



Over Three Decades of Industry-led Collaborative Research

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Global Leadership in Cost, Process and Performance Management



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Enhancing Value & Profits Through Effective Planning & Budgeting

The CAM-I Planning & Budgeting Interest Group

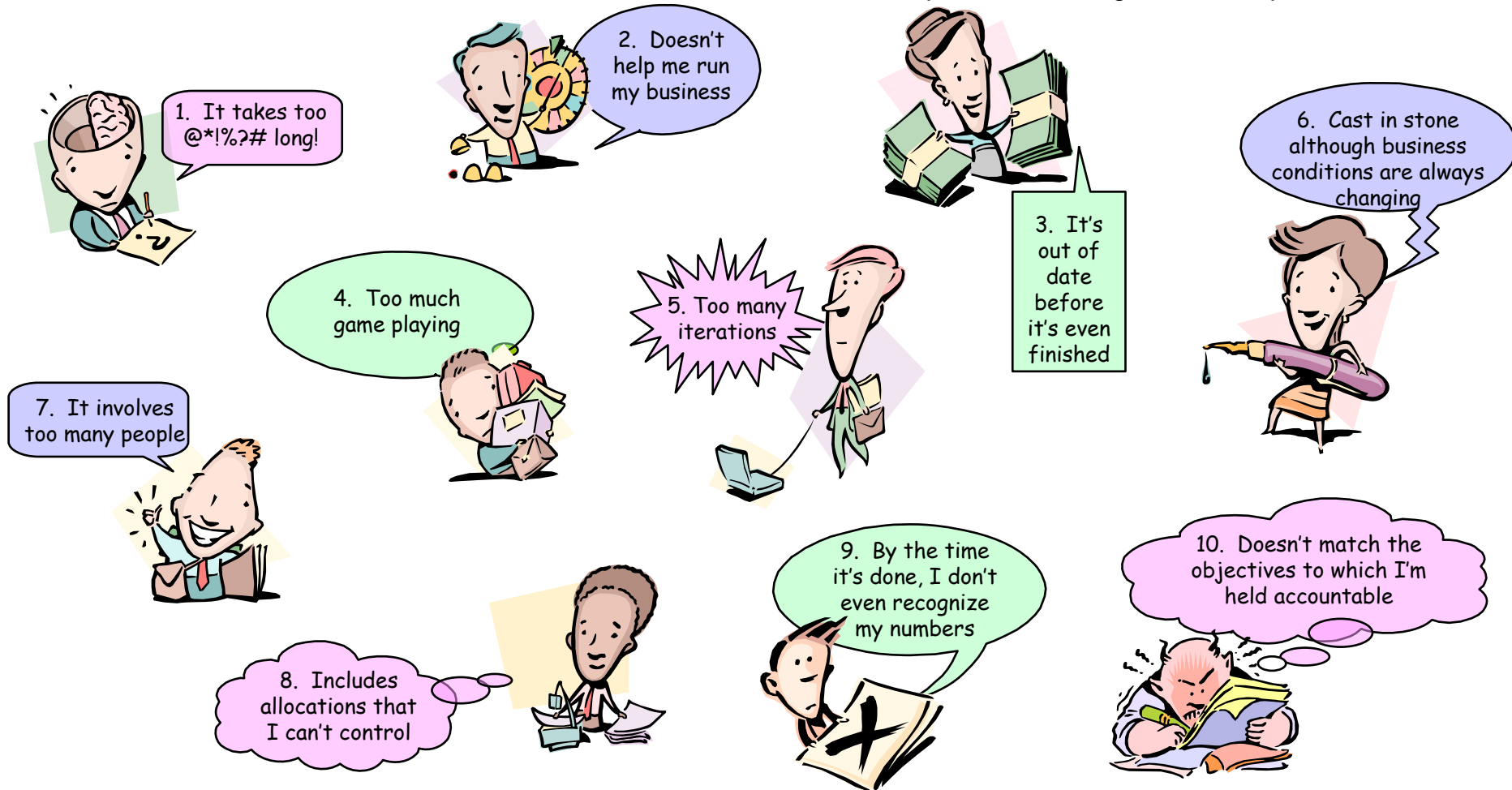
Alan Stratton
Stratton Associates, LLC



Outlining the Business Planning Process

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Unfortunately, the process elements are all too often not designed for customer – here are 10 Top reasons managers hate the process!





Why planning & budgeting are essential business processes

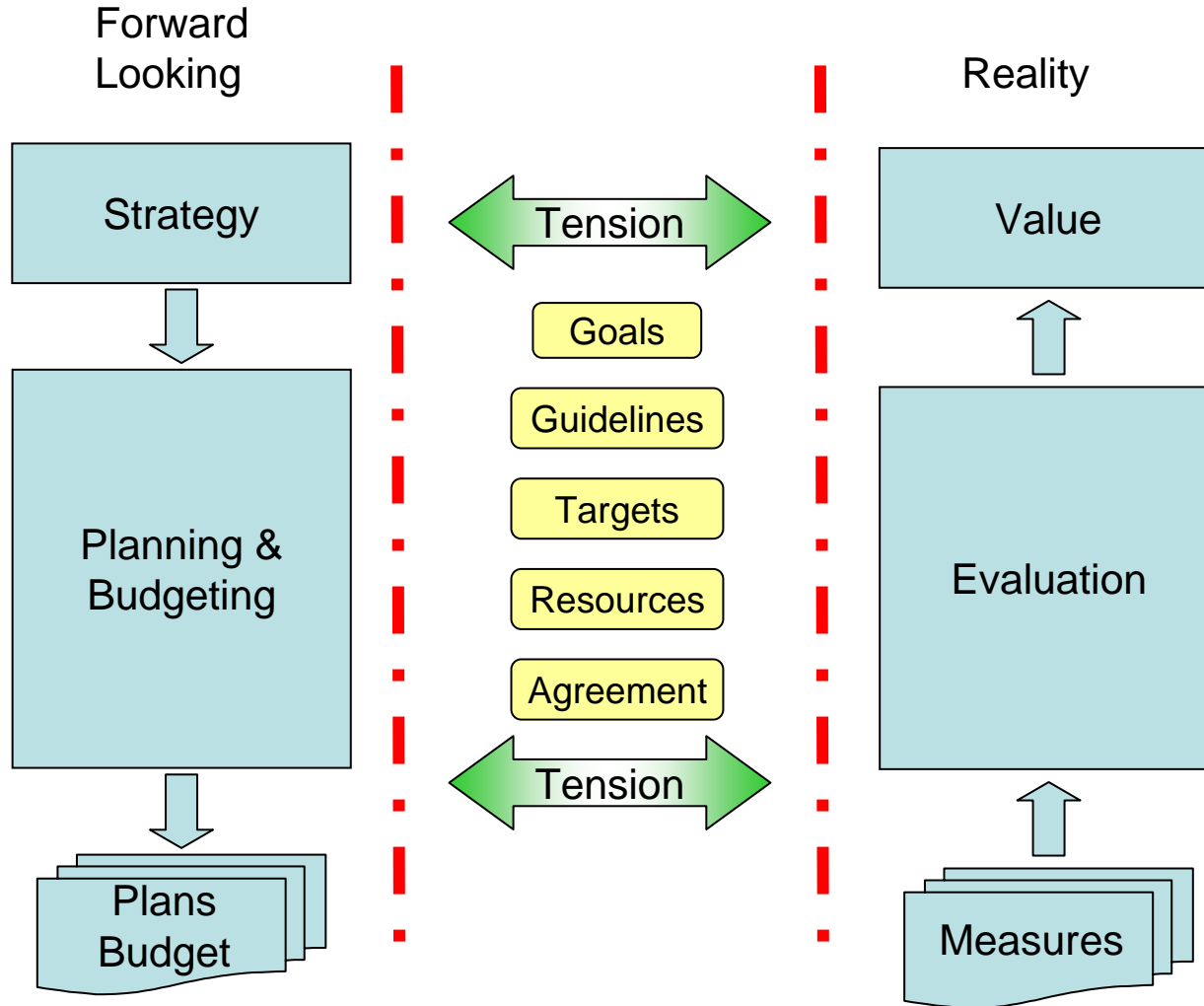
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- Avoid mistakes & surprises
- Be more profitable
 - Where to put emphasis for the best bang for the buck
- Have a long range plan – know the direction you are going
 - Communicate so all head the same direction
 - Avoid one person's agenda
 - Avoid frivolous mistakes
 - Set baseline for comparison
- Make best use of the resources you have
 - Keep employees from being burned out to keep them happy too.
 - Avoid over-buying
- Prevent flip-flopping—over correction
- Take advantage of specials and in-season items
- Prepared for emergencies



The budgeting process

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Answers to Proposals

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- Never
- No
- Not Now
- Maybe
- Yes but
- Yes



Fairness in Planning & Budgeting

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- Opportunity to be heard
- Understand the reasons for rejection
- Possibility to be revisited

What is Fair?

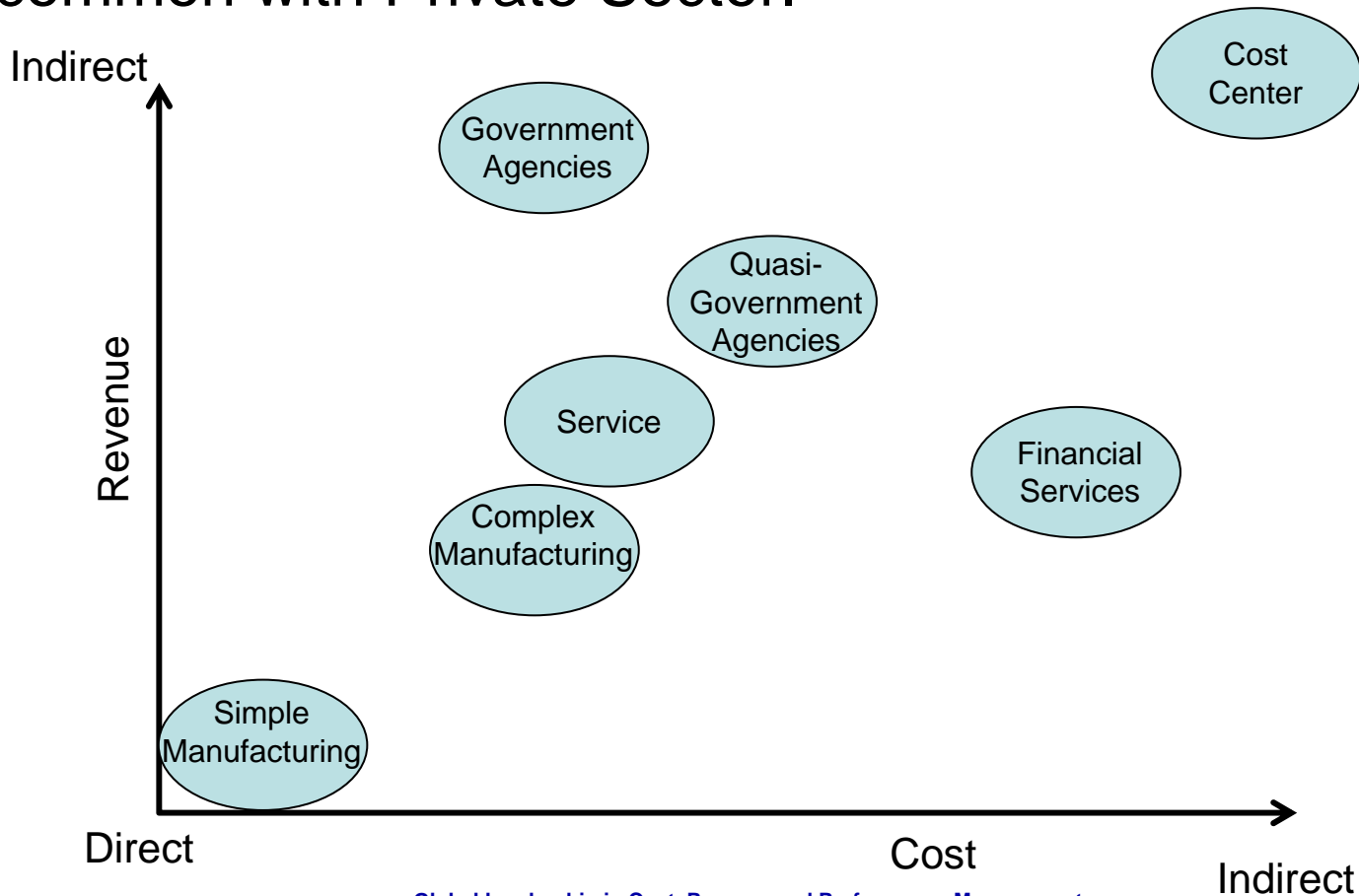
- Share Equally
- Share Proportionally
- Rotation
- Neutral



Public vs. Private Sector

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- Early presumption that Public Sector would have little in common with Private Sector.





Characteristics of Planning & Budgeting

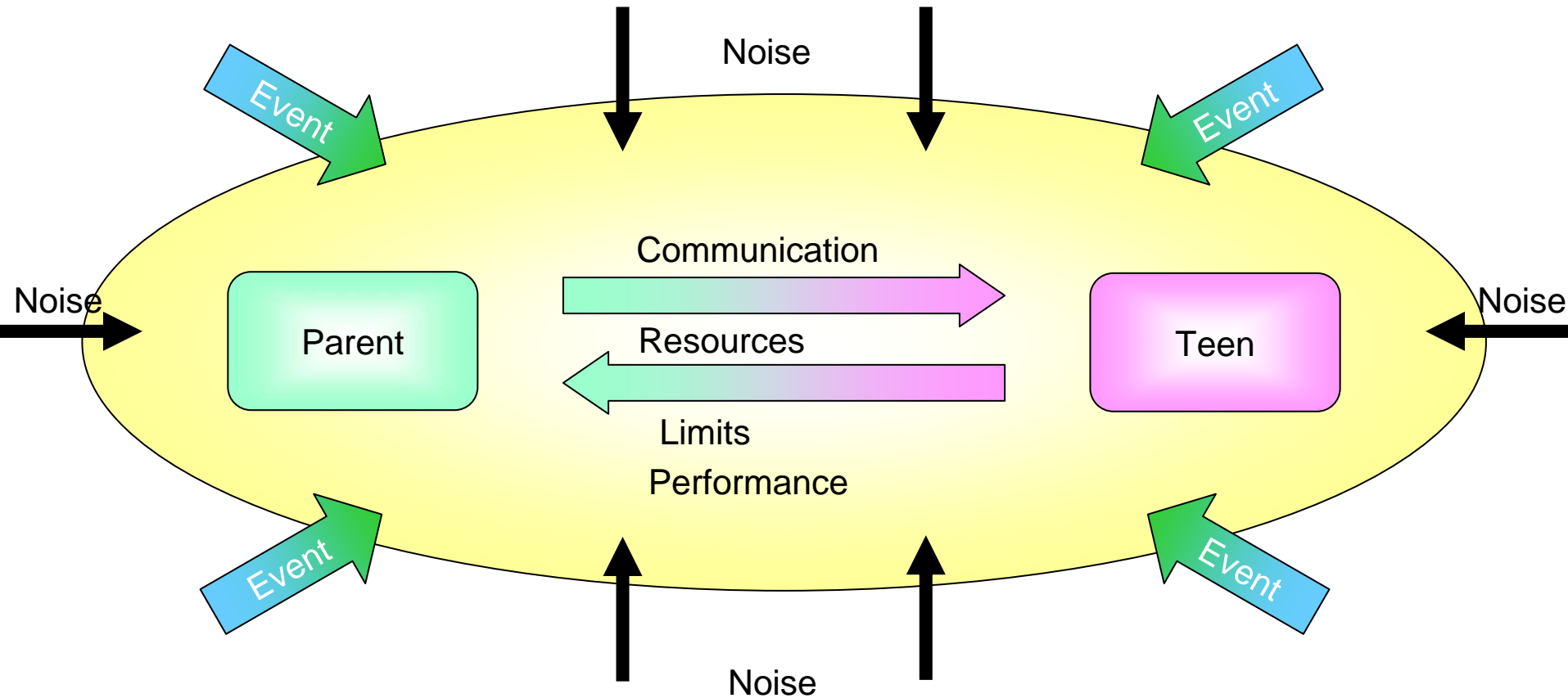
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- Balance tension in the management process
 - Resolve conflicts before they happen
- Conflict – an essential characteristic of the planning & budgeting process
- Driven by time deadlines
 - More than any other business process



A Family Analogy

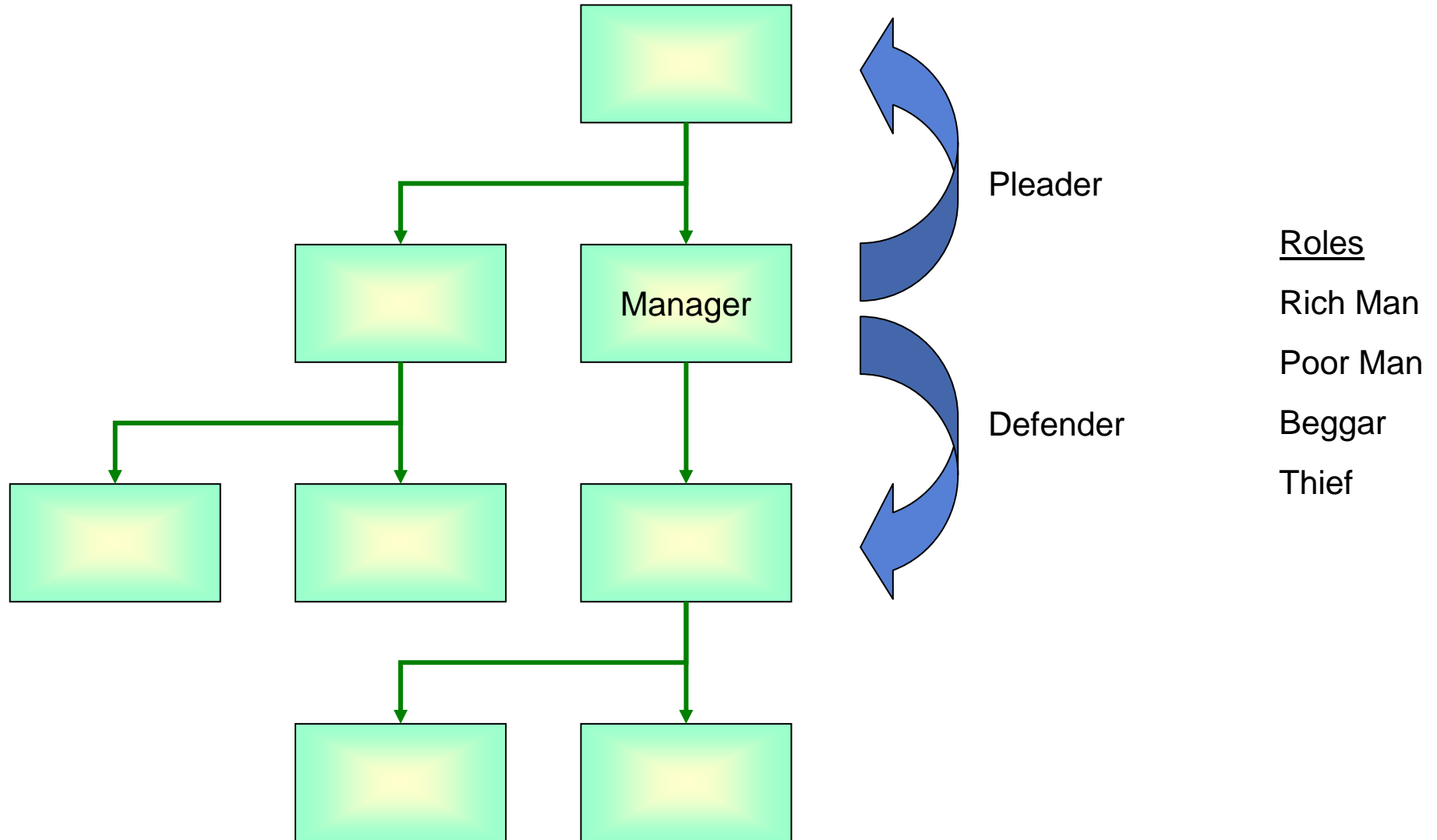
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Same Person – Different Roles

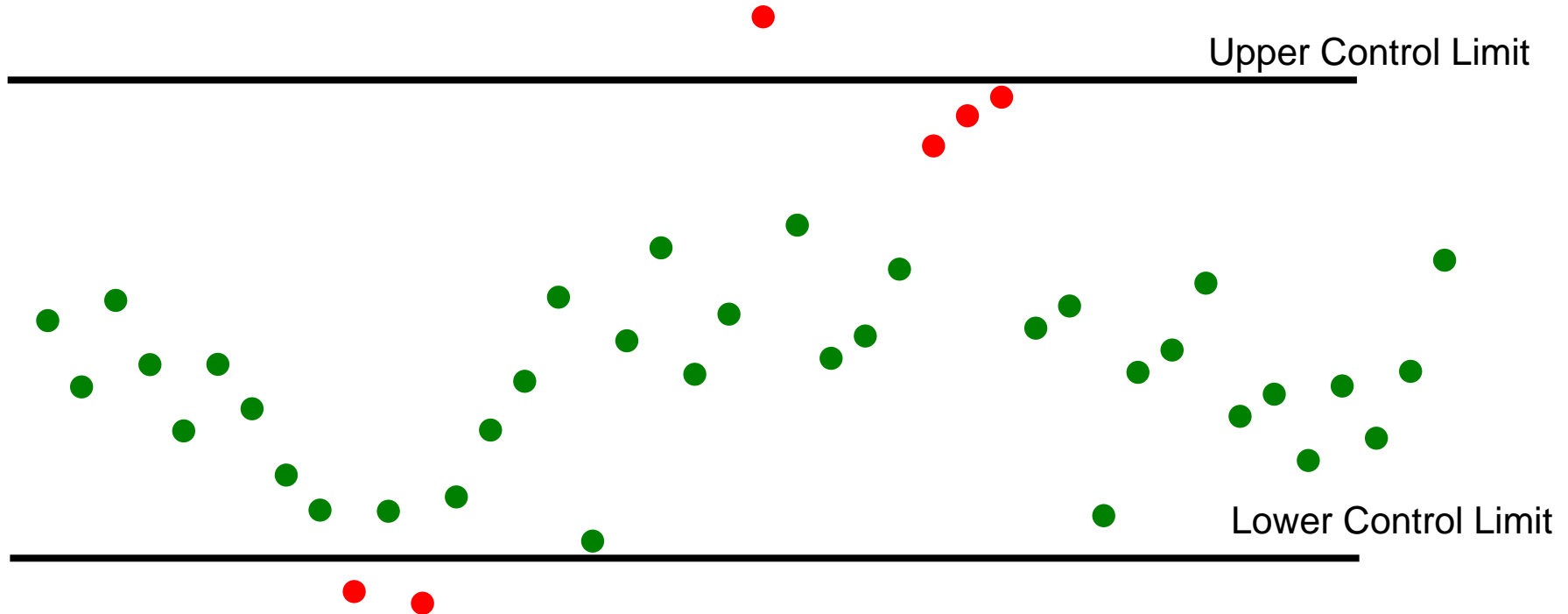
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Statistical Process Control

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Typical Budgeting Processes Lack Predictive Capability

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Issues:

- Use “last year’s number +/- 5%
- Treating all functions equally
- Sandbagging
- Budget negotiations
- 20% Across the board cuts
- Iterations and updates
- Market dynamics
- Bonuses
- Lack linkage between Customers and Functional Resources

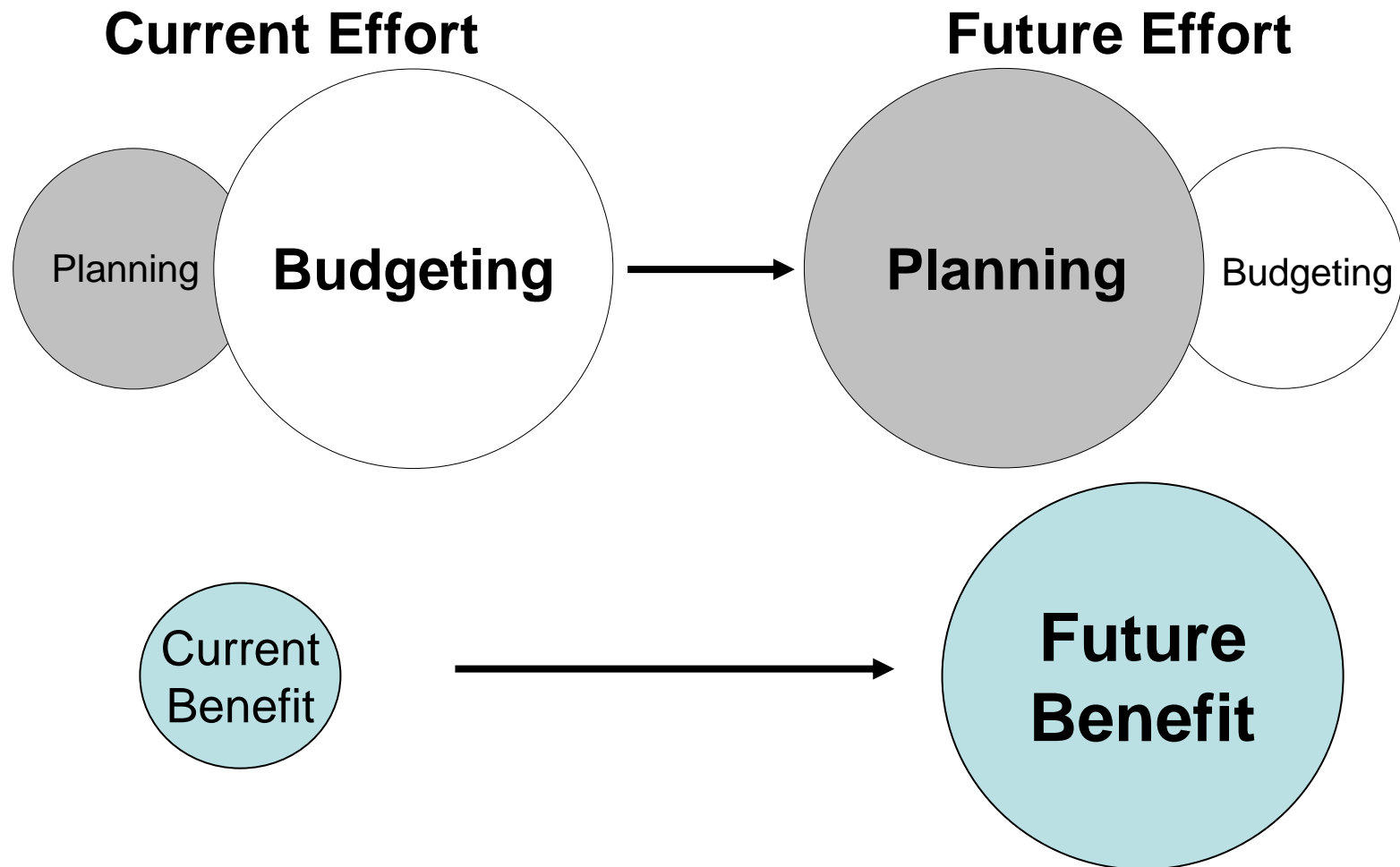
How does your budget process:

- Enhance visibility to business processes
- Enhance resource visibility
- Enable critical choices
- Feedback to strategy
- Enable agile decisions



The Shift in the Relative Effort from Budgeting Towards Planning

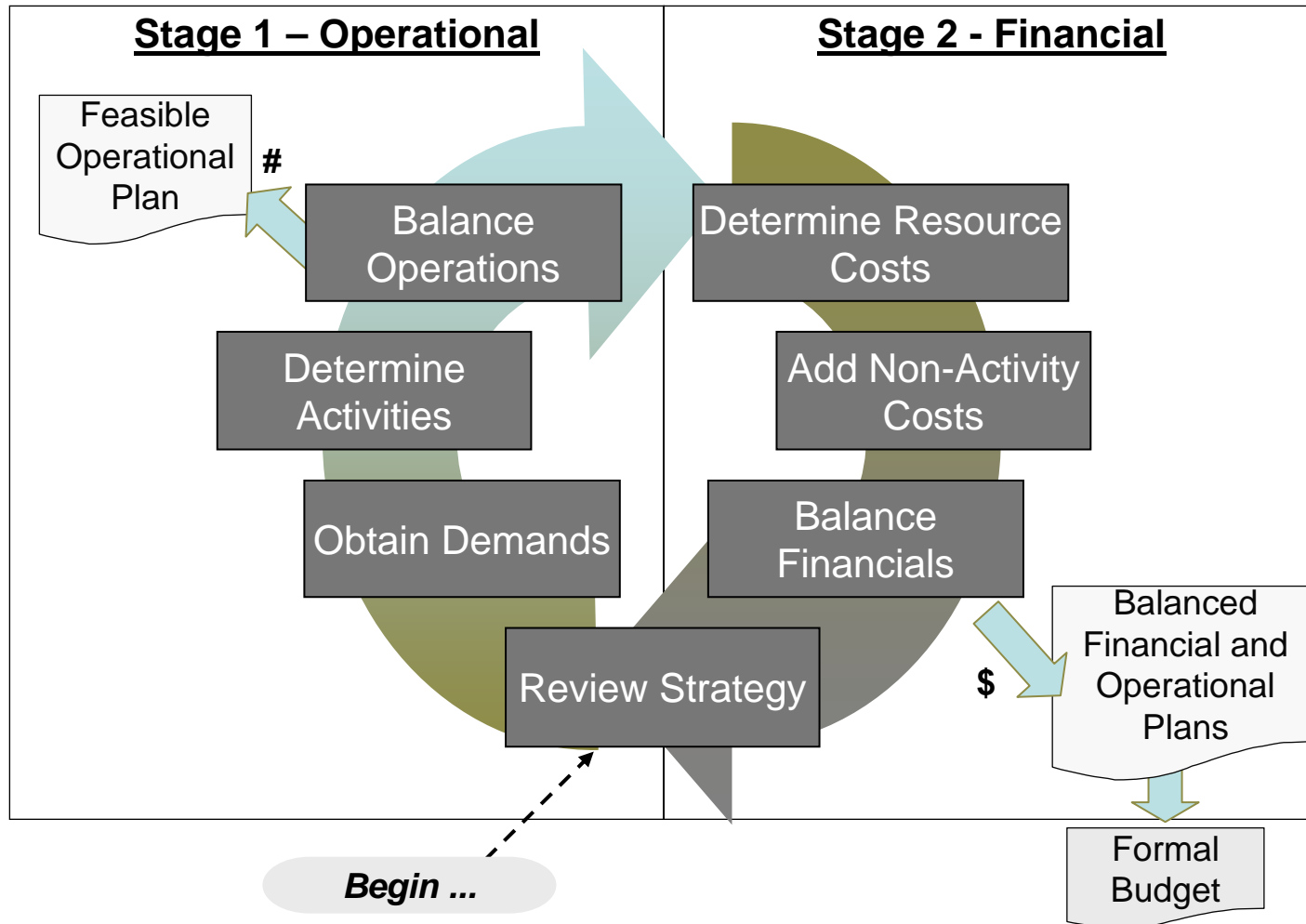
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Overview of the CAM-I ABPB Closed-Loop Model

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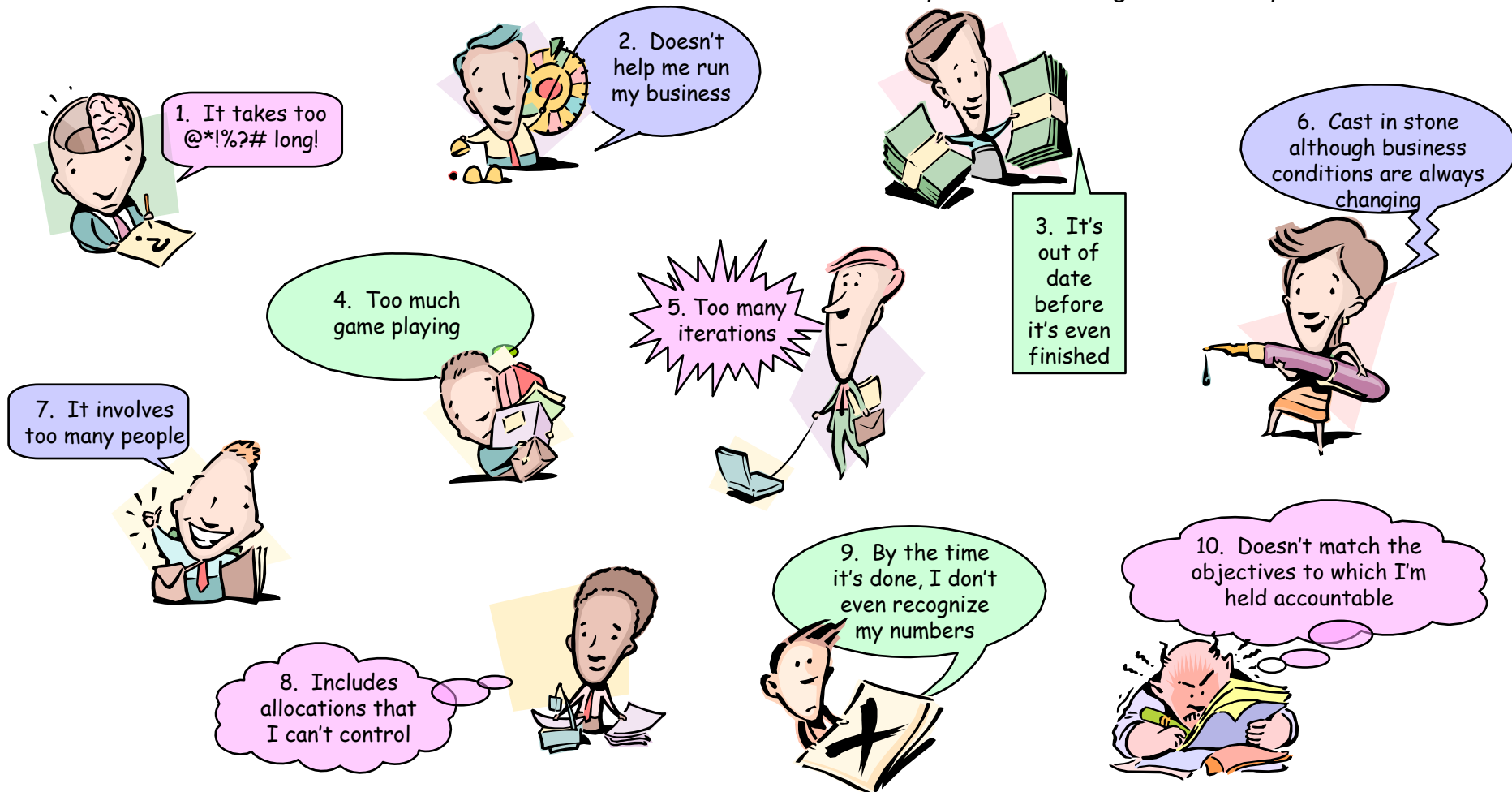
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Questions ?

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