EBOOK

Rolling Forecasts

OneStream™

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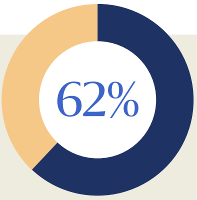
Introduction to Rolling Forecasts

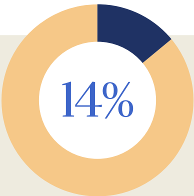
A rolling forecast is a management tool that enables organizations to continuously plan (i.e., forecast) over a set time horizon. **Why do rolling forecasts matter?** Well, as a Finance leader and business partner, you're responsible for keeping a pulse on all aspects of your organization, including financial and operational performance. And as an agent of transformation for the enterprise, it's also your responsibility to implement agile budgeting, planning and forecasting processes that enable collaboration and effective decision-making between Finance, Sales, Operations, HR and other functions. Rolling forecasts are an essential tool for you to do just that.

What kind of organizations can benefit from a rolling forecast process? Perhaps the better question is, who can't? Because if your organization interacts regularly with consumers, suppliers or regional operations, there's simply no escape. From what? From the roller coaster ride and volatility of global markets today. And to make matters worse, this roller coaster ride feels like the "new norm" of what to expect.

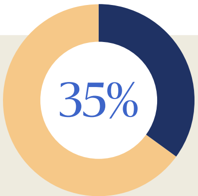
Your organization can survive and thrive amid that new norm with the help of rolling forecasting. Why? Well, rolling forecasts are designed to allow management to continuously monitor and plan the business. Here are a few stats from The Dresner Advisory 2021 Wisdom of Crowds EPM Market Study, which details how frequently organizations run forecasts:



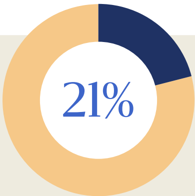
62% of organizations are using a rolling forecast



14% use a rolling forecast instead of an annual plan



35% complete rolling forecasts monthly



21% complete rolling forecasts quarterly

Best practice is to ensure rolling forecasts can extend (e.g., roll) beyond the current calendar or fiscal year. The forecasts can extend anywhere from 12 months at a time to 18 months or even up to 24 months.

The good news is that, just like there are varying timeframes for forecasting, there's also more than one way to do it. While those details matter, what's more important is that you start the actual process. Why? Because it will push your organization to think differently. To adapt more effectively to the continuously changing new normal. To think longer term. And when done consistently, a rolling forecast process can (eventually) not only eliminate the need for an annual budget but also positively affect the DNA of your organization — by instilling a positive culture that drives productivity.

The answer often lies with what we think we know best — our data. Insights about customers. About suppliers. Factors that we manage day-to-day. To access this data and create insights, this means that Finance teams need to move ahead of the month-end financial reporting cycles and focus on what really drives the business every day.

This is a crucial step that will enable Finance teams to decipher the hidden signals in operational data and help our business partners take action to impact the results before month-end.

How Do Rolling Forecasts Differ from Traditional Forecasting?

Traditional forecasting uses historical observations to estimate future business metrics (e.g., inventory requirements, budgets, revenue or asset performance). Such forecasting heavily relies on historical data, which tends to create a gap between forecasts and actuals.

In terms of timing, traditional forecasting has typically been done within one financial year and sometimes quarterly. Many companies who have changed forecasting methods have recounted how the previous method involved lots of complexities in copying data between different scenarios and often had rigid, inflexible workflows. Rolling forecasts take a very different approach.

Figure 1 summarizes the key differences between traditional and rolling forecasts:

Traditional Forecasting	Rolling Forecasting
Fixed financial plan calculated for a set period of time, typically one year, that uses historical observations to estimate future business metrics	A “live” financial plan that is regularly updated throughout the year to reflect changes
Calendar-based (annual, quarterly)	Event-based with real-time adjustments to calendar forecasts
Fixed targets (sales/profit, other KPIs)	Dynamic targets with adjustments based on external/ internal events
Resource allocations are rigid	May trigger reallocation of resources based on dy- namic targets
Manual, account-based and often linked to accounting cycles	Business-driver-based and connected to operations

Figure 1: Traditional vs. Rolling Forecasting

What Has Prevented the Adoption of Rolling Forecasts?

While annual operating plans are the norm for most organizations to level-set expectations or anchor compensation targets, such plans do very little to help with resource allocations in a dynamic business. Yet there's been only a gradual shift over the past few years to rolling forecasts, particularly among large and medium-sized organizations. According to The Dresner Advisory 2021 Wisdom of Crowds EPM Market Study, unsurprisingly, very large organizations have the highest adoption level for replacing annual budgets with rolling forecasts (21%).

Many organizations have either been reluctant to change or lacked the right leadership approach. To shift to rolling forecasts from traditional ones, executive sponsorship is fundamental to being effective. There are also significant investments in time required — something of which many stretched Finance departments simply don't have a lot to spare.

At the same time, rolling forecasting has sometimes been seen as a "bit of a dark art" or something unnecessarily complicated. This perception is perhaps derived from the fact that it is virtually impossible to create effective rolling forecast models in Excel® and in legacy corporate performance management (CPM) tools. Many have tried to do rolling forecasts with these technologies and either failed or burnt too much time in the process.

If implementing a new method such as rolling forecasting does not fundamentally change the direction and quality of the performance discussion and decision-making, effectively looking forward will remain an immense source of frustration. Transformation is difficult, after all. It's also difficult to get people to change their ways and adopt the new process. What's the best way to overcome this obstacle? Implementing a change management support structure — one that can also help the organization continually adjust to the new normal of constant changes.

What Has Changed

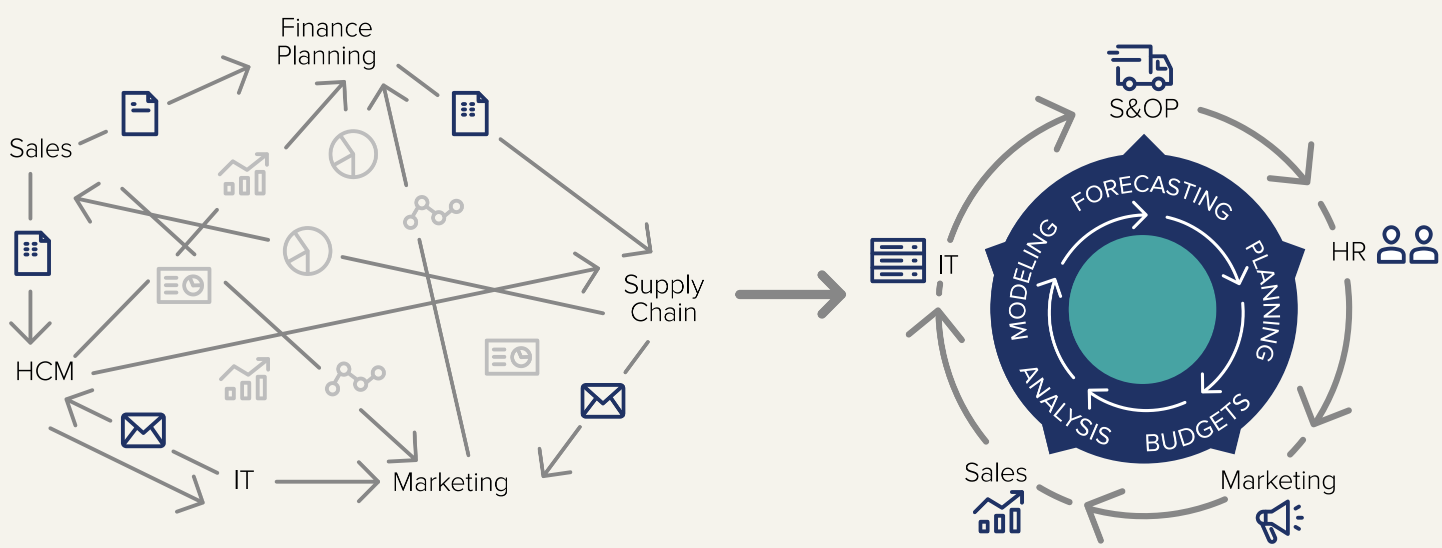
Let's face it — the world is changing rapidly, and organizations face tremendous pressure to evolve with the changes. It's no longer good enough for Finance and Line of Business leaders to create an annual plan with financial forecasting software and make multiple adjustments throughout the year. Why? Well, as the pace of change increases, annual plans become increasingly less relevant and, in many cases, are completely abandoned by Finance chiefs before the ink even dries.

Gartner projects that, by 2024, 70% of all new FP&A projects will have an extended scope beyond the Finance department. That notion reinforces what many FP&A leaders already know to be true: Finance's role in driving granular, driver-based operational plans is increasingly critical to driving performance.

In fact, we're now entering the era of what's being called eXtended planning & analysis (xP&A).

Gartner defines xP&A (see figure 2) as the extension of FP&A principles beyond the Finance department. This extension could be into any area of the organization that produces business plans, including Sales, Operations, Marketing and HR.

Finance is at the Core of xP&A



"A platform-centric approach capable of supporting and integrating both financial and operational planning."

Figure 2: Gartner Market Guide for Cloud xP&A Solutions, July 2021

As Finance transforms into the central hub within an organization, static budgets alone are not sufficient for budgeting, planning and forecasting. It's not that the annual budgeting process isn't a useful exercise. After all, the process still...

- Plays a key role in transforming business plans into financial goals.
- Remains critical for demonstrating what resources must be deployed and when to make the strategic vision a reality.
- Helps track how actual performance compares to the strategic financial plan.

But static budgets do little to help organizations drive ongoing performance. Why? Well, annual plans are generally unresponsive to changing conditions. Such plans are also time-consuming to build and update, inflexible and ineffectively utilized — causing employees to lose faith in the budgeting process. The budgeting, planning and forecasting process is seen as an exercise imposed by Finance that yields little benefit to key operational groups (e.g., Sales, Marketing, Supply Chain).

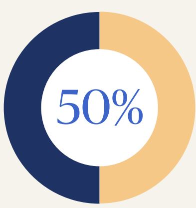
Albert Einstein perfectly captured why static budgets need to go: “Insanity is doing the same thing over and over and expecting different results.”

Today, Finance chiefs are challenged with helping their organizations break the reliance on annual plans and embracing more agile planning techniques, including driver-based planning and rolling forecasts.

> **Insanity is doing the same thing over and over and expecting different results.**
>
> — *Albert Einstein*

Where to Focus

To keep the organization agile and responsive to constant changes, your focus should be on what the organization plans for. According to Ventana Research’s **“Let’s Talk About the Business, Not Just the Budget,”** 50% of Finance leaders report that they get little value out of their financial planning processes. Why do you think that is? The reason is simple: static financial plans completed in isolation add little value to managers, nor do such plans drive the business.



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So what does impact the business? It’s all about the underlying business drivers. The customers and market demand. Global competition. Changes in commodity prices. The sales, marketing and supply chain plans.

If your budgeting, planning and forecasting processes don’t yet focus on business drivers or include your business partners, it may be time to consider some changes.

The Solution: OneStream Software

The key to creating a successful rolling forecast lies in using the proper software and technology to facilitate such forecasts.

OneStream's Intelligent Finance platform is ideal for this task (see figure 3). One of the most important things to do when creating a rolling forecast is to have agile software that can consolidate and pre-populate data to save time. OneStream was designed to do exactly that. The CPM software platform will automatically populate rolling forecasts with actuals the moment the actuals are certified.

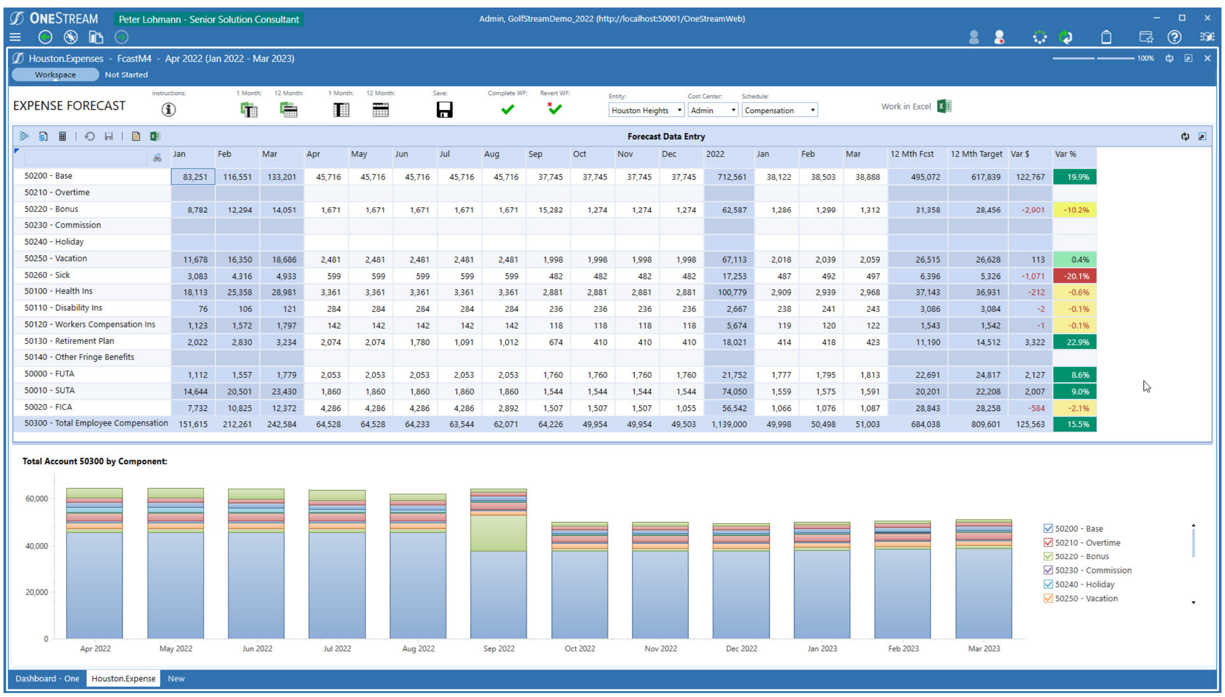


Figure 3: Rolling Expense Forecast in OneStream

By design, OneStream helps increase the agility and effectiveness of financial and operational planning. How? By dynamically updating reports and report books using the most current actuals and forecast. This functionality drastically cuts down the time and energy that financial professionals must spend generating reports, making it much easier to do monthly forecasts.

OneStream's unified platform also completely supports all aspects of rolling forecasts. The platform can deliver a rolling forecast for any number of years and months out. Some organizations need to roll 12 months, while others need to roll 16, 18 or even 24 months. OneStream, regardless of the business process, supports driver-based rolling forecast processes, data input, calculations based on historical rates or any other methods an organization might need to complete a unique rolling forecast process.

OneStream makes the difference for the end user in the following areas:

- **Aligns operationally relevant plans and actuals with financial goals** — The unified platform means all data is in one place and immediately available. OneStream's Extensible Dimensionality® empowers line-of-business teams with the flexibility to plan for their unique needs, without compromise and without impacting the corporate standard or forcing complexity on consolidated P&L, balance sheet and cash-flow modeling.

- **Creates granular driver-based plans** — OneStream's Analytic Blend capabilities support rolling forecast processes that require granular, driver-based planning at the person, customer and/or product level while ensuring plans are always 100% unified with financial plans. The OneStream MarketPlace allows customers to extend the value of their investment with purpose-built solutions to dynamically unify sales planning, people planning, capital planning and cash planning with financial plans. This occurs within a seamless planning experience that eliminates the need to work in separate tools or move data across fragmented data models.

- **Predicts with confidence** — Users can conquer the complexity of creating predictive and machine-learning models without data science expertise (see figure 4). For instance, users can share insights and collaborate more effectively using interactive reports and visualizations. They can also create predictive models for forecast validation, seed baseline forecasts and focus on business value. Those capabilities ultimately enhance the dialogue with business partners on critical analysis and decision-making

- **Creates what-if scenario**s — Finance teams can quickly create various what-if scenarios without requiring a full bottom-up forecast. Users can quickly model and analyze changes to key business drivers over a discreet period while "flexing" these changes across the chart of accounts and the financials. That functionality provides leadership with visibility into profit margins and the impact on cash flow and other metrics.

OneStream also offers the ability to create and assign date ranges, so rolling forecasts are even further automated. Traditional software is built for annual budgets, so it doesn't incorporate such functionality functionality that's crucial for being able to update forecasts on a rolling basis.

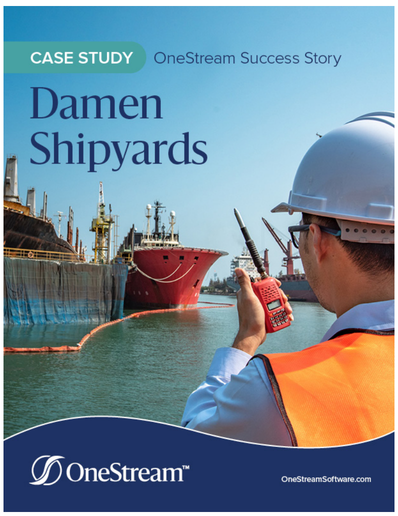
So yes — with OneStream, it's possible to develop detailed, driver-based rolling forecasts at the customer level, project level or person level. To do this in real time with your business partners by your side. To dynamically understand the impact to the P&L, balance sheet and cash flow. And it's even possible to do it for multiple scenarios, in real-time and without creating a series of offline spreadsheets or moving data between "connected" modules or cubes.

Figure 4: Predictive Analytics in OneStream

Case Studies

Delivering 100% Customer Success

Hundreds of organizations around the world have adopted OneStream to conquer their complexity and unify their financial close, consolidation, planning, forecasting and reporting processes. The following are two examples of organizations who have implemented agile planning and forecasting processes through OneStream's Intelligent Finance platform.



Damen Shipyards

Damen Shipyards is a family-owned company among the shipbuilding community on the River Merwede in the Netherlands. With 54 companies, Damen has shipyards and service hubs all over the world.

With OneStream, Damen Shipyards has increased the level of maturity of its finance function by unifying consolidation and forecasting.

"OneStream helps us to not only make projections towards the future, but also oversee the field of investments, acquisitions and working capital spending," said Jurriaan Koekebacker — Group Controller, Damen. "OneStream unites 170+ process workflows that guide users through the steps of the actual data process and intercompany matching. A great benefit is the all-in-one concept, where various apps are integrated into a single model. Traditional consolidation and planning systems are far less integrated — with different modules that had to be purchased and linked separately."

Thanks to OneStream, Damen has eliminated costs by reducing manual processing and simplifying the Finance-IT landscape. OneStream has thus helped Damen link strategy to plans and execution, making the company's goals more attainable than ever.

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>
> *— Jurriaan Koekebacker | Group Controller, Damen*

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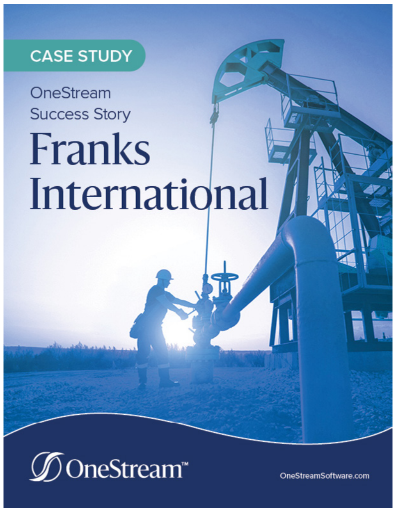
Franks International

Frank's International (NYSE: FI) is an industry-leading global provider of highly engineered tubular services, tubular fabrication, and specialty well construction and well intervention solutions to the oil and gas industry. Frank's provides services to leading exploration and production companies in both offshore and onshore environments.



Immediately upon going live with OneStream for financial consolidation, the Frank's team began working on planning and forecasting. Leveraging the financial model by inheriting and extending dimensions already in use for consolidation and reporting, the team was able to deliver a barebones forecasting solution in 30 days. Three months later, they delivered the full planning solution that included an 18-month rolling forecast.

The planning solution had to accommodate the complexities of the company's business model. This complexity included a large volume of intercompany activity, oil-rig-level gross margin detail and a rolling-forecast horizon of 18 months, which crossed over year-end in every scenario.

"To accommodate our complex requirements, Frank's International leveraged the Extensible Dimensionality® of OneStream to capture rig name, product type, location, product vs. equipment rental and service and cost of revenue detail needed for planning purposes," said Ed Goodwin, VP Finance & Treasurer, Frank's International.

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— Ed Goodwin | VP Finance & Treasurer, Frank's International

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Summary

The budgeting, planning and forecasting process is NOT only about Finance or about revenues or expenses. The process is also about unleashing value across the organization.

It's about driving measurable business performance across Sales, Marketing, HR and Supply Chain functions. And to do that, your organization must focus on what precisely impacts the business. Part of your job as a modern Finance leader is to create processes to help translate how changes in the business impact the P&L, balance sheet and cash flow.

Rolling forecasts will push your organization to think differently since the forecasts can extend beyond the current calendar or fiscal year. And they do so without losing the flexibility to focus on the short-term tactics required to manage through uncertainty. Rolling forecasts are designed to change and adapt throughout the year, which provides more value if large and sudden changes impact your business. Now is the time to take the best of modern finance planning and extend it across the enterprise through xP&A to lead at speed and drive continued success in your organization.

About OneStream Software

OneStream Software provides a market-leading intelligent finance platform that reduces the complexity of financial operations. OneStream unleashes the power of finance by unifying corporate performance management (CPM) processes such as planning, financial close & consolidation, reporting and analytics through a single, extensible solution. We empower the enterprise with financial and operational insights to support faster and more informed decision-making. All in a cloud platform designed to continually evolve and scale with your organization.

OneStream's Intelligent Finance platform can easily be extended with over 50 solutions from the OneStream MarketPlace. These downloadable solutions are fully battle-tested and optimized for the OneStream platform. They allow customers to easily extend the value of their investment to meet the changing needs of finance and operations.

For more information, visit our website at OneStreamSoftware.com.

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