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Connected planning starter kit: Align project plans with growth initiatives

Best practices and first steps

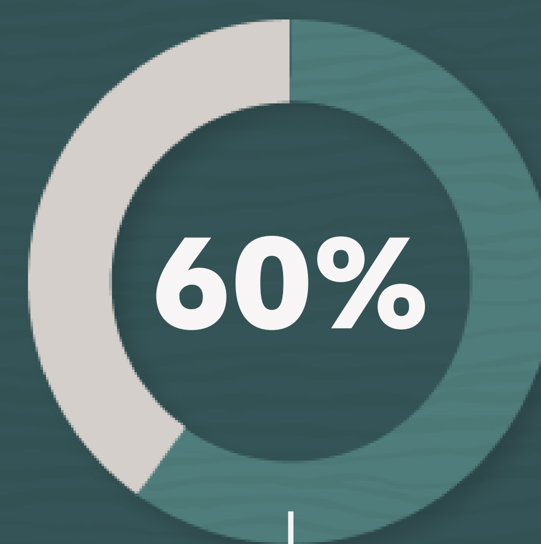
Align project plans with growth initiatives

In today’s constantly changing economic environment, companies are scrutinizing every investment. Organizations realize that change is required to thrive, but understanding where and what to invest in is key. Planning is the necessary component to creating business growth. Growth is often fueled, in part, by projects, large and small, short-term and long-term; however, for company success, all projects must be connected with finance and other lines of business throughout the organization.

Project financial planning provides an understanding of the overall impact a project has on the financial plan and involves planning for every financial aspect of a project, including headcount, capital expenditures, and all other related project costs. Integration with project management in ERP is also key for constant feedback on the project’s financial performance.

Be careful of a siloed approach where projects are planned without connecting data, strategy, and cost components, causing unnecessary challenges. Creating an effective project financial plan doesn’t need to be difficult.

Building a foundation for a connected, finance-focused project plan can be simplified into the following five best practices and key first steps.



more projects hit their targets in companies where decisions are addressed in an agile way, according to McKinsey & Company

Best practices for project financial planning

1 Prioritize projects with a transparent lens

50% of companies say their investment processes are not transparent and they don't know the criteria for making decisions, according to McKinsey & Company.

Companies seemingly prioritize projects without focus, and "from the gut" every day. Intuition is good to have, and prioritizing projects by return on investment is one step in the right direction. But decisions for moving forward with a project are co-dependent on aligning with strategy. Take a look at each project and to see how it aligns with a company's strategic direction and how it interlocks with strategic initiatives for other lines of business.

A truly connected plan will reveal not only the costs associated with a project but the ramifications of how investing in one project could pull resources needed for day-to-day operations or other initiatives. For example, a project that expands capacity for retail locations has the possibly of shifting workforce resources to support the expansion, costing the company with new hires or pulling the focus from another area of the business. In a connected project financial plan, everything is transparent.

2 Forecast everything, but focus on one thing

Most likely you can't predict with 100% certainty how much you will spend and when, where, and why you will incur those expenses. But with the right tools and processes in place, you can get very close to that 100% confidence level. The most important part of the project planning process, and one that feeds into the cost-benefit analysis, is forecasting all project costs, including length of time and resources required for each project.

Understanding all the key cost components, including workforce expense, capital expense, and other factors, is essential for project success. Creating accurate assumptions involves both the breadth of information as well as the depth of analysis your planning tools provide. So forecast everything but focus on establishing a process of continuous feedback to enable a tight integration between financial project planning expenses, actual expenses, strategy, and analysis. This continuous loop will help with forecasting and keep expenses, timing, and resource allocation in check for a successful outcome.

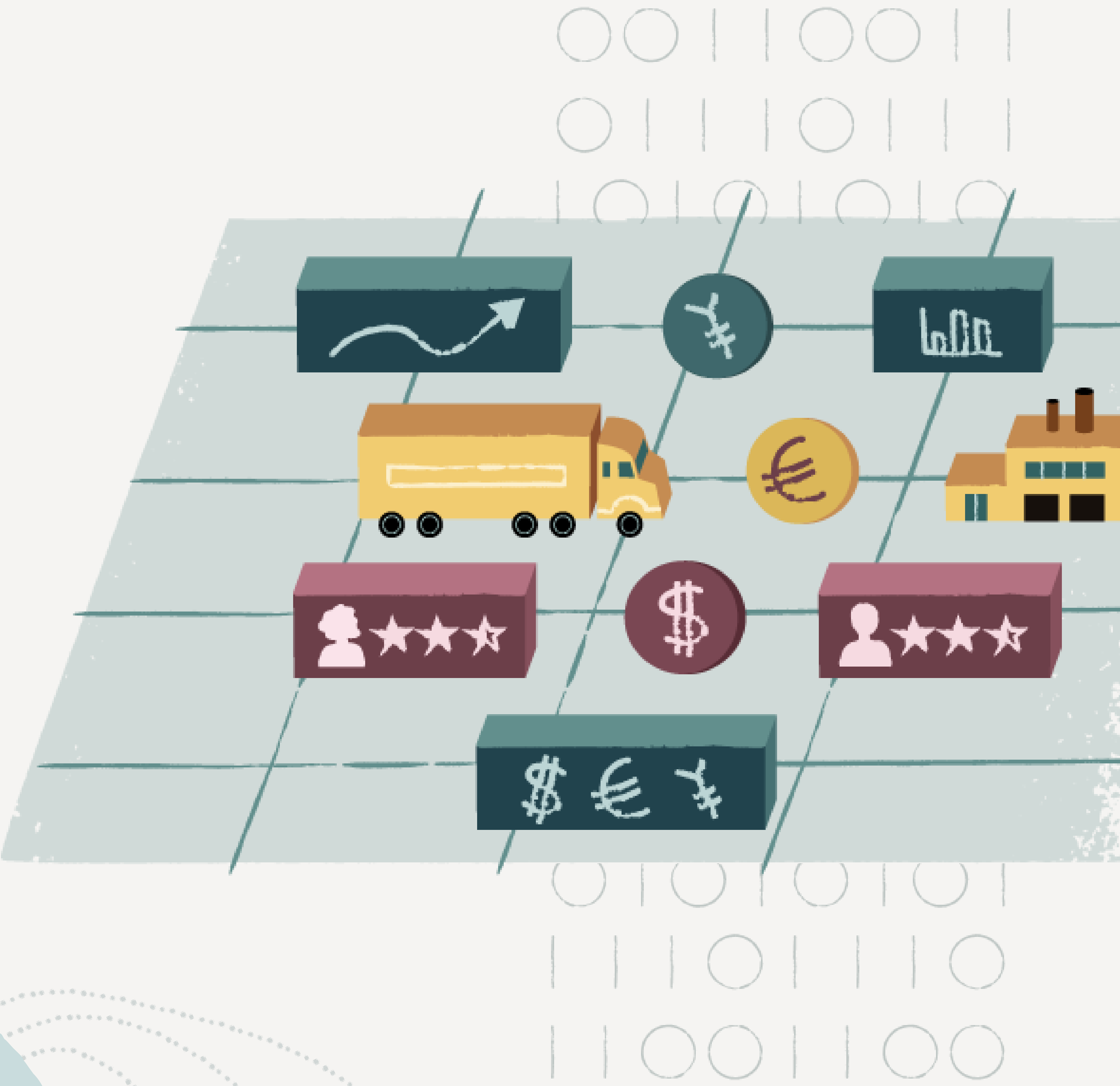
Best practices for project financial planning

3 Proactively manage and plan projects together

According to McKinsey & Company, large capital investment projects that are completed on schedule and within budget are more often the exception than the rule, as decisions are made based on inaccurate data.

The key to proactively managing project performance is to make sure your planning application is integrated at the process level with your project management application and your ERP system. This tight data integration rewards constant financial performance feedback, comparing project actuals (costs) versus cost assumptions. It also provides the right information to make important project decisions. In fact, this performance feedback can mitigate costly mistakes without increasing or decreasing the workforce, or other project expense components.

The delicate balance between monitoring project performance and adjusting assumptions could be the difference between a company's success or failure. It's important to get it right and to be right continuously.



Best practices for project financial planning

4 Become an agile project planner

A well-choreographed dance on stage results in a beautiful, graceful production. Your project planning can also take on a harmonious approach, step by step, compering actual costs to forecasted costs. But when a step is out of place, similar to when a dancer slips, you have to be able to act quickly, adjust assumptions, and pivot accordingly.

A company that is more nimble, that can quickly reallocate resources or shift timelines based on project priority or changes, is the company that has the better chance of project success.

Project agility doesn't just happen overnight. It's a culmination of integrated data and processes, effective forecasting, and project and company strategy alignment. Choosing the right planning applications with advanced capabilities is very important. For example, planning tools with embedded predictive analytics, AI, and machine learning capabilities help with project agility and drive more quickly towards trusted project planning decisions. You can influence behavior, free up resources, and more importantly, make decisions faster with the right agile tools in place.

5 Align projects, people, and strategy

Finance needs visibility into business stakeholders' (LOBs) operational project plans, and those same stakeholders need to connect with finance's strategic plans. Alignment needs to happen at every level:

- **Align technology** – Align finance and operations on one integrated platform for better visibility and collaboration on project planning and performance.
- **Align finance** – Align finance with other lines of business leaders to understand project priorities and to make quicker project investment decisions.
- **Align data** – Align project data such as project cost actuals with budgeted or cost assumptions. Aligning revenue, workforce, materials, and other pertinent project data also optimizes agility and reporting accuracy.

Alignment involves both process and project planning changes, but often the right tools will help drive people to take the first steps in their alignment journey. The right tools will enable a seamless and connected project financial plan that is understood by all involved.

Steps to get started

1. Take an inventory of project planning capabilities and resources

Just as you take inventory of household safeguards in preparation for a storm or weather event, you can take inventory of your technology and process capabilities by asking the kind of questions that will help drive towards a successful project plan. Ask yourself if you have the right applications that can easily integrate your ERP and project costs with your planning assumptions. Ask if you employ the right methodology and planning process to keep costs in check and project plans agile. Your answers will drive you to take action.

2. Close the gaps to allow for a continuous and successful project plan

Make the investment in time, effort, and especially technology to build a continuous project planning process. Look at current project financial review process and see if all your project financial data, both actuals and budgeted, can be easily accessed to make informed project planning decisions. You are not only investing in your business, but you are investing in your business growth when you fill those key needs gaps to power your projects more efficiently.

3. Create project cost and strategy visibility for finance and LOBs

Start the alignment discussion and share finance’s strategic direction with project stakeholders. Begin the process of syncing project needs and costs with strategy to prioritize projects and determine the best path to project and business success.

Quick reminders

Do:

- ✓ Prioritize projects in line with other company project plans and strategy
- ✓ Focus on driver-based planning models to plan for costs in a variety of projects
- ✓ Continuously monitor project expenses with pre-built metrics
- ✓ Make decisions at every project stage based on financial impact and strategy

Don't:

- ✗ Approach project planning with a siloed mindset
- ✗ Plan your project finances without involving all key stakeholders
- ✗ Leave out important drivers, such as workforce planning

Looking forward

Your project planning needs the right tools, the right alignment (coordination), the right visibility (understanding), and the right continuous feedback. Of course, executing a successful financial project plan in your business is more involved than simply checking the box on project expenses. It involves a synchronous approach, tying data, strategy, project costs, assumptions, forecasts, and project performance to reach agreed-upon project goals.

Successful project planning starts with finance but aligns with project owners, stakeholders, and strategy to provide visibility into the full financial impact all projects have or will have on a business. The difference between a successful project plan and one that is not aligned could mean the difference between a company that has a strategic advantage and a company with a missed opportunity.

To learn more about aligning your project plans to growth initiatives, visit our site or take a quick product tour.

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