revenue planning cycles, there is stickiness in altering the way we think about revenue planning.

A more streamlined approach would require:

- **revenue diagnostics**, to understand the drivers of your business and current fundamental problems within the business,
- **forecasting**, to understand the most likely direction your business is heading towards,
- **gap analysis**, to understand what will be needed to address these issues to meet expectations.

This method, prior to target-setting, allows for business expectations to be aligned with what is tangibly achievable. Following from this, new strategies and actions can be implemented to add additional value to the business that will assist in meeting business expectations.



Figure 2 | Gap Analysis

The team at Business Science Corporation (BSC) understands these shortfalls of current planning methods. Smart Planning is a new method that aims to optimise this process in order to create an environment that is:

- Efficient
- Proactive
- Innovative
- Robust

GAPS IN CURRENT SOLUTIONS

The level of sophistication in the majority of modern businesses is limited to one-dimensional tools such as Excel or off-the-shelf generic solutions, which often require further bespoke development to meet organisational requirements.

These tools rely heavily on manual intervention, which is often time-consuming. Furthermore, data is often located in disparate sources, making maintainability difficult. These factors make such tools:

- Cumbersome
- With little scalability
- Reduced reliability
- Poor robustness

Such solutions are inadequate in truly understanding the fundamental drivers of revenues. This limits the ability for management to implement new strategies and plan effectively, given a competitive and evolving market environment.

A BETTER WAY TO PLAN

There are a host of techniques that can be leveraged to address shortfalls in revenue management and planning. BSC uses these techniques to better understand at which critical points in the planning cycle intervention is needed in order to change from a reactive approach to a proactive one. One such technique is the “value driver” approach. This technique involves the decomposition of an organisation’s revenues into base level drivers, in order to understand the underlying dynamics that affect bottom line revenues. This approach assists in recognising key trends and patterns which would typically remain undetected.

These insights are critical in identifying the real impact of subscriber migrations, new product launches, competitor activities, thus allowing the business to quantify the revenue impact of these factors.

HOW SMART PLANNER DOES THIS BETTER

The “value driver” approach underpins our revenue planning solution. Essentially, this falls within the realm of revenue diagnostics, which is to assess an historic base of driver-level information to identify the key reasons as to why revenues changed across periods. These

Smart Planner is a tool designed for key decision makers to fundamentally improve their business.

The basis of this tool is to enable businesses to understand the past, plan for the future, and to implement corrective actions to meet targets. In so doing, the budgeting process can be re-aligned with what the business can realistically achieve based on the bottom-up forecast as well as the identified corrective actions.

Smart Planner creates a platform for executives to set attainable targets for specific individuals, whereby each individual’s



Figure 3 | Typical Value Driver Tree

base drivers add dimensionality which significantly improves forecasting, and can highlight seemingly immaterial current trends which have the potential to become problematic in the future.

Taking into account all of these dynamics, BSC has developed a comprehensive solution which encompasses the aforementioned techniques and methodologies to overcome the noted challenges, in the form of *BSC Smart Planner*.

contribution can be measured in isolation - further aligning expectations by creating tangible accountability of individuals to management.

A key differentiating factor of this solution is its ability to retrospectively measure the success or shortfall of each defined action item within the business and attribute this to a specific department / team / manager. This is achieved through Variance Analysis, which is a

statistical technique that has the ability to isolate which targets were not met and what the quantifiable shortfall was.

In doing so, we can construct a detailed gap analysis on actual revenues, budgeted revenues and forecasted revenues to track overall business performance.

HOW DOES SMART PLANNER WORK?

Smart Planner was designed to unpack and articulate complex problems by leveraging its sophisticated modelling engine and statistical capabilities.

Decision makers will be provided with a series of interactive dashboards which can be used to measure and track individual or business performance. This will direct focus towards underperformance and justify suitable measures of accountability, whilst providing credit and incentive to strong performers.

The entire platform is driven by the following key components to underpin the planning process:

- Revenue Diagnostics
- Forecasting
- Corrective Action Planning
- Accountability
- Performance Management

These key areas of focus are what allows your business to be proactive in planning, to understand the impact of actions and their compounded effect and how these actions can be measured and tracked to drive tangible growth and ultimately meet business expectations, year on year.

All functionality and outputs discussed herein are created within this platform, but are also

available within a customisable and secure online environment.

ABOUT BSC

BSC is a leading analytics and modelling services company, with a 14-year track record in the mobile, media and financial services arena. We leverage leading analytical and modelling expertise to increase client revenues with deliberate precision and stake our name on delivering tangible results.

We provide you with:

- A better understanding of your business, using Big Data analytics, business diagnostics, customer segmentation & market research.
- Accurate and deliberate planning models through forecasting, scenario planning, budget planning & impact analysis.
- Execution support and capabilities through campaign management, optimisation & performance management solutions.

BSC, with *Smart Planner*, has the ability to tackle the challenges that every business faces by providing a holistic view of what has happened, what is likely to happen, and how the business can achieve its targets.

Managing your business in this manner will make it easy for any executive or manager to track progress, targets, and ultimately performance – down to a tangible revenue figure – creating accountability, scalability and a robust planning process within your business.

For more information on Smart Planner and how BSC can help your business, please contact Tony Savides at tsavides@BSCglobal.com