

Agile Planning: Weathering the storm



Plan for the unexpected

The COVID-19 pandemic may be exceptional, but it demonstrates yet again **the need for organizations to be agile in their financial and operational planning**. In many industries, rapid market changes, evolving customer behavior and significant advancement in technology have necessitated companies to seek new ways of responding quicker and more decisively to these challenging external pressures. It is challenging enough for organizations to determine the precise activities for achieving strategic organizational objectives, let alone **determining appropriate remedial action when an organization deviates**. If COVID-19 teaches us anything, it is to plan for the unexpected.

Coherent with the increased need for organizations to prepare for the future, KPMG proposes a business transformation into a **driver-based, integrated organization, oriented towards the future**. We firmly believe that this holistic approach will empower organizations in their decision making and help put management back in the driver's seat. **Especially in the new reality, where business predictions may change each week**. We will help 'steer' your business away from the traditional, static and time consuming planning function and move to one that focuses on **business partnering, integrated across the organization**, dynamic 'what-if' scenario analyses where siloed decision making is prevented and where goal congruence is achieved.

By the means of the following three principles, we will clarify how you can regain control of your organization and make your business future proof:

Driving forward looking analysis

Rolling Forecasts on Leading Indicators

What-If and Scenario Planning

General Value Driver Tree

Operations Value Chain Costing

Enabling multiple functions across group and affiliate

Group

Affiliates

Strategy

Finance

Risk

Proposition Dev

Sales & Distr.

Capital

Forward looking.

Companies are constantly looking for improved decision making in moving markets. Nowadays, organizations aim to go **beyond foundational reporting**, allowing business leaders to identify actions, and adjust strategies, plans and forecasts.

We see the **urge to explore and utilize forward looking capabilities** – such as rolling forecasts and scenario planning – to complement other financial applications (e.g. budgeting). It will not guarantee 100% accurate forecasts, **but it will provide a steer for you to point your organization in the right direction again.** You can use forward looking instruments to generate clear insights into future performance and how your organization may or may not deviate from your strategic or/and operational plan, acting as a true business partner.

Driver based.

The driver-based methodology **aligns activities with an organization's performance (i.e. P&L, B/S, C/F)**; it makes insights actionable. With a driver-based organization the relationship between costs, resources, activities and performance becomes transparent, and the cost- and value drivers are made explicit. Thus, the identified drivers can be used by an organization as 'the buttons to push' when deemed necessary.

A driver-based model paves the road for enhanced and more efficient forward looking capabilities – for performance analytics, enabling scenario planning to uncover the impact of drivers on future performance. The key to a driver-based organization is to **involve business managers in the continuous recalibration of drivers**; they will ultimately be responsible for the forecasting of their drivers.

Integrated.

By putting in place an integrated framework across the enterprise that **aligns the benefits of the entire organization** rather than that for the department itself. This enables management to regain ability to steer the organization in a collective strategic direction.

Simultaneously, adopting the integrated framework enables organizations to optimally **collaborate and address critical, cross-functional business decisions** across product lifecycles. This increases the business's involvement and the agility from which drivers can be identified and updated. In turn, this rewards management with **more time for analysis and business understanding**, giving the opportunity for more quick and accurate reforecasting and timely strategic target remediation

How do we enable your future, agile planning?

"Think big, start small" is a good example of how adapting agile planning into your organization should be approached. The importance lies in the small iterative steps you take in the process towards thinking big for your organization:



We can start with assessing the critical and essential KPIs (e.g. revenue and/or working capital related KPIs) of each business function and integrating them into the agile planning model. This way, business critical processes are harmonized and enhanced in a cost efficient manner while general business improvements are achieved.



Once the essential KPIs are included and harmonized across the enterprise, the scoping of KPIs can be enlarged. By elaborating the model with more KPIs, business insights and financial planning can be further enhanced and future performance can be optimized.

This is what the future looks like

KPMG cannot take away the external pressures faced by your company in the market. But we can help your organization prepare itself effectively for new market developments. By being able to react more agile with the ability to steer the business in the right direction, using appropriate drivers with the most significant effect for the entire organization.

Many organizations may have felt they were not mature enough to begin this type of transformation, but COVID-19 has changed everything. Many are realizing that they need to adjust to the new reality, even if it is a leap from where they are today. Look for the opportunities to begin your agile transformations around data, technology, and skill sets. **Let the agile driver-based model prepare your business for the future and beyond.**

Feeling inspired, have questions or would like to know more about agile planning? Do not hesitate to contact one of our experts:

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