

Five Forecasting

Best Practices for Software and Technology Companies

The importance of agile planning for business.



What's keeping you up at night? Maybe you're wondering if the revised rep quota and attainment assumptions will be sufficient to hit the growth targets for the enterprise team. Or perhaps you're worried about improving retention rates and CAC in the mid-market.

To thrive in an increasingly competitive global marketplace, high-growth software and technology companies have to be rigorous in their planning. But it's just as important to be agile, so you can allocate resources strategically.

Yet many companies 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 on product profitability or channel mix is costly and time-consuming. In fact, nearly 80% of CFOs admit they've delayed major decisions because stakeholders lacked timely access to data.

Read this eBook to learn how software and technology companies like yours have replaced static, annual plans with agile forecasts, and run holistic, dynamic what-if scenarios that help them 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 update headcount and ARR under contract models to reflect your Q1 actuals. Next you need to incorporate revised pipeline forecasts from sales. What will 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 organizations 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.

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.

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With the insight gained from Workday Adaptive Planning, we really can optimize our software and serve our customers and help them fulfill their missions.

CFO, Clarabridge



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—revenue and expenses from your ERP; personnel costs from your HCM; retention and contracts from your CRM; user engagement data from 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 spreadsheets and use a specialized platform that incorporates the latest data to drive your KPI models. Establish a single source of truth for the entire organization—so everyone's on the same page.

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We've been able to quickly execute on forecasts, saving time and money. We've probably saved hundreds of thousands of dollars in manpower alone because of the individuals we would have had to hire to support our business, support our growth, and give us the functionality we have today.

Director, FP&A, Domo



#3

Challenge

Model multiple what-if scenarios concurrently.

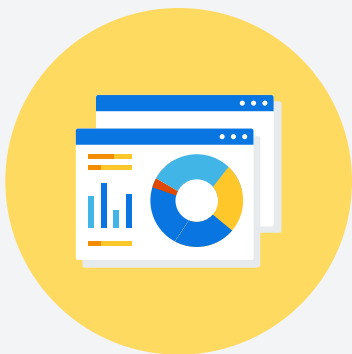
Driver-based models that span the full gamut of operational metrics such as ARR under contract, gross/net retention, and CAC enable organizations to run the holistic what-if scenarios necessary to support critical capital allocation decisions.

Models ought to be able to answer questions like, What's the cash impact on Q4 of an elongated sales cycle? What happens if we expand into EMEA?

Businesses today need to be agile. And finance teams need the flexibility 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 can also easily change assumptions and quickly see results. Then take all the time you need to analyze the implications.



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Workday Adaptive Planning offers a more efficient way to answer key business questions.

Senior Financial Analyst, Tuneln

#4

Challenge

Get business partners to own the plan.

When plans are locked up on an FP&A analyst's hard drive, business owners 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—new logos, ARR growth, retention, product attach rates, 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.

Best practice

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



With Workday Adaptive Planning we have the systems set up to capture the data we need and have it teed up so business owners can see and understand critical metrics.

Senior Director of Finance, Apptio

#5

Challenge

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

Guidance from executives and board members typically starts with top-down metrics—bookings growth, churn rates, margin goals, and more. But building an operational plan that you can 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 detailed personnel rosters, rate schedules and program costs (bottom-up)?

Picking one leaves you with a plan reflecting only half the business. Doing both in spreadsheets is tough because the two models remain disconnected, and you're left 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, sales forecasts, and depreciation schedules in a single platform. Then quickly and easily reconcile differences and identify gaps.



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During a meeting, I use Workday Adaptive Planning to change a growth percentage or number of headcount on the fly, see the results and then have a conversation about the right direction we need to take for the business.

Senior Manager, Sales Planning and Analytics,
Acquia

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 your 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.

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 adaptiveplanning.com.



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