



# Rolling Forecasts: Evolve Beyond Annual Budgets

Financial Planning & Analysis

# About the Expert

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## **Amy Morgan**

*Senior Manager, Adaptive Insights*

Amy holds an MBA in Finance, Accounting and Strategy which she uses to lead projects from pre-sales through implementation through support in Armanino's Adaptive Planning practice. Her Fortune 100 FP&A experience coupled with eight years of implementing and training in Adaptive make her one of the foremost experts in Adaptive.

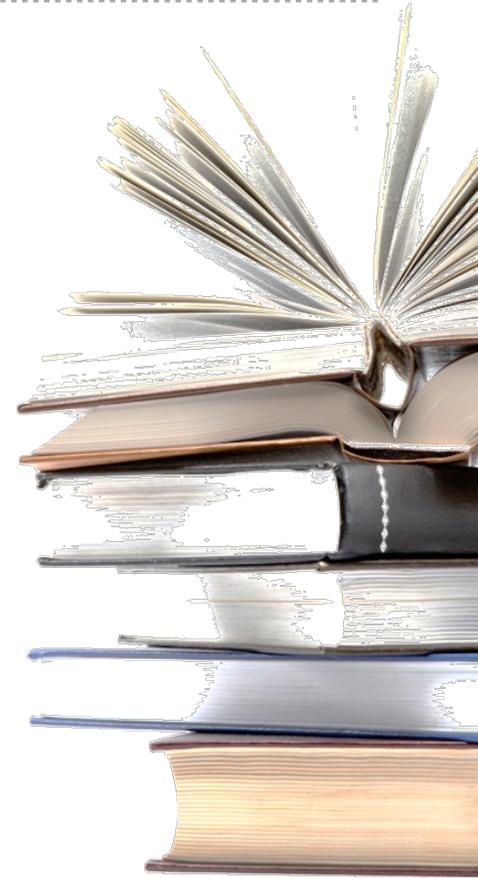
Amy has implemented or overseen over 425 projects, trained and certified 40 new partners for Adaptive, and leads Armanino's team as their internal solution expert. She is a Certified Adaptive Implementer and Certified in Adaptive Reporting.

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# Learning Objectives

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- Gain insight into both the annual budget cycle and the rolling forecast process
- Articulate the benefits of rolling forecasts
- Define how to create a rolling forecast
- Examine how to manage the cultural shift at the C-suite, corporate planning staff and budgeting manager levels



## Sound Familiar?

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●●● **“WE USED TO HAVE WHAT WE CALLED THE ANNUAL PLAN, AND WE WOULD SPEND SIX MONTHS PUTTING IT TOGETHER. AS SOON AS THE BUDGET WAS APPROVED IT WAS OUT OF DATE. SO WE DECIDED TO DO AWAY WITH IT.”** ●●●

# Comparison

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	Annual Budget Cycle	Rolling Forecast
Assumptions	Annual Static	Monthly Variable
Time Horizon	Fixed Entire year 6-18 months in the future	Variable Monthly Upcoming 18 months
Actuals vs.	Last <b>Year's</b> Expectations	Last <b>Month's</b> Expectations

# Monthly Forecasts – Isn't That the Same as Rolling Forecasts?

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I say **no...**

- Focused on stale Budget rather than Prior Month's Forecast
- Time Horizons Fixed – YEAR rather than Rolling 12
- Operationally –
  - “I'm still going to spend this year's budget.”
  - vs
  - “What am I going to spend over the next 12 months?”



# Benefits of Rolling Forecasts

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- **Visibility Into the Business**
  - Some drivers & estimates set by Operations
  - No more sandbagging
  - Lose year-end tunnel vision
- **Anticipate & Influence Outcomes**
  - KPIs to identify trends
  - Increase lead time for senior management
  - What-if analysis using drivers to anticipate outcomes
- **Optimize Resources**
  - Fund good projects
  - Make resource decisions as late as possible



# Who Made the Leap?

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Statoil



MAERSK



euroclear



Unilever



Direct Energy™



# Building a Rolling Forecast

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- Key Drivers
- Assumptions
- Go-Forward Basis
- Tying Out



# Building a Rolling Forecast

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## Key Drivers

- **Personnel**

- Typical: Salary, Taxes, Benefits
- Consider: Supplies, Laptops

- **Capital Spending**

- Typical: Depreciation
- Consider: Debt

- **Travel, # of Trips**

- Air, Hotel, Other

- **Bookings**

- Revenue, Commissions, AR, Sales Headcount, Support Headcount



# Building a Rolling Forecast

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## Assumptions

- **Personnel**

- Tax Rates
- Benefit Rates
- Working Days in Month
- Holidays in Month

- **Balance Sheet**

- Days Sales Outstanding
- Covenant Requirements  
(Minimum Cash on Hand, Current Ratio)

- **Other**

- Commodity Rates
- Exchange Rates



# Building a Rolling Forecast

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## Go-Forward Basis

- **Determine how “New” months are planned**
  - Seed with Prior Budget
  - Seed with Prior Year
  - Formula with trailing 12 months (TTM)
  - Blank (true zero-based)



# Building a Rolling Forecast

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## Tying Out

- Builds Confidence in New System
- Initial Rolling Forecast Typically Ties
- Explain Any Variances





# Change Management

# Managing the Change Mindset

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- Retaining Value from the Traditional Processes
- Adjusting the Forecast Process
- Re-framing Reporting
- Driving Change from the Top

# Retaining Value From the Old Processes

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- **Discipline of a Monthly Forecast**
  - Meetings on the calendar
  - Appropriate players engaged
- **Actuals Research**
  - Old tools and processes still work
  - Can introduce even better access
- **Attention from Upper Management**
  - Use the existing gravitas
  - Goal hasn't changed



# Adjusting the Forecast Process

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## Remember the old forecast process?

- Focused on a stale Budget
- Time Horizons Fixed
- Operationally –
  - “I’m still going to spend this year’s budget.”



# Adjusting the Forecast Process

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Forecasts are your gateway...



# Adjusting the Forecast Process

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## Forecasts are your gateway...

- Focused on a stale Budget rather than Prior Month's Forecast
  - **Compare to Budget AND LM Forecast**
- Time Horizons Fixed – YEAR vs Rolling 12
  - **Report on TTM**
  - **Ask for Rolling 12 Forecast**
- Operationally –
  - “I’m still going to spend this year’s budget.”
    - **Challenge “timing” explanations**
    - **Is department spending unpredictable on a monthly basis?**



# Reframing Reporting

- Add Trailing 12 Months (TTM)
- Add Prior Forecast
- Remove Budget



# Driving Change from the Top

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- **FEAR is real**

- Old deliverables, but the tool is gone.

- **Clear Message**

- Goal hasn't changed – still clear financial picture of past and future
- Management wants Rolling Forecast
- Find the opinion leaders

- **Deliver**

- Ask for Upcoming 12 months, Quarters
- Ask for Variances Between Forecasts

- **Resist!**

- ~~Year-end~~
- ~~Variance to Budget~~

# Case Study

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**Manufacturing  
Company with \$6.6  
billion revenue**

●●● **“WE USED TO PUT TOGETHER A BUDGET AND THEN EVERYONE DID  
EVERYTHING THEY COULD TO MAKE SURE IT WAS ACHIEVED,”  
SAYS TONY TRIPENY, CORNING SVP AND CORPORATE CONTROLLER.  
“NOW WE REALIZE THAT A BUDGET ISN’T WHAT IT USED TO BE.”** ●●●

**Budgets** – set up specific objectives.  
Ex: targets for manufacturing costs

**Vs.**

**Rolling Forecasts** – how you manage the business,  
perceiving what’s ahead and  
**acting on it quicker than the competition.**



# Conclusion

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- **Benefits of a Rolling Forecast**

- Visibility Into The Business
- Anticipate and Influence Outcomes
- Optimize Resources

- **Putting a Rolling Forecast in Place**

- Controllable Factors
- Assumptions
- Go-Forward Basis
- Tying Out

- **Managing Change**

- Retain Tradition
- Adjust Forecast Process
- Re-frame Reporting
- Drive Change



**Contact forecasting expert Amy Morgan  
for more details on how to utilize these  
benefits for your team.**

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