



Connected Planning and Forecasting for Software Companies

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Best Practices to Deliver Results

The factors that determine growth or failure in a software business are constantly shifting. Software companies need to be able to respond to the dynamic nature of the technology market. It's important to be agile and to allocate resources strategically. Yet many software companies today are struggling to keep annual plans and budgets up to date as things change.

Increasingly, businesses are turning away from basic data aggregation to connected planning, bringing together people, data and plans to improve business performance through a dedicated process. Connected planning links a company's budgeting and forecasting processes, which have historically been siloed, for more efficient decision-making. By replacing static annual plans with rolling forecasts and dynamic

predictive modeling, businesses are able to more accurately forecast bookings and allocate capital for growth when and where it's needed. The rest of this ebook outlines the methods software companies use to implement a connected planning initiative and best practices for achieving success.

“As our business grew, it became clear that we could no longer manage our forecasting and reporting with spreadsheets. We can now create much more accurate financial forecasts by employing real-time data analysis on key business trends, and then explain what those trends mean for our business.”

Gonzalo Villafane, Corporate Controller, Neutrona Networks



1. Rolling Forecasts

Traditional annual budgeting and forecasting processes quickly become outdated. By making static assumptions months ahead of time, forecasts end up useless. Businesses subsequently need to undertake the difficult and time-consuming task of reforecasting annual recurring revenue (ARR), monthly recurring revenue (MRR) and cashflow. These days, finance teams are expected to be able to reforecast those figures quickly in response to market fluctuations. Yet, finance professionals know that one “little” request to change or update the forecast can trigger an avalanche of manual adjustments and hours of unanticipated work.

Best practice

Implement a rolling forecast to continuously update budget assumptions, change objectives and allocations, and quickly respond to market changes. Build rolling forecasts that regularly calculate financial projections including MRR and ARR, and customer lifetime value to accurately project revenue and plan investments in marketing, development and sales. Better yet, if you can integrate your CRM data



with the forecast, your leadership team will be able to get the latest information they need to effectively manage the business, gain insight into sales forecasting and therefore better predict performance.

2. Work Better Together

With data coming from multiple sources—revenue and expenses from your general ledger (GL), headcount costs from your human capital management (HCM) software, customer retention and contracts from customer relationship management (CRM) software—relying on disconnected spreadsheets becomes problematic. You'll end up with decisions that are delayed and/or based on stale data. When all teams have access to the latest data, analyzing and understanding historical performance can more easily inform and predict future performance.

Best practice

Stakeholders need a solution that provides appropriate access to the latest actuals, budgets and forecasts from all the disparate sources, automatically. Any change is reflected immediately and collaborators can securely provide input or change assumptions without breaking the input template.



3. Modeling and Predictive Analytics

Driver-based models that include operational metrics such as ARR/MRR under contract, gross margin and customer acquisition costs (CAC) enable organizations to run what-if scenarios to support capital allocation decisions. A key requirement to stay ahead of the competition is understanding the inherent volatility of the scenario and being able to model for financial and operational changes quickly based on fast-changing assumptions.

Best practice

Software companies need sophisticated modeling and predictive capabilities all governed by secure formulas and logic. This allows users to create multiple what-if scenarios and slice and dice data based on various assumptions without extensive re-work or breaking the model. With the right solution, businesses can integrate growth objectives, business drivers and historical data to inform revenue goals. You can reliably forecast MRR and ARR streams from new



and renewal customer subscriptions. Use revenue waterfalls to model recognition timing for subscriptions and services. This gives financial planning and analysis leaders time back in their day for strategic analysis.

4. Share Data With Microsoft Office Tools

Most software companies rely heavily on Microsoft Office productivity tools like Excel, Word and PowerPoint to create plans, forecasts and presentations. These companies need a solution that provides insight into the entire revenue generation process, levying cash flows against reactive KPIs. Meanwhile, finance teams need to be able to track revenue and gross margin by business unit and expenses by cost center, comparing budget vs. actual reports. Yet, most organizations accept an overreliance on multiple Excel spreadsheets that require constant updates when a single change is made. But what if you could connect office tools with your source data?

Best practice

Use a planning and forecasting solution that offers comprehensive bi-directional integration with Microsoft tools. Excel can serve as the modeling environment and users can slice and dice data using Excel-based ad hoc analysis or pushing ad hoc results back into their secure model structure. Additionally, users can directly bring data into Word and



PowerPoint to create refreshable reports that can include commentary. With it, they can create highly customized documents and presentations with accurate information, and users can automatically refresh the report when the underlying data changes.

Connected Planning and Forecasting

With connected planning solutions, organizations are able to significantly improve the way they plan and forecast by bringing data, people and plans onto one solution.

[NetSuite Planning and Budgeting](#) helps align planning and forecasting processes across the organization. Customers are able to respond to change faster and more effectively by developing agile forecasts for all lines of business.

For software companies, NetSuite Planning and Budgeting provides pre-built software metrics and models for budgeting, forecasting, scenario modeling and reporting. The result is improved sales and revenue forecasting, and insights that allow organizations to improve customer retention and reduce churn while controlling acquisition costs.

- **Gain greater control with financial and operational data sources** – Invest your time in picking the right forecasting tool that can eliminate the need for manual data gathering, freeing up time from low value-added work, and making you efficient enough to be able to produce rolling forecasts.

- **Increase collaboration with business stakeholders** – Get everyone in your organization involved in the planning process by giving them access to real-time data through the planning tools and let business unit managers own their numbers.
- **Utilize multiple-scenario planning** – Your driver-based models should be flexible enough to allow you to change multiple assumptions and immediately see the impacts across the business, so you can respond accordingly.
- **Microsoft Office integration** – Smart View allows you to view, refresh, manipulate, submit, distribute and share data in Microsoft Excel, Word and PowerPoint. You can also use Excel as the environment for adding what-if analysis customers, items or expenses categories on the fly.

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