Rolling Forecasts: Is Your Company Ready?

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SAPinsider
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• Today's Speaker

Dan Skiendziel, MBA

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Highland Park, IL

- 10+ years experience architecting, developing, and managing SAP SAC and BPC planning and consolidations
- 25+ years of overall FP&A experience in multi-national organizations
- Expertise:
  - Industry: Manufacturing, Technology, Retail
  - Analytics Cloud and BPC
    - Planning and Analytics
    - Financial Reporting
    - Consolidations
  - Project Management

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What We'll Cover

- What a Rolling Forecast is
- Benefits of Rolling Forecasts
- Company Acceptance of Rolling Forecasts
- Best Practice Implementation Steps
- Rolling Forecasts in SAP Analytics Cloud
- Demo
- Q&A

What a Rolling Forecast is

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What a Rolling Forecast Is

Gartner definition

- In finance, a rolling forecast is a management tool that organizations use to continuously plan their operations over a set period of time (typically the next 12 months). Most rolling forecasts are updated on a monthly or quarterly basis.

Attributes of a Rolling Forecast

- Using Annual Plan as starting point
- Typically, higher-level of detail than Annual Plan
- Length, granularity and frequency will differ by industry
- Driver-based updates for what-if scenarios
- Focus on key areas of business on a rotational basis
- Generally, need greater coordination than Annual Plan

Rolling Forecast Def – Gartner: https://www.gartner.com/en/finance/glossary/rolling-forecast

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Benefits of Rolling Forecasts

Benefits of Rolling Forecasts

Business Health Perspective
- Help companies to better manage cash flow and liquidity, as well as to identify cost savings opportunities and improve their overall financial performance.
- Identify opportunities and risks in the current market, as well as to create more accurate forecasts of future performance.
- Identify potential areas of investment and to develop strategies for growth.

Organizational Benefits
- Ease burden on Annual Planning process and in some cases make the Annual Plan obsolete
- FP&A function contributes even greater value to the organization

"A rolling forecast helps to provide a clear and up-to-date view of a company's financial position and future outlook..."
Yoann Busigny, Director in Finance & Performance Deloitte

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Company Acceptance of Rolling Forecasts

Company Acceptance of Rolling Forecasts

Not always a welcomed change
- Inevitable <u>resistance to change</u> at all levels within organization
- <u>Can be a complex process</u> for the company to set up
- Additional FP&A resources may be required, particularly if traditional spreadsheet practices are used

Overcoming Obstacles
- Process implementation <u>driven by C-suite</u> support
- Clearly <u>define the current and future processes</u> to allow all stakeholders to see impact on their roles
- Instill a culture of <u>data-driven decision making</u>
- Provide training to stakeholders to understand process
- <u>Implement gradually</u>
- Continuously refine the process

" The move to rolling forecasts is an evolution, not an event"

- Gartner (May 2018)

https://www.gartner.com/smarterwithgartner/3-steps-to-implement-rolling-forecasts

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Best Practice Implementation Steps

Best Practice Implementation Steps

Clear communication on the objective of a rolling forecast
- What is the end goal of the process and how do stakeholders benefit from it?

Determine the forecast time horizon to fit your business cycle
- Typically, 15, 18, or 24 periods forward
- Balancing access to insightful data and less accurate data

Determine forecast granularity
- Rarely a need to forecast at chart of account level
- What aspects of the business are most important to achieve strategic objectives?

Who are the contributors to support the forecast process?
- Those with proper insights to stated goals of the process

"The process for creating a rolling forecast takes practice and sufficient time to complete. It should be done in a sequential order to avoid missteps and rework."

-Carl Seidman, CSP, CPA

https://www.afponline.org/ideas-inspiration/topics/articles/Details/8-steps-for-creating-a-rolling-forecast

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Best Practice Implementation Steps (cont.)

Vet all data sources to the rolling forecast
- Decisions must be made on reliable data, which comes from high quality data sources (internal and external)

What are the typical scenarios to be analyzed in the process?
- Sensitivity analysis
- Predetermine the scenarios for consistency

Measure the accuracy of the rolling forecast
- Gain understanding of the variances
- Learn from the differences
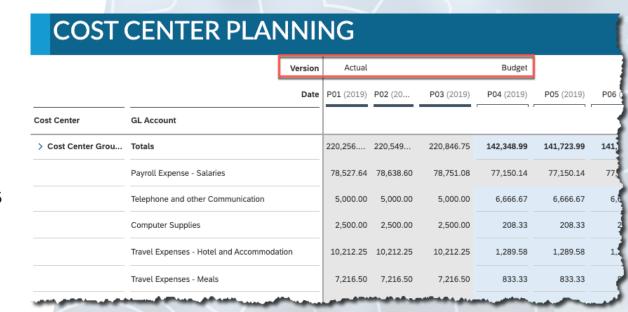- Adjust the process as necessary for more reliable output

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Rolling Forecasts in SAP Analytics Cloud

Rolling Forecasts in SAP Analytics Cloud

- Analytics Cloud has built-in features for performing Rolling Forecasts
- Pull in data from multiple Versions such as Actuals and Forecast to present a continuous timeline for user
- Ability to use key driver inputs to generate results via advance formula calculations
- Can seed baseline forecast with Budget or previous forecast
- Predictive capabilities to seed forecast periods based on history of data influencers
- Version control to retain what-if scenarios

COST CENTER PLANNING

Version	Actual			Budget		
Date	P01 (2019)	P02 (20...	P03 (2019)	P04 (2019)	P05 (2019)	P06 (
Cost Center	**GL Account**					
> Cost Center Grou...	Totals	220,256....	220,549...	220,846.75	**142,348.99**	**141,723.99**	141,
	Payroll Expense - Salaries	78,527.64	78,638.60	78,751.08	77,150.14	77,150.14	77,
	Telephone and other Communication	5,000.00	5,000.00	5,000.00	6,666.67	6,666.67	6,
	Computer Supplies	2,500.00	2,500.00	2,500.00	208.33	208.33	2
	Travel Expenses - Hotel and Accommodation	10,212.25	10,212.25	10,212.25	1,289.58	1,289.58	1,
	Travel Expenses - Meals	7,216.50	7,216.50	7,216.50	833.33	833.33	8

Analytics Cloud Demonstration

Demonstration

SAP® Analytics Cloud

Wrap Up

- **Where to Find More Information**

- **Key Points to Take Home**

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Where to Find More Information

8 Steps for Creating a Rolling Forecast - By Carl Seidman, CSP, CPA

https://www.afponline.org/ideas-inspiration/topics/articles/Details/8-steps-for-creating-a-rolling-forecast

SAP Analytics Cloud – Predictive Scenario into rolling Forecast

https://blogs.sap.com/2020/12/28/sap-analytics-cloud-predictive-scenario-into-rolling-forecast

Implementing the Rolling Forecast: A 'Beyond Budgeting' Approach

https://www2.deloitte.com/be/en/blog/inside-track/2022/ep3_rolling-forecast.html

About Forecasting with Predictive Planning

https://help.sap.com/docs/SAP_ANALYTICS_CLOUD/00f68c2e08b941f081002fd3691d86a7/66eeff9e46334644b43b10e49e2022bf.html

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Key Points to Take Home

- Rolling Forecasts can provide tremendous value by providing insights to what drives operating results and cash generation.

- The forecast period should coincide with the company's natural business cycle.

- Implementing Rolling Forecasts are not easy as there can be significant pushback to change and should implemented gradually.

- SAP Analytics Cloud has built-in Rolling Forecast capabilities.

- Predictive capabilities of Analytics Cloud is a great way to start with a solid baseline to the Rolling Forecast

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Thank you! Any Questions?

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