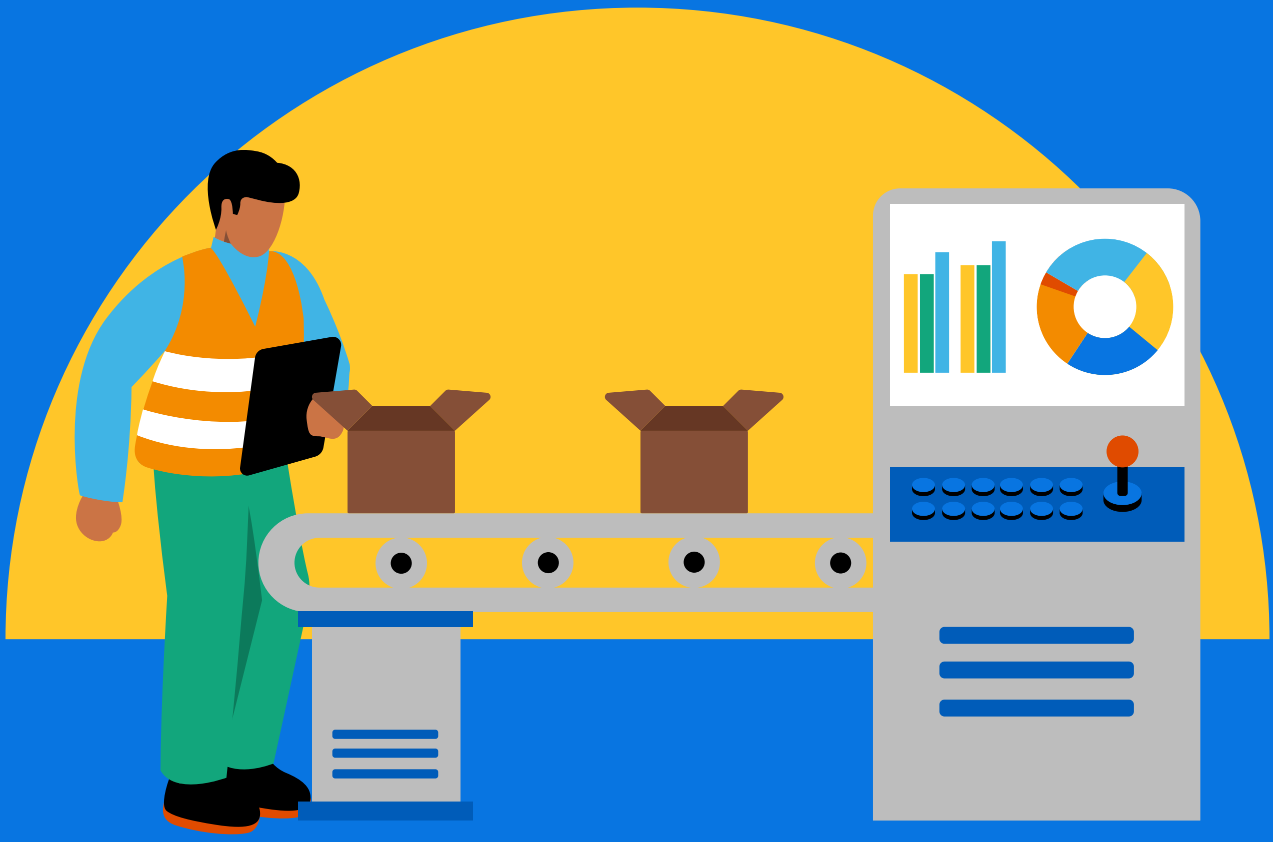
workday.

eBook

Five Forecasting

Best Practices for Manufacturers

The importance of business agility.



What's keeping you up at night? Maybe you're wondering if the revised standard cost and asset utilization assumptions at your Ohio assembly plant will be sufficient to hit the profitability targets you set. Or perhaps you're worried about getting accurate demand forecasts early enough from sales to ship parts by sea and reduce freight costs.

To thrive in an increasingly competitive and global marketplace, modern manufacturing companies like yours have to be rigorous in their planning. But it's just as important to be agile, so resources can be allocated strategically.

Yet many manufacturers today are struggling to keep up. After months of preparation and vetting, annual plans immediately become obsolete.

Running what-if scenarios to answer ad hoc questions about product profitability or reject rates is costly and time-consuming. In fact, nearly 80% of CFOs admit they've delayed major business decisions because stakeholders lacked timely access to data.

Read this eBook to learn how manufacturing organizations like yours have replaced static, annual plans with agile forecasts and to run holistic, dynamic what-if scenarios that help allocate capital where it's needed. You'll also discover how to sharpen insight, reduce risk, and operate with agility.

#1

Challenge

Enable rolling forecasts.

Say you'd like to adjust labor and direct overhead assumptions in your standard cost models to reflect your Q1 actuals. Next you need to incorporate new unit volume forecasts. What will all of this mean for your Q4 cash position? It should be easy enough, but this one "small" change triggers a waterfall of updates consuming hours, days, or even weeks—particularly if you do your planning on spreadsheets.

Spreadsheets work great for individual back-of-the-envelope analysis, but an organization relying on a web of lookups glued together with copy and paste makes forecasting time-consuming and error-prone.

Finance professionals say they take an average of 77 days to complete an annual budget and 20 more to perform a forecast, according to the Association of Finance Professionals. With a cycle that slow, it's difficult to provide a rolling view of the organization or make time for strategic analysis.

> With Workday Adaptive Planning, we are able to supply a comprehensive set of reports and dashboards that allows operational leadership to go in and understand what is driving customer performance.
>
> VP Strategy and Corporate Development,
> Creation Technologies.

Best practice

Implement a cadence that allows you to ingest actuals on an automated basis. Then easily adjust drivers in your model so you can provide an always-on rolling forecast.

77 days working up annual plan

20 days preparing forecast

Day 98 plan is obsolete

#2

Challenge

Keep everyone on the same page.

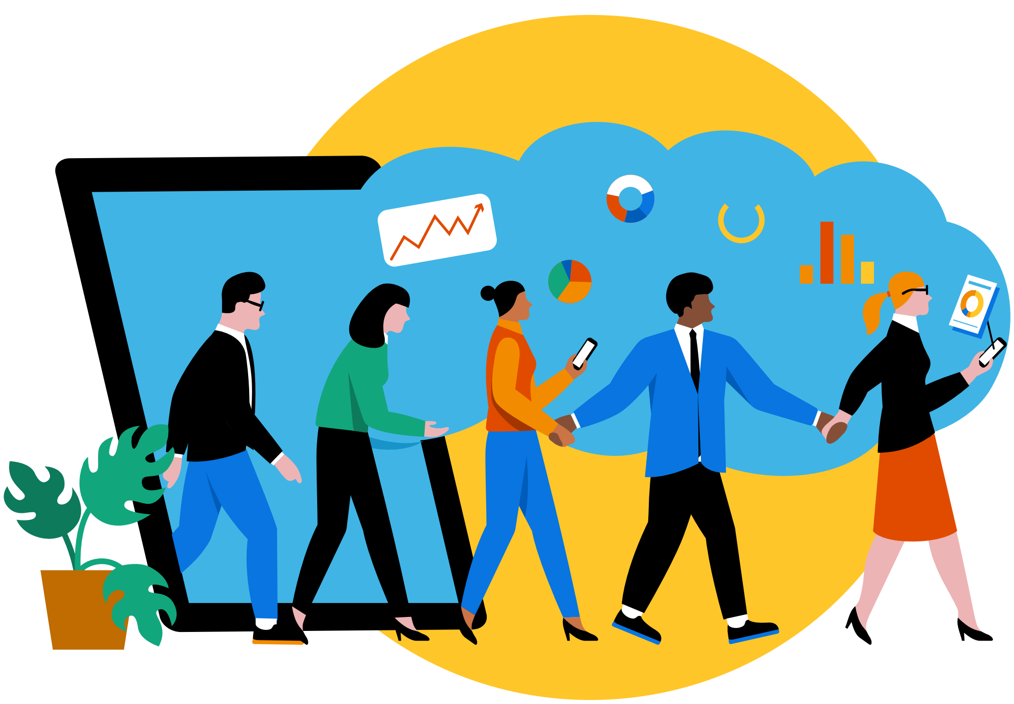
Are we all aligned on the numbers? A solid plan requires a comprehensive model to ensure that everyone is on the same page and has access to the latest data.

And with data coming from multiple sources—production, inventory, and expenses from your ERP; personnel data from your HR system; and supply chain, safety incident, and QA data from other operational systems—relying on disconnected spreadsheets becomes problematic. You'll end up with decisions that are delayed or, worse yet, based on stale data.

Best practice

Toss out the spreadsheet and use a specialized tool that incorporates the latest data to drive your standard cost or inventory models. Establish a single source of truth for the entire organization—so everyone's on the same page.

> "With 25 participants in the budget process, the level of access to information, transparency, and collaboration has increased substantially. It builds confidence between stakeholders and the finance team.
>
> Finance Manager,
> Boston Scientific



#3

Challenge

Model multiple what-if scenarios concurrently.

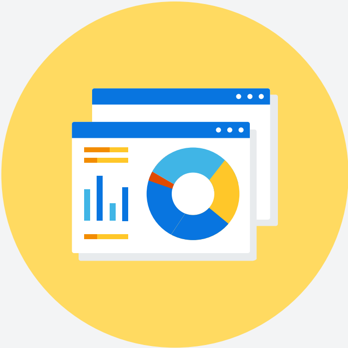
Driver-based models that span the full gamut of operational metrics such as asset utilization, cycle time, and direct and indirect costs enable organizations to run the holistic what-if scenarios necessary to support critical capital allocation decisions.

Models ought to be able to answer questions like, What's the cash impact on Q4 of longer production cycles? What happens if we increase or decrease plant downtime?

Businesses today need to be agile. And finance teams need the flexibility to be able to spin off multiple scenarios at a moment's notice to explore the implications of possible strategic decisions and settle on a course of action.

Best practice

With the right platform, this kind of complex planning can be fast and easy—and far more flexible than traditional spreadsheet-based planning. You'll be able to easily change assumptions and quickly see results. Then take all the time you need to analyze the implications.



> "Workday Adaptive Planning allows us to be a lot more accurate in our planning because it is so much easier to update information as needed. We now have the flexibility to immediately react to keep information relevant and up-to-date.
>
> Manager of FP&A,
> Quidel

#4

Challenge

Get business partners to own the plan.

When plans are locked up on an FP&A analyst's hard drive, plant managers have difficulty accessing the KPIs they're responsible for. This creates a lack of ownership and accountability for the results—it becomes "finance's number" instead of their own.

Critical KPI data—loss rates on the plant floor, number of customer complaints, and more—needs to be in the hands of decision-makers. Getting answers to ad hoc questions shouldn't be a multi-day, one-off exercise for an FP&A analyst.

> "I don't know what we'd do without Workday Adaptive Planning. It is in the middle of everything we do.
>
> SVP Finance & Treasury,
> Jackson Family Wines

Best practice

Empower stakeholders with real-time, self-service access to the data they need, and the plan will become theirs. A dashboard allows plant managers outside finance to easily review KPIs and see the impact of their decisions without having to put requests into finance.

#5

Challenge

Integrate top-down with bottom-up models and assumptions.

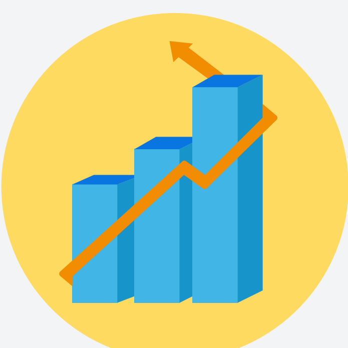
Guidance from trustees and administrators typically starts with top-down metrics—production targets, growth rates, margin goals, and more. But building an operational plan that you can actually execute against requires detailed ground-up assumptions.

So when it comes to building a model, the FP&A team is left with a choice: Should we start from a growth rate and make margin and ratio assumptions (top-down)? Or with a detailed personnel roster and SKU-level costs (bottom-up)?

Picking one leaves you with a plan reflecting only half the business. And doing both in spreadsheets is tough because the two models remain disconnected, leaving you with a manual goal seek or copy and paste exercise to make sure everything syncs up. (And good luck with that.)

Best practice

Combine high-level, top-down growth and margin-based models with a detailed bottom-up personnel roster, depreciation schedules, and SKU pricing in a single platform. Then quickly and easily reconcile differences and identify gaps.



> We are better able to manage expenses with Workday Adaptive Planning and improve our margins. In the first year we saved $8 million, simply by fixing freight issues.

Manager FP&A,
Zagg

Your journey to agile planning starts here.

Modern cloud finance solutions like Workday Adaptive Planning allow you to:

- Gather data in real time—Invest your time in picking the right planning process that eliminates the need for manual data gathering, making you efficient enough to be able to produce rolling forecasts.
- Involve everyone in planning—Get everyone in the organization involved in the planning process by giving them access to real-time data. And let business partners 'own' their numbers.
- Utilize multiple scenario planning—Your driver-based models should be flexible enough to allow you to change multiple assumptions and immediately see the impacts across the business, so you can respond accordingly.
- Take advantage of the best of both worlds—Combine high-level top-down growth and margin-based models with detailed bottom-up personnel rosters and schedules in a single platform so you can quickly reconcile differences and identify gaps.

Learn more about how planning can transform your operations.

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

To learn more, visit https://www.adaptiveplanning.com

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