



The new reality for business planning and analysis

**It's not just COVID-19. Disruptions
can happen anytime.**

**Can your team keep up with today's
pace of change?**

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2020 changed everything

Business planning and analysis (BP&A) teams endeavor to forecast the future so their organizations can better anticipate business needs. But this year, COVID-19 was the unexpected event that turned everyone's predictions on their head.

For many companies, the initial shock period following the outbreak has passed, and a recent KPMG survey of finance and business leaders found that half of the respondents said their organization's response to the virus has reached the recovery phase.¹

But even as organizations move from recovery to the new reality, the local and global business challenges arising from COVID-19 will remain, at least for the foreseeable future. At the same time, the COVID-19-related disruptions have also heightened an already existing need for BP&A teams to become more agile to respond appropriately in periods of uncertainty.

Unexpected disruptions upset the BP&A process of envisioning scenarios for the future. Nevertheless, BP&A must still be able to deliver real-time business insights quickly and in a way that enables business leaders to make sound decisions. In this sense, BP&A represents a shift away from solely the finance function – that is, traditional financial planning and analysis – to one that focuses on business partnering and planning for the entire enterprise.

The BP&A imperative is to provide value and identify paths to take forward, even in the wake of large, unforeseen disruptions, such as a global health crisis. To ensure success, BP&A teams should focus on five key areas: mastering rapid strategic modeling; shifting to driver-based, continuous forecasting; becoming a value creator through data-driven decisions; incorporating the latest technology and innovation; and enhancing existing skill sets and accruing new ones.

1

Mastering rapid strategic modeling

BP&A has the opportunity to drive business strategies and improve performance quickly through scenario planning and rapid modeling.

But to achieve that goal, BP&A teams need to move beyond historical and internal data they've relied on in the past and instead look at the external factors that have correlations with their business today. It also means incorporating short-term predictive models, rooted in machine learning and artificial intelligence, that are needed to guide the organization.

Rapid strategic modeling can help assess the impact of unexpected external events and business model shifts while providing what-if scenarios. For example, during the first weeks of the COVID-19 lockdowns, grocery suppliers needed to reassess people's food-buying behaviors. Would people continue to stock up on their staple items? Or would people's fears subside and would they return to more normal purchasing patterns? What about if the lockdowns were to continue for months? The answers would dictate the suppliers' production levels.

To be effective, strategic modeling needs to be palatable and address specific use cases at a time. Although the benefits are enterprise-wide, rapid financial modeling can provide:

- short-term financial models (weekly/monthly timeframe);
- quick scenario / what-if analysis;
- key metrics and reports;
- a foundation for strategic capability.

Taking a new approach to supply chain modeling



A global food manufacturing company was grappling with COVID-19-related changes in buying behaviors, given their portfolio includes both retail and food service. Because they had already started investing in data and analytics pre-COVID-19, they were able to quickly model the impacts of 'pantry loading' and fewer restaurant-goers on their business and start looking for viable next steps.

¹ Aggregate of 544 finance and business leaders' responses to a polling question collected during KPMG LLP's webcast, *New reality planning: Can your forecast keep up?* (July 2020).

2

From budget cycle to continuous forecasting

It has never been more critical to identify business drivers for your organization, and have the changes in those drivers prompt organizations to update their forecasts.

BP&A has typically focused on the annual budget process to predict what the coming year would bring, as well as a shift toward creating rolling forecasts. Moving forward, any significant event or disruption should trigger a planning process – either ad hoc or a continuous process in which BP&A is regularly modifying forecasts based on any event that could make a company's business drivers change. COVID-19 was an extreme example of such an event. But other changes, such as new regulations or policy modifications, are also events that ought to begin a reevaluation.

As BP&A teams work to implement continuous forecasting, they should keep the following in mind:

- Forecast or the annual budget should no longer be a formal event.
- Continuous forecasting is based on changes in business drivers and internal or external signals.
- Market dynamics trigger business drivers, which prompt scenario planning and forecast refreshes.
- Higher-level planning and rolling forecasts provide the foundation to enable continuous forecasting.

Driver-based planning in action

By implementing driver-based planning, the finance organization of a global consumer products company was able to more effectively collaborate with cross-functional partners and increase visibility into the operational drivers and key assumptions used in business forecasting.



3

BP&A as a value creator

The BP&A of the future should be customer-centric, focused on creating value. The goal is to position finance as the new leader to drive business value throughout the entire enterprise. A critical component of creating value is integrating the enterprise. BP&A can lead this effort through enterprise planning – bringing together sales, marketing, and operations plans on the basis of a common dataset.

To do so, BP&A will need to engage business partners, plan for the enterprise, build finance solutions, and deliver centralized services across business models. In a KPMG survey, about one-third of respondents said that their organizations still spend too much time data gathering and not enough time on insights and analytics.² But with the right technologies, BP&A can focus on analytics as well as encourage its teams to think more about innovation, new business models, new projects, and new customer relationships. With this approach, greater emphasis can be put on looking to the future, helping the business grow, and modeling multiple scenarios, rather than explaining the reasons for past events.

² Aggregate of 510 finance and business leaders' responses to a polling question collected during KPMG LLP's webcast, *New reality planning: Can your forecast keep up?* (July 2020).

4

Adopting leading technologies for BP&A

BP&A teams need to embrace more advanced and sophisticated technology. This technology can enhance and accelerate their day-to-day operations, more accurately create forecasts in the face of today's market uncertainties, and provide a more effective means of conveying that information to the organization's leaders.

In particular, BP&A teams should become more facile with advanced predictive analytics that can better anticipate changing business drivers, like consumer preferences, which are being greatly influenced by the increasing prevalence of digital platforms for doing business. At the same time, they need to increase their use of innovative technologies that can make financial data more palatable to non-finance professionals.

There is a broad suite of technologies and platforms that are relevant for BP&A – ones that can enable dynamic planning and analytics across their organization:

- **Data storage and ingestion:** for data retrieval; extract, transform, and load (ETL); and unstructured data processing
- **Cloud:** to enable mobile applications, data integration and availability, and reduce IT spend
- **Predictive analytics:** including artificial intelligence and machine learning to identify trends and drivers based on organizational objectives and provide greater insight at a reduced cost
- **Digital labor:** for enhanced automation, reduced IT programming costs, and process efficiencies
- **Data visualization technologies:** to help move away from spreadsheets and toward adopting applications that can present data in ways that are more dynamic and user-friendly

Tech that fits

When it comes to technology, there's no one size fits all. The technology landscape at one of our telecommunications clients is exclusively from a large provider, whereas at another media company, it consists of a combination of vendors. The key is to enable your BP&A team through an optimal mix of technology that best supports its needs.



5

Enhancing and increasing BP&A skills

As BP&A transforms its function within the organization, its professionals will need to be more strategic and solutions-oriented. Hence, they will need to enhance their existing capabilities and acquire a wider spectrum of more advanced skill sets.

BP&A teams will need to include people who are comfortable with new technologies; professionals who can think critically about the type of data the organization should be looking at; experts who can use the technology to analyze the data; and specialists who can critically understand the correlation between the data and its impact on the business. That includes data scientists who can apply machine learning and artificial intelligence, and upskilling existing BP&A professionals to be technologists, solutionists, and process engineers.

At the same time, BP&A teams will need people with heightened business acumen who can contextualize data, produce meaningful insights, and effectively communicate their analysis to the rest of the organization. Having the right mix of business, technology, and data savvy is the key to being a successful business partner.



Final thoughts

Many organizations may have felt they weren't mature enough to begin this kind of transformation. But COVID-19 changed everything. Now, many are realizing that they need to get into the game, even if it's a leap from where they are today.

Where to begin? Consider these questions:

- How does your BP&A team fit within the finance function? The overall enterprise?
- Do you have the capability to create scenarios and model what-ifs rapidly?
- Are you exploiting data effectively? Have you enabled a robust technology suite for your organization?
- How is your BP&A function partnering and driving value across the enterprise?
- Is your organization ready to adopt the future of BP&A?

Based on the answers to these questions, create a vision of what your BP&A organization should look like and be responsible for. Look for the opportunities to begin your transformations around data, technology, and skill sets. Let this be the starting point for your roadmap for the future.

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