



ONE EIGHTY

A new perspective for your enterprise performance

September 2011

Driver-Based Planning

Upcoming Events

- CMA CAM-I Performance and Cost Management Conference
Toronto Canada
November 2-3
- [APQC 2011 Process Conference](#)
Houston
November 7-11
- [Webinar on Time Driven Activity Based Costing for Health Care](#)
November 10
- CAM-I Fourth Quarter Meeting
Austin TX
December 11-14

Person in the News

- Congratulations to Glenn Gilder in his new position Product Line Manager for Logan Oil Tools

Link

Ventana Research [Integrated Business Planning benchmark research report, May 2010.](#)

Driver-Based Planning is a hot topic in the world of forecasting, planning and budgeting. What distinguishes “driver-based” from “not driver-based” is the use of mathematics to create budgeting, forecasting, and planning models.

Driver-Based Budgeting: Purpose is to populate the general ledger with budget data and set targets.

Generally budgets are not highly driver-based and require many manual inputs that must be added together. For more on driver-based budgeting best practices, see the Blog: [Driver-Based Budgeting Vs Driver-Based Planning.](#)

Driver-Based Forecasting: Purpose is to develop either a volume (units, weight, or cube) or revenue forecast to brief management on the most likely case. See Morlidge/Player's *Future Ready*, pages 107-8 for brief description of driver-based forecasting (math models).

Driver-Based Planning: Purpose is to quickly analyze, communicate, and **take action** based on financial implications of driver-based scenarios. Especially in today's economy, successful management requires increased visibility to more scenarios more often.

To be actionable, the driver-based plan must be **unit**-based. Entering revenue as a simple dollar amount will not produce insight into underlying business drivers.

Ventana Research, a benchmark and advisory firm summarizes this need for unit-detail to support insights and action:

“Planning...is about creating a detailed **program of action**... planning is about things...**units** sold... truckload shipments and so on... Budgeting is about not failing, while planning is about succeeding”.

Here are the three key steps to adding value with driver-based planning:

- 1) **Get management on board:** Management must understand unit drivers and the levers they can turn to move the business forward.
- 2) **Get out of the weeds:** Focus management on the key items that drive the business model.
- 3) **Execute what's actionable:** Finally, to make the **unit**-based model actionable requires

(a) **Communicating** to management what is most important at the right time and

(b) **Collaborating** with the right people across the enterprise to facilitate better decision making **continuously** throughout the fiscal year. A **unit**-based planning model serves as a platform for analyzing scenarios and driving the business forward.

Make your planning efforts actionable...unit based
Ben Lamorte