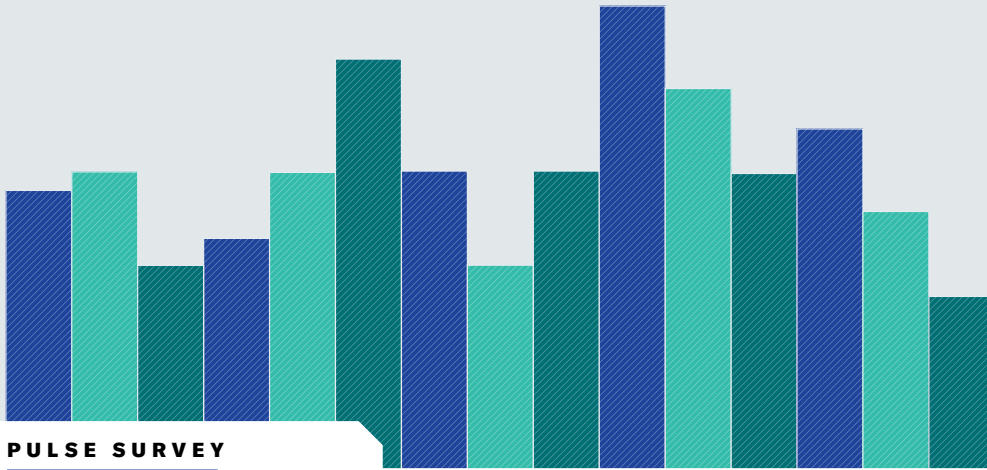




**Harvard
Business
Review**

ANALYTIC SERVICES



PULSE SURVEY

Organizational Agility Requires Modern Planning Tools



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In this highly volatile and uncertain business environment, organizations need to become more agile, adaptable, and strategic than ever before. However, FP&A teams at many companies remain stuck with data silos, disconnected or misaligned plans, and time-consuming manual processes that leave little time for the rich analysis decision-makers need in order to mitigate risk and seize new opportunities.

Today, over 6,000 organizations use Workday Adaptive Planning for financial planning, workforce planning, sales planning, demand planning, project planning, and other types of operational planning. And the results have been impressive, with 93 percent of Workday Adaptive Planning customers reporting accelerated planning cycle times by 30 percent or more.

We've sponsored research by Harvard Business Review Analytic Services to examine how finance leaders create business value by transforming their planning processes. Through deep interviews with companies in the midst of driving transformation, this report shares executives' secrets of how they generated material improvement in business performance, efficiency, and growth.

There's never been a more important or necessary time for companies to remain agile and adaptable. Read on for invaluable strategies on how your organization can have the planning processes in place to accomplish this.

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Organizational Agility Requires Modern Planning Tools

When Covid-19 descended on the world in early 2020, almost every organization around the globe was forced to rethink operations and planning nearly overnight. From the demand fallout and supply disruption to rising prices and labor shortages, the pandemic ushered in an era of uncertainty that many organizations were ill-prepared to navigate effectively.

“In practice, companies have always talked about being prepared and planning for the future,” says Hyoun Park, CEO and principal analyst with Berkeley, Calif.-based Amalgam Insights, a technology research firm. “In reality, planning prior to COVID was a process that happened on a quarterly or annual basis. These were fragile plans that could easily go wrong and didn’t have a backup process that allowed businesses to make changes quickly when anything substantial happened internally or on a geopolitical level.”

With multiple global challenges facing organizations today, perhaps it’s not surprising that 72% of the 288 business executives familiar with business planning for their organization who were surveyed by Harvard Business Review Analytic Services in April 2022 say the pandemic brought about major changes that significantly altered their business plans.

When it comes to enterprise planning, five key attributes were rated as highly important by at least 80% of respondents. They were asked about flexible/adaptable, continuous, data-driven, collaborative, and scalable planning, with the most vital being data-driven (which 91% say is “very” or “extremely” important to planning), followed by flexible/adaptable (88%).

A major disconnect, however, involves whether organizations are actually accomplishing these attributes in their current planning. The gap between the percentage of high importance respondents attached to each attribute and the percentage of respondents who report that their organizations are

HIGHLIGHTS



92% of executives at organizations using modern planning tools have realized one or more positive business outcomes, **including improved agility, alignment, and insight.**



88% say **flexible and adaptive planning tools** are “very” or “extremely” important to planning.



58% plan to **increase investment in enterprise planning tools** over the next 12 months.

Due to rounding, some figures in this report may not add up to 100%.



“I interviewed a lot of CFOs during the pandemic. It wasn’t acceptable to take four to six months to make decisions anymore. It was, ‘We need to make a decision this week.’ Historically, a lot had managed this kind of planning in a spreadsheet. But spreadsheets were the wrong tool during the pandemic because they didn’t have the agility.” says Gary Simon, leader of the Modern Finance Forum on LinkedIn and CEO of FSN.

accomplishing it in current planning was no less than 35 points in each case. For example, only 40% of respondents say their planning is flexible/adaptable to a “large” or “extremely large” extent, a full 48 percentage points below the number of respondents who cite it as a very important aspect of planning. Forty-seven percent of respondents say their organization’s planning was data-driven to a great extent, 44 percentage points below how many said having data driven planning was highly important.

For many business leaders, the pandemic was a watershed moment, underscoring the importance of flexible, agile planning processes. “I interviewed a lot of CFOs during the pandemic,” says Gary Simon, leader of the Modern Finance Forum on LinkedIn and chief executive officer of FSN, a provider of content, research, insight, and thought leadership to the global finance community. “It wasn’t acceptable to take four to six months to make decisions anymore. It was, ‘We need to make a decision this week.’ Historically, a lot had managed this kind of planning in a spreadsheet. But spreadsheets were the wrong tool during the pandemic because they didn’t have the agility. Neither did they lend themselves to scenario planning. People are learning that in order to look into the future, you have to do scenario planning and that is not really possible in a spreadsheet.”

This report will explore why there continues to be a disconnect between good planning practices and the tools required to attain them. It will investigate the changing business landscape in recent years and the need for new planning approaches that require more modern, advanced

tools. Lastly, it will examine how organizations are accomplishing more adaptive planning—a combination of tools and strategy that allows for improved agility, and the business results they are deriving from it.

Gaps in Planning Tools and Strategies

Respondents listed a number of challenges with executing their current enterprise planning. Sixty percent of respondents say “processes are too manual”—the most common internal challenge they face in planning. Others (59%) are struggling with finding talent with knowledge of modern approaches to enterprise planning. Other challenges with current planning include a lack of engagement and “ownership” of the plan across stakeholders (49%), tools that are not flexible enough to adapt to changes in operations (46%), and bad data or multiple versions of the truth (39%). **FIGURE 1**

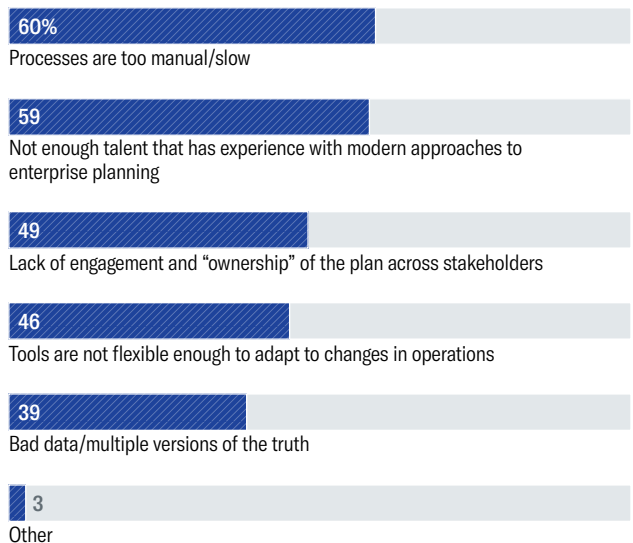
But despite these challenges, and the massive amounts of data businesses now collect and analyze, many organizations are still relying heavily on traditional tools like Excel for their planning efforts. Today, more organizations are relying on traditional planning tools than advanced planning tools. The survey reveals the tools employed by 36% of respondents’

FIGURE 1

Challenges to Organizational Planning Today

Respondents feel their processes are too manual

Which of the following internal challenges does your organization face in its execution of enterprise planning today? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, April 2022



91%

of respondents

agree modern

planning tools can

help organizations

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in their planning.

organizations are composed of half or more of modern tools, while 62% use mostly traditional tools. Yet nearly all respondents recognize their importance: 91% agree modern planning tools can help organizations like theirs be more flexible and adaptive in their planning.

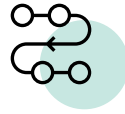
Chuy's, a full-service Tex-Mex restaurant concept based in Austin, Texas, with more than 95 restaurants across 17 U.S. states, had been stuck in the world of Excel spreadsheets when, in 2018, it decided to implement adaptive planning. The company's goal was to enable integrated cloud-based budgeting processes at the store and enterprise levels, as well as to ease pressure to meet the quarterly reporting requirements of the U.S. Securities and Exchange Commission (SEC) and Chuy's board.

Chuy's approach to adaptive planning included the companywide adoption of financial management and forecasting tools. The result has been enhanced collaboration across the finance team, the operations' leadership team, and store and multi-unit managers, with minimal time spent away from running the business. The planning system was integrated with the general ledger for consolidated financial reporting as well as the company's back-office point-of-sale (POS) to access restaurant level order data.

The system was mostly in place when the chaos of the pandemic took hold in 2020. With sudden lockdown orders and quarantine measures put in place, typical business models went out the window and long-range planning was set on its ear. "We honestly did not know what would happen next week, let alone a quarter from now," recalls Natalie Harden, Chuy's vice president of finance and investor relations.

Prior to the pandemic, off-premises sales were about 12% to 14% of Chuy's revenue. As the world switched largely to take-out food to obey lockdown orders and social distancing early in the pandemic, off-premises sales surged to about half of the company's revenue. Meanwhile, dine-in sales plummeted. As a result, the company's business model as well as financial planning needed to be reconsidered. "We had to figure out really quickly what this meant to us and how much cash we were burning," Harden remembers. "We needed a plan to survive this."

She says modern cloud-based, automated, and adaptive tools enabled Chuy's to perform scenario planning around cash needs throughout the pandemic and to model operating results in a constantly changing business environment. Without these tools, Harden feels maintaining and monitoring profitability would have been next to impossible over the last two years. Despite many challenges and uncertainties, Chuy's did more than survive the pandemic. In fact, during the 2021 fiscal year, the restaurant chain was able to increase the overall restaurant level operating margin by 810 basis-point to 23.5%—as compared to 15.4% in fiscal 2019—and anticipates retaining approximately a 300 to 350 basis points



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improvement going forward as staffing levels return and the current inflationary environment turns around.

Various factors affect how adaptive organizations can be. For Chuy's it was about navigating changing business conditions—unpredictable dining trends and supply chain disruptions. For other organizations, it can be managing an overload of data.

With so many different kinds of data now used as part of planning, there is clearly room for improvement to be made in critical areas of planning, says Amalgam's Park.

"Operational data in the business milieu has changed immensely," he explains. "A decade ago, when we looked at business planning, it was based solely on numbers that fit into a spreadsheet that could be used for basic planning. We used the data in basic queries to calculate key metrics and determine the planning and budgeting constraints that defined our goals for the year. However, we have seen the emergence of big data and the practical aspects of big data, including pictures, documents, manufacturing logs, environmental data streams, and other audio and video inputs that don't fit into spreadsheets easily even though they are used to define budgetary, planning, forecasting, and holistic business models. Analytic business data has changed fundamentally from structured data to include semi- and unstructured data in the world we are now in."

Quick Changes Required

In what has become a dynamic and data-fueled business environment, many organizations have realized that what they were doing with planning was no longer sufficient, so many have made changes, changes which span people, processes, and technology. Fifty-five percent have updated their use of tools, either by purchasing new tools or adapting existing

tools to contemplate new scenarios, calculate new metrics, or conduct new segmentations. Half have revised their overall planning approach and strategy. Thirty-eight percent have revised which teams and personnel are involved in enterprise planning. And 33% have increased the frequency of their forecasting cadence to support faster decision making. **FIGURE 2**

Business leaders had little choice but to scramble and find new ways to approach enterprise planning quickly, as the pandemic served up daily uncertainties never seen before, says FSN's Simon.

"There were a huge number of changes happening in different business dimensions at the same time" he said. "That is one of the aspects of what distinguishes the pandemic from the 2008 financial crisis. During the pandemic, you had, overnight, a problem with supply chains. Problems with the workforce. Problems with having to close down business. With having to retire products earlier. With people who needed to be on premises and minimizing Covid exposure. We had not come across so many issues hitting an organization all at the same time in another crisis."

Amid these changes, which continue to challenge organizations now, businesses are looking to adapt planning and planning tools. Nearly all respondents (91%) say they think utilizing modern planning tools can help them be more flexible and adaptive in their enterprise planning, and more than half (58%) say they plan to increase investment in enterprise planning tools over the next 12 months.

"They are looking to use more sophisticated systems to do what they need to do," says Simon. "Systems that are agile

enough to respond to the unexpected storm. Forecasting is going to be the priority for the rest of the decade."

The importance of these efforts to improve planning is clear, as respondents reported experiencing significant negative outcomes due to errors, breakdowns, or latency in their planning. Consequences cited include workforce under/over hiring (54%), suboptimal capital allocation/resource investment (46%), missed revenue/sales targets (42%), and expense overruns (31%).

Ameet Bhojwani, a managing director in Deloitte's finance and performance practice, with many clients in the pharmaceutical industry, is unsurprised that bad planning leaves many organizations in an unenviable position.

"One thing we heard often was that not being able to see the impact of how money is spent in acquiring the material to produce medications was a big challenge for them," he says of drug producers. "But that is not possible if you don't have the right tools. You can't do that in Excel. Having the flexibility to model pricing scenarios, impacts of delay in [the] supply chain, and the cost of capital are all elements of integrated business planning. These factors, if not incorporated, will render the planning process incomplete and misinformed."

Planning for the Future of Planning

While many organizations are still relying heavily on traditional planning tools, such as spreadsheets and manual forecasting models, respondents overwhelmingly recognize the value in modernizing those tools, with many considering how to boost their use. Increased reliance on and investment in advanced tools, which help with flexibility during uncertain conditions, as well as more data-driven insights to inform decisions, appear to be in the works for many organizations in an effort to make business planning more seamless.

Bhojwani hears from clients that there are multiple objectives organizations want to meet for future planning. "One goal many have is improving collaboration between finance and other departments," says Bhojwani. "Finance is increasingly seen as a business partner. A partner provides the right level of analytics so those who run the organization can make informed decisions based on real data. We're not seeing finance as accountants anymore—but as those who can help business run better."

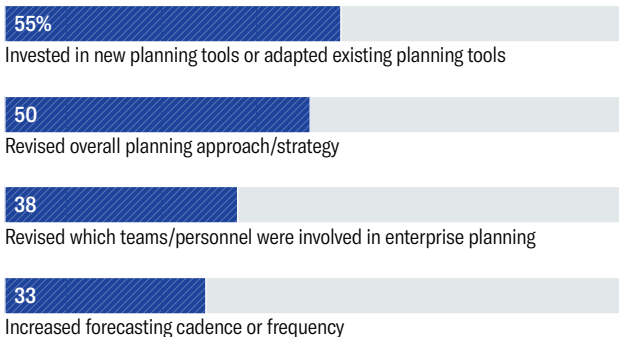
An overwhelming majority of respondents say modern planning tools are valuable, with 91% saying modern planning tools can help them drive growth with smarter resource allocation, and 85% say they can help organizations like theirs hit financial targets. Given such a clear agenda, it makes sense that 80% plan to increase how much they use advanced planning tools over the next 12 months, and 58% say they plan to increase investment in enterprise planning tools over the next 12 months.

FIGURE 2

Altering the Plan

Organizations made planning changes during the pandemic

Which of the following changes or investments has your organization made to its enterprise planning over the past two years? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, April 2022

When asked what features they would find very useful to have more of in their planning toolkits, 60% say tools that make planning more automated/less manual would be useful. **FIGURE 3**

A variety of other useful features were also selected by 50% or more respondents: tools that are better integrated with systems of record (55%), tools that are more intelligent/predictive (52%), tools that are more flexible and allow for faster adaptation of plans to business/market changes (51%), tools that are more visual/have better reporting (51%), and tools that use more real-time data (50%). “The quicker the info, the better,” says Vagelis Kontopos, vice president, financial planning and analysis at The E.W. Scripps Co. “We plan at different levels and at different time intervals.”

Speedy data to make timely decisions is very important for a media company like Cincinnati-based Scripps, which has existed for more than a century. A famed newspaper publisher

in the 20th century, Scripps in 2015 chose to divest their company of its newspaper business and focus on building in local television and national media. Today, Scripps is the fourth-largest local TV broadcaster in the U.S., operating a portfolio of 61 stations in 41 markets.

As the company evolved and grew, however, it needed a better way to plan. Scripps aimed to link finance with other departments more seamlessly and find better ways to get insights from data, ambitions which were realized with the help of modern tools.

“We started to figure out how to better use tools,” says Kontopos. “Without those tools, we wouldn’t have been able to move as quickly as we did when we decided to make changes. We needed to know what levers we needed to pull to get to where we wanted to be. With our current tools, we can look at data and information almost hourly instead of looking at updates that are nearly two weeks old.”

Like Scripps, many survey respondents have turned to modern tools to improve planning processes and drive better business performance, which is unsurprising given that, as noted earlier, nearly all survey respondents agree (91%) that utilizing modern planning tools can help organizations like theirs drive growth with smarter resource allocation.

Overall, some of the outcomes respondents most aim to realize from their use of modern planning tools include more data-driven decisions for resource allocation (47%), more real-time insights and reporting (36%), greater collaboration and alignment across stakeholders (35%), and improved agility to course-correct and respond to market changes (35%). When asked about outcomes their organizations have actually realized to date as a result of modern tools, 92% of respondents report realizing one or more positive business outcomes, with the leading areas being more data-driven resource allocation (38%), greater collaboration and alignment across stakeholders (34%), and more real-time insights and reporting (34%). Interestingly, the group of respondents who rely 50% or more on modern tools reports notably better progress in the highly sought after areas of data-driven resource allocation (a 10-point gap; 43% of heavy modern tool users realized it, versus 33% of the non-heavy users) and improved agility (15-point gap, 30% vs. 15%). These findings suggest that the more heavily invested organizations are in using these tools, the more likely they are to see results in these key areas. **FIGURE 4**

The ability to make better data-driven decisions regarding resource allocation is helping Chuy’s senior management plan for the future, especially when it comes to expansion and more store openings. Flexible planning tools and strategies are making this possible, says Chuy’s Harden. “We can plan for future locations by using historical data to see how similar restaurants have performed in similar locations,” she notes.

The flexibility of the planning tools they are using is enabling Chuy’s to model new stores with target unit economics and

FIGURE 3


What Business Leaders Desire from Planning Tools

Organizations have clear ideas about modern tools

Which of the following capabilities would your organization find very useful to have more of in its enterprise planning tools? [SELECT ALL THAT APPLY]



Source: Harvard Business Review Analytic Services survey, April 2022



“We started to figure out how to better use tools. Without those tools, we wouldn’t have been able to move as quickly as we did when we decided to make changes. We needed to know what levers we needed to pull to get to where we wanted to be. With our current tools, we can look at data and information almost hourly instead of looking at updates that are nearly two weeks old.”

Vagelis Kontopos, vice president, financial planning and analysis, The E.W. Scripps Co.

FIGURE 4

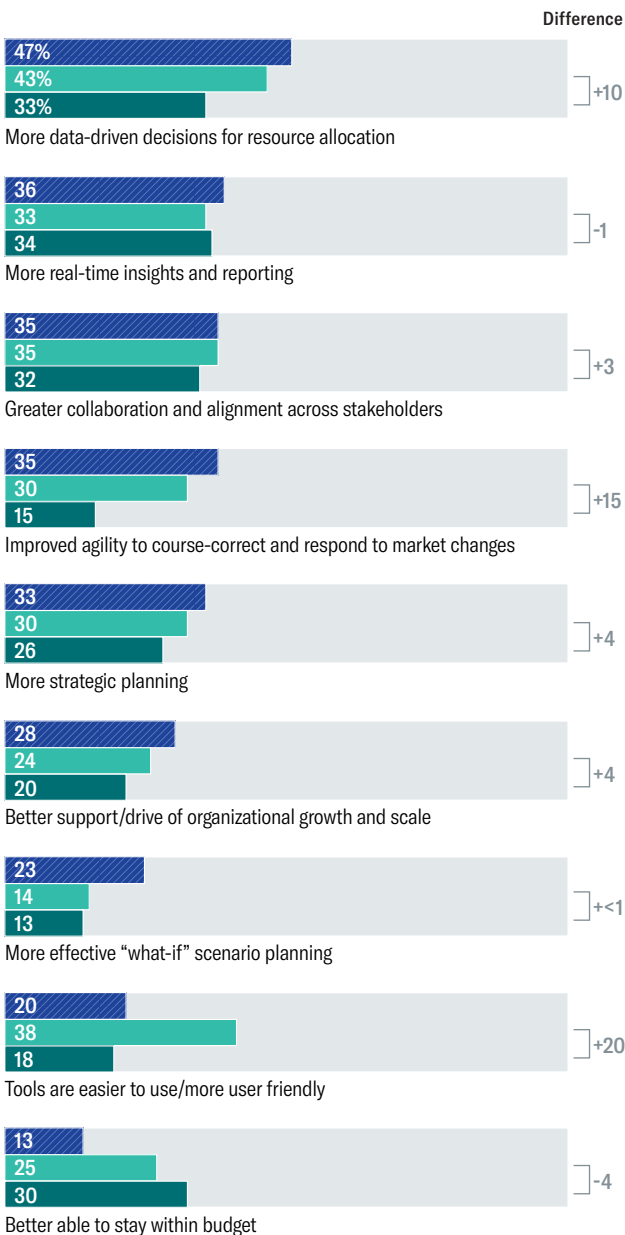
The Benefits Seen with Modern Planning Tools

Organizations with modern tools report positive outcomes

What outcomes does your organization most aim to realize from its use of modern, more advanced planning tools? [SELECT UP TO THREE]

What outcomes has your organization realized to date from the modern, more advanced planning tools it uses? [SELECT ALL THAT APPLY]

- All respondents: cited as an outcome they most aim to realize
- Respondents relying on modern tools 50% or more: have realized this
- Respondents relying on modern tools less than 50%: have realized this



Source: Harvard Business Review Analytic Services survey, April 2022

geographically specific profitability results amid current challenges.

“We are now able to perform long-range planning for unit growth with merely a few inputs,” said Harden. “It’s just one instance of what adaptive planning allows us to do. My advice for others looking at modern planning tools is to determine your unique needs and find a tool that allows you to achieve your financial goals, but also be flexible enough to adapt and change your financial plans quickly in times of uncertainty.”

Conclusion

With stability and predictability having gone out the window in recent years, effective business planning has become significantly more challenging.

Organizations say they see significant gaps between where they want to be when it comes to enterprise planning and where they currently are with it. While attributes such as flexible/adaptable, continuous, data-driven, collaborative, and scalable planning were all seen as important to survey respondents, a major disconnect exists between what respondents value and where they are with planning today. Only 40% of respondents say their planning is very flexible/adaptable, which is significantly lower than the 88% of respondents who cite it as a very important aspect of planning.

Despite the desire executives have for enhanced planning, many organizations still rely on traditional tools, like spreadsheets, for planning. However, the survey also shows that plans are underway to adopt modern planning tools in many businesses. As noted earlier, nearly all (92%) of those whose organizations use modern planning tools say their organization has realized one or more positive business outcomes from these tools, including improved agility, alignment, and insight. More than half say they plan to increase investment in enterprise planning tools in the next year.

Cloud-based, modern tools enabled Chuy’s to perform scenario planning around cash needs and maintain profitability throughout the pandemic. And Scripps’ Kontopos believes it was the company’s adoption of adaptive tools that saw it through those difficult months and helped them stay afloat and navigate uncharted waters.

“We had insights and data that allowed us to be strategic and guide the business more efficiently through difficult times, and do so much faster,” he says. “While there was never any certainty during that time, we were able to make more-informed decisions about managing when uncertainty was everywhere.”

METHODOLOGY AND PARTICIPANT PROFILE

A total of 288 respondents drawn from the HBR audience of readers (magazine/ newsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

23%
10,000 or more
employees

31%
1,000 – 9,999
employees

9%
500 – 999
employees

37%
50 – 499
employees

Seniority

29%
Executive
management/
board members

37%
Senior
management

25%
Middle
management

9%
Other grades

Key Industry Sectors

18%
Manufacturing

10%
Financial services

9%
Government/
not-for-profit

9%
Education

All other sectors
less than 8% each.

Job Function

23%
General/executive
management

9%
Strategic planning

8%
Sales/business
development/
customer service

8%
HR/training

All other functions
less than 8% each.

Regions

40%
North America

22%
Asia Pacific

20%
Europe

9%
Latin America

8%
Middle East/Africa

2%
Other

Figures may not add up to 100% due to rounding.



Harvard Business Review

ANALYTIC SERVICES

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