

# TRIDANT

Finance eGuide

## 6 critical steps to a rolling forecast

Accelerating the Monthly Finance Cycle



## Business is not as usual and will not be for some time.

Most organisations are experiencing deep financial stress.  
Management's decision-making ability is degrading.  
Stakeholder demands are changing.

With ongoing economic turbulence, a fundamental shift in how organisations approach the budgeting process is required. The traditional annual budget, that one-year forecast of revenue, expenses, net income and cash flow, will not address the significant business challenges that need to be addressed in real-time.

Enable your finance and accounting teams to identify gaps and drive improvements month-to-month and quarter-to-quarter, quickly.

How do you move to a dynamic planning approach that enables your business to quickly serve emerging priorities and immediate economic objectives in the short-term?



# Your business resilience, now

When the immediate future is unknown, businesses can deploy key initiatives to help guide them through changing market conditions. The key is to respond quickly.

By now, many businesses have identified a core list of short-term uncertainties and continue to invest significant resources to prioritise these based on the likely impact it will have on business, clients, and competitors. Part of the risk is that this list will grow rapidly, with differing opinions on importance, size and timing of its impact, how to respond, and when.

Due to shifting conditions and uncertainty, at least this year, the value of an annual budget is in question. Besides being a time-consuming and costly internal process, the static approach of an annual budget has inherent limitations and needs to be replaced with a dynamic planning environment for timely perspective and flexibility in planning.

As a priority, transition to a Rolling Forecast capable of modelling scenarios, to empower your organisation to navigate short-term uncertainty with greater confidence, to deliver better business results.

This eGuide covers the key steps to transition to rolling forecasting, to enable finance professionals to optimise the routine monthly processes required to improve business performance.

A rolling forecast empowers organisations to continuously plan, or forecast, over a pre-determined period. For example, if your company creates an annual plan, a rolling forecast will re-forecast the next twelve months, every month.

When designed and implemented appropriately, a rolling forecast is a critical operational and financial management tool that empowers businesses to quickly adjust their actions in the short-term, re-allocate limited resources and respond proactively to address emerging trends.

# Respond quickly with rolling forecasts

Financial Modelling, in the form of a Rolling Forecast, is one of the critical tools available to improve short-term decision making while measuring and monitoring outcomes against strategic direction.

The 6 steps to adopting a rolling forecast approach:



# 1. Accept it, Excel is not a planning system

Data collation, rapid scenarios and evidence-based decisions are non-negotiable critical capabilities. These are next to impossible to achieve with personal productivity tools such as spreadsheets and Excel, which are siloed solutions prone to error and manipulation.

Large volumes of data, specifically data to support driver-based modelling and comparative segmentation (see points 4 and 5 below) need to be refreshed reliably, and frequently. With restricted headcount resources, repeated manual data preparation, in order to review and update a forecast, is no longer sufficient or effective use of time.



**Rolling forecast data must be presented in an automated process with rich analysis capability, to activate quick informed decision-making to capitalise on emerging trends to drive better business results.**

For example, awareness of slowing demand for product or services in a part of your business can help you proactively model and prioritise actions in sales, marketing, supply chain or short-term direct cost reduction strategies such as labour or materials.

Planning tools are required for operational efficiencies, more effective use of data and reliable connectivity between stakeholders. No more spreadsheets.



## 2. Separate targets and KPIs

Finance leaders need to not only ensure a company's survival but position it for the future.

Whether you're operating a government-declared essential or non-essential business, the pandemic is significantly impacting business models for most industries.

As a result, you need to seek transparency on the risks and opportunities for your business. To do so accurately, you must separate performance goals from forecasting.



The rolling forecast process needs to encourage action plans that address critical risks and opportunities. The ability to mitigate risk or capitalise on opportunities plays an important role to measure individual and group performance. Individual KPIs should not create a conflict of interest.



### 3. Determine your time horizon

Next month, next quarter or next twelve months. Unless capital investments are going to influence future revenues, do they need focus every month?



**Focus on the period that matters for your business and its strategic goals.**

With modern systems and processes we are now able to forecast the next three months different to periods beyond, allowing us to focus on key business challenges as they arise, especially operational challenges that require cross-functional involvement.

For example, imagine the ability to split revenue forecasts between blue sky (long-term), unsecured revenue (short and medium-term pipeline) and secured revenue (agreed contracts) and blending these with proven cost ratios. This additional layer of detail will raise your confidence in results, forming part of the evidence required to make proactive decisions.



## 4. Construct driver-based models

Pressure is mounting within organisation to make the right decisions, fast.

Assuming you are already organised with a modern process or system, building the bottom-up aspect of a 'typical' budget submission, or single version budget, takes on average 3-4 weeks to complete, excluding any review time. Repeating this process monthly is simply not a realistic expectation, let alone building multiple scenarios.

Leveraging leading indicators that impact your business is critical to success.



**The right drivers (for example, confirmed business won and ratios to direct cost and cash received) will enable improved analysis, evidence-based scenario modelling and alternative strategies to be developed.**

The new outcomes of this will significantly improve the presentation of options available to the leadership team and in some cases, the Board.





## 5. Formulate comparative segments

Evidence-based decision-making requires easy access to reliable data, both financial and non-financial. Like-for-like circumstances by period, geographies, product lines and client groups will help prioritise which aspects of a rolling forecast requires which level of attention.

Good data helps to validate the correlation between financial results and driver-based data feeding into the forecast process. Integration with the General Ledger alone is simply no longer good enough.

For example, having a full view of Revenue to Cash or Cost to Serve, backed by leading indicators sourced from CRM (customer data), HCM (human capital data) and key operational systems, should be non-negotiable. This data forms parts of the process required to optimise evidence-based forecasting.



**Remember! A Rolling Forecast is not a repeat of a mini Budget process. Stakeholders require guided analysis using exception reporting, advanced variance analysis and root cause lineage to identify the business sections that require priority focus.**



## 6. Build gradual participation

Adopt an attitude of continual improvement. Commence your Monthly Process Optimisation journey, in this case, Rolling Forecast processes, with roles that have visibility across key functions. Then, expand the participation gradually as the forecast processes and methods are maturing for adoption by operational management.

There are four high-level phases to achieve success:

- **Executable Roadmap:** A medium-term plan, based on business priorities to transform or optimise key business processes. For Finance, we broadly group this by Close, Consolidate, Report and Plan.
- **Design:** A holistic business process and solution design leveraging existing and potential new data and technology assets.
- **Configuration:** The gradual implementation of new processes and methods with the objective to elevate the role of people and their skills.
- **Support:** The key to secure system adoption by proactively managing change and making sure systems work efficiently and effectively as planned.



**Rapid user support is key to secure adoption. Failing this means spreadsheets will re-appear and the return on your investment will be lost.**



## Report sooner, plan more frequently

While most businesses have never been tested by a global economic shutdown, continuing to drive traditional annual budget processes disregards the significant business challenges that need to be addressed in real-time, now.



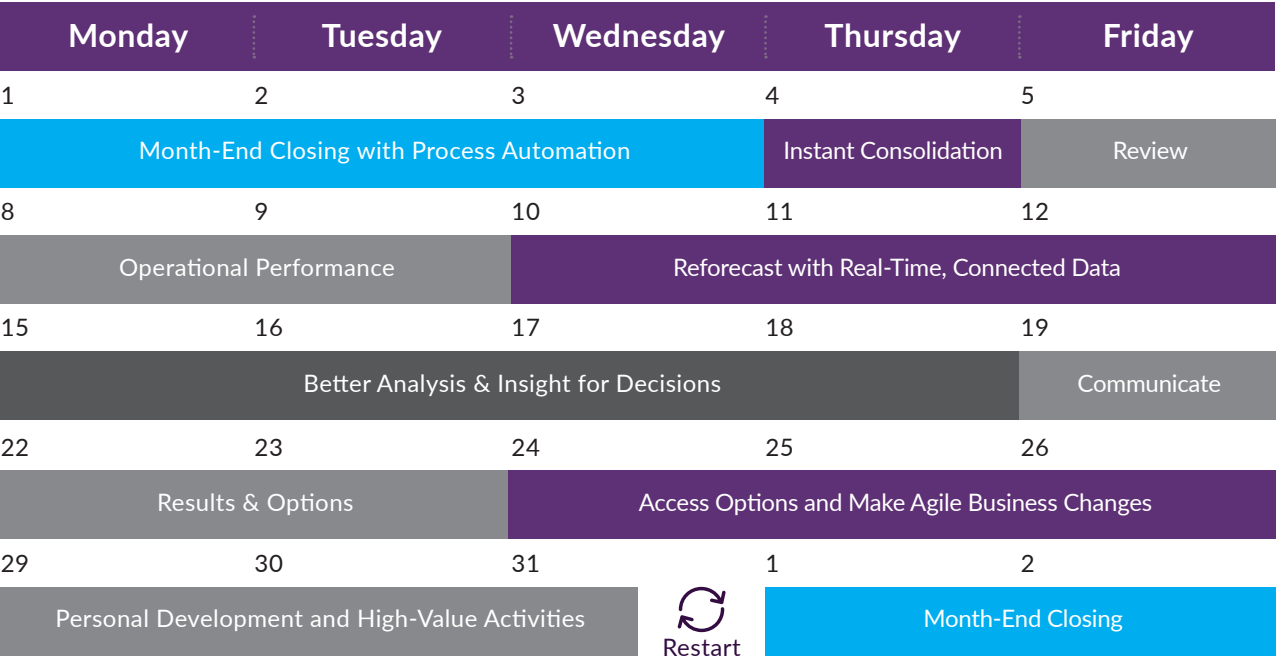
**A rolling forecast is an operational improvement, or excellence program, involving data, technology, process design and people. Do not treat the transition to rolling forecasts like a typical IT project where technology capability and the implementation thereof dominate the implementation.**

As business conditions are never static, with constant change the only certainty, this is a journey that ought to be backed by OPEX rather than CAPEX.

Systems designed for performance, flexibility and maintainability support your business when your business needs to react quickly. Recognising the planning function as an ongoing operating expense on your income statement means the system will not dictate a future outcome you wish to communicate but rather, help you respond more effectively in times of uncertainty.



# The Optimised Monthly Finance Cycle



At Tridant, we specialise in helping finance stakeholders optimise their organisation’s monthly financial cycle, enabling the strategic CFO to report sooner, and plan more frequently.

Our Corporate Performance Management practice empowers finance teams across mid-size and large enterprises to drive strategic, financial and operational excellence with analytics-enabled planning, processes and platforms to optimise the routine financial monthly processes for improved business performance.

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