# XLERANT

*Budgeting Brief*

## Budgeting Decision Point:
## *WHEN* IS THE RIGHT TIME TO MOVE TO A PURPOSE-BUILT BUDGETING SOLUTION – AND *WHY?*

Making the shift to dedicated budgeting software – from justification to selection to implementation and beyond.

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## INTRODUCTION

If there are two things that most organizations have in common, it is that they all have limited financial and IT resources – and they are all *trying to do more with less*, while simultaneously keeping costs down. There isn't a lot of excess cash for large software or hardware purchases.

As a result, many finance teams "make-do" year over year with their current budgeting approach, whether it be Excel, a home-grown solution, or a suboptimal module within their ERP.

At XLerant we often hear the following question, "When is it the right time to invest in a dedicated budgeting solution?" Or, "Since our current process doesn't cost anything, how do we justify the investment?"

**We believe that any time your current process is error-prone, costing you time, re-work, and manual entry and frustrating your budgeting managers (instead of engaging them), and not giving you the reporting and analysis you need, it's time for a change. But we know it takes more than a philosophy to build the case for change.**

And, because transparency is core to our mission here at XLerant, we'll add the following disclaimer. Yes, we'd love to talk to you about your budgeting process and how our solution could help make it easier. But we know our solution isn't the only option out there – so we've created this brief to help you in your search and selection process.

In this budgeting brief, we will explore the top reasons and real-world examples detailing why our customer's finance teams have made the switch to purpose-built budgeting software, how they justified that investment, along with the outcomes they have achieved.

## COMMON BUDGETING OBSTACLES

### WHAT OUR CLIENTS SAID PRIOR TO MAKING THE SWITCH:

"Our current process doesn't allow finance to easily and quickly collect data, compile the final budget, and run reports."

"There is an organization-wide lack of ownership and participation in the budgeting process."

"Budget managers are unable to record line-item data with justification for their numbers."

"We need to improve communication so that strategic plan initiatives can be more directly tied to the budget."

"We need to help budget managers better understand the budgeting process and manage expectations so that everyone is on board with the same goals for moving the organization forward."

"We have no transparency into the process."

"We get pushback because department heads don't like spreadsheets. Non-financial people are afraid of Excel and don't know what to do with it."

"There is no thought process involved. People simply enter the same number or percentage increase over last year."

## MAKING THE CASE FOR PURPOSE-BUILT BUDGETING SOFTWARE

As a member of the finance team, *you* know what your budgeting process is lacking…but getting senior leadership on board often takes some effort. In order to make a clear case for change, it is imperative to ask (and answer) the following questions:

- »» What's wrong with our current system?
- »» Excel is free. Why spend money on software?
- »» What about our ERP's budget module?
- »» How can we justify the cost of a new system?
- »» What should we look for in software selection?
- »» What should we look for in vendor selection?
- »» What benefits can we expect?

In the following pages, we will explore each of these questions in detail, including examples from organizations that have successfully made the case for change.

# EVALUATING YOUR CURRENT PROCESS

**Who knows better the importance of justifying a budget expenditure than finance executives?** To kick-start your process, here are a list of budgeting issues frequently faced by finance teams. As you go through this checklist, consider the impact on your organization in terms of time – particularly the opportunity cost of having highly trained personnel focusing on mundane tasks instead of analysis and aligning fiscal resources to strategy. And of course, accuracy in the final budget numbers – the heart of an organization's ability to execute against the strategic plan.

CHECKLIST:

☐ Inability to tie the numbers to specific objectives of the strategic plan

☐ Lack of ownership and accountability of the budget by department heads

☐ Lack of flexibility in:
   - Employing different budgeting methods (e.g., zero-based or incremental budgeting)
   - Allowing departments to budget their areas different ways depending on their needs (e.g., %increase, by headcount, line item detail, drivers)
   - Easily budgeting headcount, salary increases, benefits, and other personnel related expenses by department
   - Budgeting and tracking expenses or revenue by type, department, or time period

☐ Poor communication and collaboration across the organization and the impact on budgeting accuracy (e.g., in budgeting for strategic initiatives that cross departments)

☐ Inability to include assumptions, justification, and attachments with budget numbers and refer to them easily

☐ Inability to do inter-year forecasting or refresh the budget

☐ Inability to do detailed forecasting at the headcount or line item detail level

☐ Inability to easily interact with general ledger, personnel, and fixed asset systems

☐ Inability to create monthly budget amounts based on historical seasonality of individual accounts in individual departments with over-rides

☐ Too much re-keying data into Excel spreadsheets; too many spreadsheets to manually manage; and the probability of errors in spreadsheets

☐ No approval workflow

☐ No transparency into where everyone is in the process with numbers to date

☐ Lack of reporting and analysis to support the plan

☐ Inability to perform what-if analysis on the budget

☐ And any other issues specific to your organization:

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## THE HIDDEN COSTS OF EXCEL

*"I enjoy broken formulas, bad data, and hours lost to consolidating spreadsheets,"* …said no finance executive…EVER.



While Excel is a great tool, it is not a database. And finance teams have more important things to do than mitigate the shortfalls of Excel-based budgeting…

>>> Dozens of spreadsheets

>>> Too many easily broken formulas and links

>>> No written instructions for properly maintaining templates

>>> Impossible to know where everyone is in the process

>>> Multiple versions active at any given time

>>> Days to consolidate numbers for reporting

>>> No easy way to see justification of numbers

>>> Difficult to track historic data

>>> Budget managers are not Excel savvy

And perhaps, most importantly for your fiscal bottom line: nearly 90% of all spreadsheets contain errors.

A purpose-built budgeting solution should alleviate the pain of Excel…while engaging your employees for more accurate budgetary planning and forecasting. Look for a solution that guides non-financial budgeting managers through the process – while simultaneously providing the control, the insight and data finance managers need.

**Curt DeFriez, Controller, Western Governors University**
*"There are lots of hidden costs and hidden hours involved with Excel budgeting…and lots of risks. I don't want to lose my job over a bad spreadsheet or formula. Our new system provides more peace of mind. I can expect much greater efficiency from our resources since there is no template building and constant error checking required."*

## ERPS AREN'T FOR BUDGETING

Many ERPs include a budgeting module. And if you already own an ERP, why not use it? The problem is that ERPs are transaction-based systems with strict controls and inflexible journal-style data entry. This format does not lend itself to the intricacies of the budgeting process, nor does it meet the end-user needs of non-financial people.

Successful budgeting involves engaging non-financial department heads. And it requires flexibility and a focus on revenue and expenses at the account level, with capacity for details below the account level, and headcount data and benefits at the employee level, and the ability to choose from a library of assets. An ERP budgeting module simply cannot provide this kind of support. **Fortunately, there are software options that have the ability to integrate with ERPs to maximize the value of existing infrastructures.**

**John A. Logan College Finance Team on ERPs**
*John A. Logan's finance team was in the awkward situation of having to justify the purchase of yet another software tool to a Board who had already spent a large amount of money on an ERP with the assumption that it could easily produce an accurate budget (which, regrettably, it couldn't). Thanks to the due diligence of the VP for Business Services and Facilities, the team was able to present the Board a clear picture of the benefits of a purpose-built budgeting solution that included the promise of seamless integration with John A. Logan College's new ERP.*

*"When the final budget was done, exporting the data out of the system was very easy, and it easily imported into our ERP system,"* says **Stacy Buckingham, Dean for Financial Operations, John A. Logan College.** *"The budget officers can log in to the solution whenever they want. They can even set it aside and come back to it later. Next year, they should be able to import details from the year before and make adjustments – add things or delete things they no longer need. It leaves a good trail of information from one year to the next."*

# JUSTIFYING THE COST OF A  NEW SYSTEM

A budgeting software purchase isn't always "in the budget." But often, the time savings and reductions in data entry and formula errors alone can outweigh the cost of a new system.

**Dan Brent, CPA and Associate Vice President at William James College,** says, *"Our new system saves us so much time. The manual three-day Excel forecast process can now be done in a matter of three hours. It's a huge change from the old process."*

*"We were able to market it to senior leadership by focusing on the efficiencies and sanity for the people who would be putting the budget together – that was a huge factor in the cost-benefit,"* says **Steve Miller, Assistant Controller at San Juan College**. *"Based on the efficiencies of not missing things and all the data being in one place, as opposed to a bunch of different Excel spreadsheets, we were able to push it through to get the approvals for the cost. The solution that we ended up with, cost-wise, seemed very affordable."*

In terms of cost savings, **Steve Rich, VP of Finance at Fisher College,** felt that the software they purchased was relatively inexpensive to implement and has paid for itself by providing managers the ability to create a budget and perform easily accessible and timely financial reporting.

Specialized features that streamline manual processes can also provide cost savings. For example, **Cheryl Warner, Controller at Northwood University,** reported that she was able to cut $200k using her software's salary planning module versus their previous method of doing salaries off-line (this time without all of the Excel errors).

In addition, budgeting software that lets you account for all the variables means there won't be as many unexpected expenses. **Brad McCormick, VP for Business Services and College Facilities at John A. Logan College,** says, *"For many years we had as high as 8% of the total operating funds in contingency. With our new system, we've been able to get down to a total operating fund contingency of $190,000 with a $30 million budget, and that probably can come down a little more."*

# WHAT TO LOOK FOR DURING VENDOR SELECTION

We believe the right vendor is a partner in your success. Evaluating potential partners during the sales process can be challenging when everyone is fully engaged in getting your business. Here are some criteria to consider *before* the contract is signed:

## 1. A CUSTOMIZED IMPLEMENTATION AND TRAINING PROCESS

A good software vendor will go through a detailed process to ensure your company is a good fit prior to signing. During the sales and implementation process, your pain points need to be heard and incorporated into a solution that will work for your unique needs. Be wary of vendors who don't ask for a blueprint of your current hierarchical structure, ERP or GL details, and an outline of your current processes, including what you would like to change. This will take some work on your part, but it is well worth the effort! Throughout implementation, expect built-in checkpoints that allow you to see your new system as it progresses, prompting discussion and fine-tuning. The whole process should follow an industry-tested plan and ideally should take less than 8 weeks from start to finish (including system training), with no need for IT support. Make sure that the training covers both administrative and finance users as well as custom training for budget managers or "end-users" detailing the areas they will use. In addition, training should include a sample user guide (that you can use to support your staff), as well as on-going training for new features.

*"Our vendor was patient with us and helped guide us through identifying where our needs were. They showed us how to make the application work specifically for us. They were reassuring and struck a great balance without being pushy. And they were understanding and flexible with respect to our financial constraints. We learned that we didn't need to spend a great deal to accomplish a great deal."*
**- Jill Larsen, CFO, Baptist General Convention of Texas**

## 2. ONGOING CUSTOMER SUPPORT

Is customer support in-house or outsourced? With an internal dedicated support team, employees – not consultants – are on staff who understand your process and are experts in the software. Not only does this facilitate resolution of any challenges you may have – it ensures your organization's voice is heard by the development team for enhancement requests and product improvements. In addition, customer support should offer access to extensive online documentation covering all areas of configuration and explaining all core concepts of the system from the user perspective, and training videos. Lastly, are new support materials and learning webinars added along with new product features?

*"The training and installation went really, really well. There was no problem loading all the software, getting it up and running. And the training that [XLerant] did with me was excellent."*
**-Donna Farlow, Director of Budgeting, Union County College**

## 3. MANAGEABLE MAINTENANCE – WITHOUT IT OR EXTERNAL CONSULTING SUPPORT

A purpose-built system that is intuitive in nature should allow the finance team to easily handle all aspects of ongoing upkeep without needing to spend additional money for consulting support. In addition, your IT department shouldn't need to be on call to manage day-to-day system maintenance. IT departments want budgeting to be a database application that protects the integrity of the information, allows for easy backups, and controls security. However, IT does not have the time or the money to support a new application with hardware or personnel resources. The right cloud-based purpose-built solution will solve all of these issues, and with a low total cost of ownership.

*"Our IT department was happy about a cloud-based system and not having to devote any of its own resources."* - **Jon Ter Louw, Financial Analyst, Georgia Municipal Association**

## 4. REFERENCES FROM AN ORGANIZATION (LIKE YOURS)

We've all checked out reviews or star ratings before making a purchase online – talking to a peer who has already been through the software selection process offers valuable insight into real-world performance. And ideally – an organization that is similar in size and structure to yours. Be sure to ask about the implementation process, specific examples of issue resolution or customer support, ongoing product enhancements (and how they are rolled out), day-to-day system maintenance, how the users responded to the system, and of course – if the software is helping to build a better budget and execute against strategy.

*"XLerant is responsive to any and all questions that we had. The support was fabulous."* **Cheryl Warner, Controller, Northwood University**

## WHAT TO LOOK FOR DURING SOFTWARE SELECTION

Now that you've evaluated the vendor – what criteria should be applied to the software itself? When an organization decides to invest in software, the hope is that the benefits and cost-savings will surpass the price tag. Here are several important aspects to consider during the software vetting process, to ensure a wise purchase that will positively impact your budget.

### 1. EASE-OF-USE

Industry studies over the past five years have shown that poor user adoption is one of the main reasons why software projects fail. Ease-of-use can have a significant impact on everything from the initial implementation and adoption process to reporting capabilities and long-term sustainability. By selecting a system designed with ease-of-use and the end user in mind, adoption rates will be high, ensuring that the cost of the new solution was money well spent. We have written an informative white paper on the topic of ease-of-use, with our clients and the CEO of BPM Partners, that examines the importance of usable and accessible systems that function well for all users – the department heads completing the budget, the managers running reports and approving budgets, and the core finance team maintaining the system.

*"This is a real estate development company, so hardly anybody is in the office. The fact that they can log in from anywhere is very helpful. And when they are in the office it makes collaboration easier. Teams can spontaneously get together in a room and bring it up on the screen and just log in and get started."* - **Minden Dickson, Director of Financial Planning & Analysis, Hunt Companies**

### 2. A GUIDED APPROACH TO BUDGETING

The ultimate goal of purpose-built technology is to make a complex process simple and accessible for the end-user. Your marketing manager or director of operations were hired for their expertise in their field – not for their knowledge of financial processes. Software with a guided approach provides users with appropriate help in understandable language. A system should alert users to the consequences of their actions, such as budget impacts from a new hire or inputting dollar amounts in excess of last year's budget. The intent is to help users think critically about the numbers they are entering. In addition to walking the user step-by-step through the process, the system should allow them to easily and clearly document their reasons for each decision along the way. Ultimately you want a system that provides flexibility and transparency across a wide-range of users.

### 3. A PURPOSE-BUILT AND INTEGRATED BUDGETING, FORECASTING & REPORTING SOLUTION

Many BPM vendors offer budgeting, forecasting and management reporting solutions – but beware of the "upsell". Most vendors offer a suite of individual products that must be licensed separately. Beyond cost, full integration of the budgeting, forecasting and reporting features ensures smooth system updates and a holistic view for the finance team. And, as we've discussed in the earlier sections – spreadsheets and ERPs are great, just not for budgeting. Consider the look and feel of the budgeting software from your end-user's perspective. Does the system simply replicate Excel, but with more features for finance? Ease-of-use and a guided approach may require an interface that looks very different from Excel. However, these features are critical to ensuring your employees will be engaged in the process – ultimately delivering a more accurate final budget.

### 4. THE CAPABILITY TO BUDGET FOR STRATEGIC INITIATIVES

Strategic planning (i.e., evaluating the opportunities and challenges ahead, establishing key objectives, and engaging your organization's leadership in developing the right tactics to meet those objectives) is recognized as a critical initiative for the short- and long-term success of any business. Yet budgeting, (the critical allocation of the organization's most valuable resources) often remains a separate event – in many cases an annual "check-the-box" exercise.

Look for budgeting software that can help organizations close the loop between planning and execution by engaging budget holders in the process of connecting numbers with strategic initiatives: *"Our new software includes a section for users to indicate which area of the strategic plan is being considered within their budget requests. The fact that we've been able to really tie the strategic initiatives to the annual budgeting process has improved communication, it's improved understanding of the budgeting process, and it's helped us to manage expectations so that everybody is on board with the same goals for moving the university forward."* - **Anne Ilcus, Budget Administrator and Investment Analyst, Palm Beach Atlantic University**

It is important to note that the benefits of strategic budgeting go beyond bottom-line financials – your budgeting process can be leveraged to increase communication, engagement, ownership, and even productivity of your staff.

## THE RIGHT SOFTWARE CAN FACILITATE COLLABORATIVE, MULTI-PARTICIPANT BUDGETING

A collaborative budgeting process – one in which employees are empowered to make and be held accountable for important decisions – can be a valuable business strategy. Research shows that collaborative budgeting models are able to:

>>> Motivate employees

>>> Increase budget manager's ownership, performance and satisfaction

>>> Help organizations create more realistic, achievable budgets

But managing tens or even hundreds of budget holders does not come without its challenges (we've addressed common pitfalls in our Collaborative Budgeting eBook). The good news is, regardless of the number of budgeting participants you have, the right budgeting software can simplify the process by engaging non-financial staff with an intuitive non-Excel interface that walks them through step-by-step and allows them to document their reasons for each decision along the way – making their job (and yours) so much easier.

# THE RIGHT SOFTWARE CAN TRANSFORM YOUR BUDGETING CULTURE

Budgeting should be leveraged as a channel for communicating the corporate strategy. When each department understands its unique role in fulfilling the vision, including specific goals and objectives, and is able to communicate needs while keeping the company's mission at the forefront – "strategy" suddenly becomes an actionable, integral part of your budgeting culture. Having the right budgeting software on board can help make this possible. Here are some of the benefits:

### INFORMED DECISION MAKING

Budgetary transparency – the ability to see where everyone stands in the process – can greatly impact leadership's ability to meet strategic objectives. Budget software should allow users to include documentation to justify their numbers, demonstrating how each line item or project aligns to specific strategic objectives. This will provide valuable insight for leadership as they consider funding requests and budget cuts.

### INCREASED ACCURACY

CEOs hire individual department heads because they are the "experts" in their respective domains. Software that helps engage them in determining how they will execute against corporate objectives gives you the best possible thinking across the organization, and will greatly improve the accuracy of your final numbers.

### ENHANCED EXECUTION

When budget holders are given more control over planning and performance – including an understanding of how their work contributes to the greater good – they will gain greater ownership over their budgets. Research shows employees who feel responsible for their numbers are more accountable and productive, even if their budget ultimately is cut, and are more successful at strategic execution.

### EMPLOYEE ENGAGEMENT

In Gallup's 2013 State of the American Workforce Study, companies in the top quartile for employee engagement showed 21% higher productivity and 22% higher profitability – making engagement a significant predictor of financial success. And additional research reveals that the ownership achieved from being involved in the budgeting process actually improves engagement. Engaging employees in the budgeting process is one of the best ways to ensure your organization meets its financial *and strategic* goals. Learn more in the Employee Engagement eBook.

# QUESTIONS TO ASK DURING YOUR SOFTWARE VETTING PROCESS

Once you've made the case for change, your next job is to find the best purpose-built budgeting software for your organization's unique needs. We recommend keeping the following criteria in mind:

|  | YES | NO |
|---|---|---|
| 1. Is it an easy-to-use cloud-based solution? | ☐ | ☐ |
| 2. Does it provide users with a guided approach to budgeting? | ☐ | ☐ |
| 3. Does it support budgeting for strategic initiatives? | ☐ | ☐ |
| 4. Does it offer situational budgeting flexibility? | ☐ | ☐ |
| 5. Does it include detailed headcount, salary, and benefit planning? | ☐ | ☐ |
| 6. Does it include the ability to request assets? | ☐ | ☐ |
| 7. Does it offer built-in, easily configurable reports? | ☐ | ☐ |
| 8. Does it seamlessly integrate with your general ledger? | ☐ | ☐ |
| 9. Does it include what ifs and scenario modeling? | ☐ | ☐ |
| 10. Does it support forecasting, detailed forecasting (including headcount and line item details) and long range projections with predictive analytics? | ☐ | ☐ |
| 11. Does it offer real-time integration with Excel for quick analysis, pivot tables, and specialized reporting? | ☐ | ☐ |
| 12. Does the vendor offer an industry-tested implementation process that will get your software up and running in a matter of weeks? | ☐ | ☐ |
| 13. Does the software come with excellent references and client support? | ☐ | ☐ |

## ABOUT XLERANT

XLerant, Inc. helps organizations with 10, 20 or even 200 budgeting participants, allay the frustrations of Excel-based budgeting.  XLerant's premier product, BudgetPak, is a cloud-based budgeting solution that has received high honors for outstanding ease-of-use, ease of implementation, and customer service.

BudgetPak's user-centered design and built-in intelligence pave the way for accountability and transparency by offering the tools for flexible and reliable budgeting, forecasting, and reporting. This user-friendly solution does more than make the process easier – it provides a platform for communication of the organization's annual objectives and ensures department heads and budgeting managers are building their budgets in line with those objectives. Because Budget-Pak doesn't force users to think in a restricted 'row and column' Excel format, it is a much more engaging experience for non-financial users.

At the same time, BudgetPak allows the Finance team to control the aspects of the budget that are important to them within a straightforward, table-driven, finance-friendly format – and direct integration with Excel for analysis in a familiar environment.

XLerant offers a full suite of modules built into BudgetPak including expense planning, revenue planning, headcount, salary planning and asset planning, as well as approval workflow, what-if scenarios, out of the box reporting, variance reporting, and custom reports. A unique feature called ActionPaks allows users to budget multiple line items at the same time for their department-specific projects and initiatives.

**ENGAGE. EMPOWER. ACHIEVE.**