Requirements Specification for a **Budgeting & Forecasting Solution**

(Financial Planning)

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Content

Purpose and How to Use This Guide

This document has been prepared to support organizations in the early stages of planning and executing a procurement process for a new budgeting and forecasting solution. Its purpose is to provide a structured and holistic framework for identifying needs, aligning stakeholders, and evaluating potential vendors in a consistent and comparable manner.

The guide is intended to be used early in the buying journey, as a starting point for internal discussions rather than as a final or exhaustive requirements specification. It is designed to help organizations:

- Clarify current challenges and future ambitions
- Establish a common understanding across finance, management, and IT
- Define evaluation criteria before engaging deeply with vendors

The document can be adapted to the organization's size, maturity, and complexity. Not all sections will be equally relevant in every situation, and organizations are encouraged to focus on the most critical areas in their own context.

An accompanying Excel-based template for defining and evaluating functional and non-functional requirements is provided as an appendix. This template can be used to structure vendor comparisons and support a more detailed and quantitative evaluation once priorities have been agreed.

The guide is primarily intended for:

- Finance and FP&A functions
- Executive management
- Project teams involved in system procurement
- IT and digital transformation leaders

Aligning Financial Planning with the Organization's BI and IT Strategy

Many organizations have already defined an IT and analytics strategy that includes a common business intelligence (BI) platform, such as Power BI, for reporting and analysis across the organization.

When selecting a solution for Financial Planning (FP), it is therefore important to consider how the solution fits into this broader BI strategy, rather than evaluating reporting and visualization capabilities in isolation.

Not all planning and forecasting solutions need to offer full-scale BI functionality. In many cases, attempting to replicate enterprise BI capabilities within multiple tools increases complexity, technical competence requirements, and long-term maintenance effort.

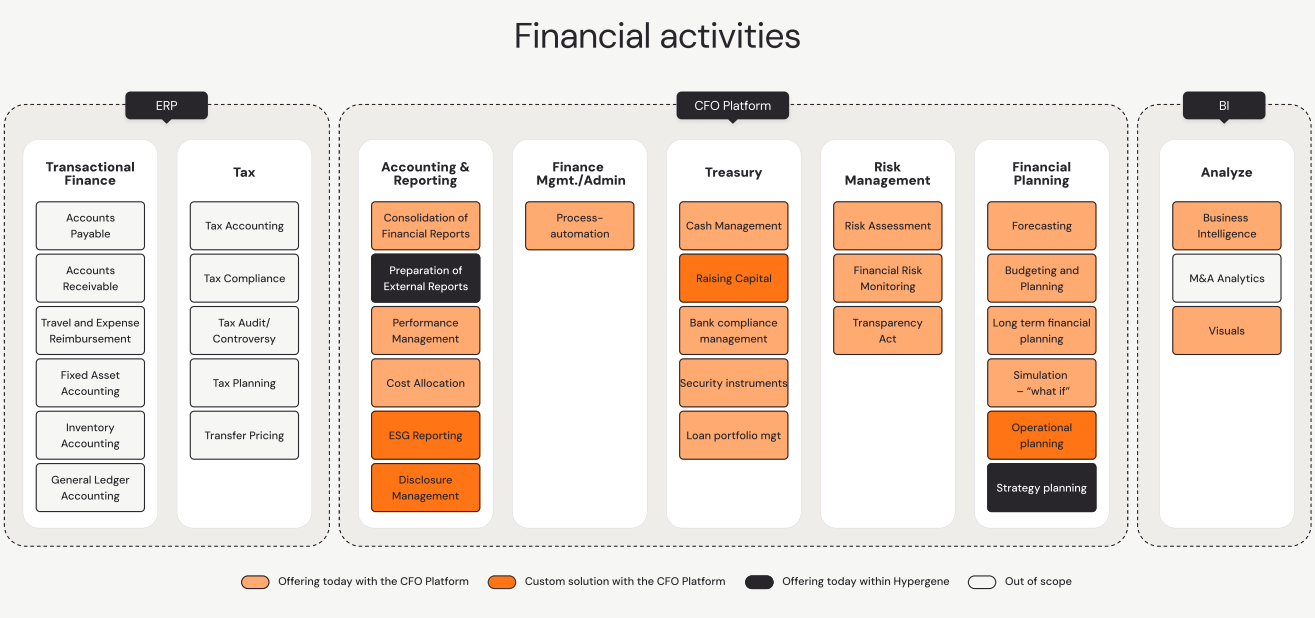


Fig 1: The figure shows the wide range of activities within the CFO function, from transactional finance to planning and analytics. It emphasizes the need to align BI and IT strategies to support integrated, consistent, and scalable financial planning.

Instead, organizations should consider a clear division of responsibilities:

- The Financial Planning solution as the system of record for planning logic, assumptions, and calculations
- The BI platform as the primary interface for analysis, visualization, and distribution of insights

From a procurement perspective, this involves assessing the FP-solution's ability to integrate seamlessly with existing BI tools using standard connectors, APIs, or data export mechanisms. The solution should support near real-time or scheduled data refresh, enable consistent and reusable data models across planning, reporting, and analytics, and provide clear ownership boundaries between finance and IT for data pipelines and semantic models.

Aligning FP and BI strategies early in the buying journey reduces technical risk, avoids duplication of capabilities, and ensures that the selected solution supports both finance needs and the organization's long-term IT architecture.

Why Budgeting and Forecasting Solutions Matter

Budgeting, forecasting, and planning processes are fundamental to effective resource management, financial predictability, and sound strategic decision-making. Many organizations still rely on spreadsheets or legacy systems, which often result in time-consuming processes, a high risk of errors, limited traceability, and strong dependency on key individuals.

Despite these challenges, spreadsheets and outdated systems remain widely used. This typically leads to inefficient workflows, reduced data quality, delayed and unreliable information, and solutions that are difficult to maintain over time.

Modern financial planning solutions combine real-time data, automation, and advanced analytics. This enables more accurate forecasts, deeper insight, and a stronger connection between strategy, operations, and finance. A structured RFP process is therefore critical to ensuring that the selected solution supports both current requirements and future ambitions.

Common Weaknesses in Planning Processes

Based on our experience, several recurring weaknesses are evident in how budgeting and forecasting processes are organized and executed. One common challenge is that planning is often based on a single "base case" or ideal scenario, assuming that growth, costs, and market conditions will develop as expected. The lack of scenario and sensitivity analysis leaves organizations vulnerable when underlying assumptions change.

> ***Nine out of ten CFOs report that their forecasts are challenged before they reach executive management, while only 1% say this never happens.***
>
> ***These revisions create additional work and divert time away from strategic decision-making.***
>
> ***(See the Nordic region's largest CFO survey: Confessions of a Nordic CFO.)***

Another frequent issue is that cash flow forecasting is handled separately from income statement and balance sheet planning. This results in fragmented decision-making and makes it difficult to understand the cash effect of changes in profitability. In addition, cash flow forecasting is often treated as a reactive exercise, updated infrequently and after events occur, rather than being used proactively as a management tool.

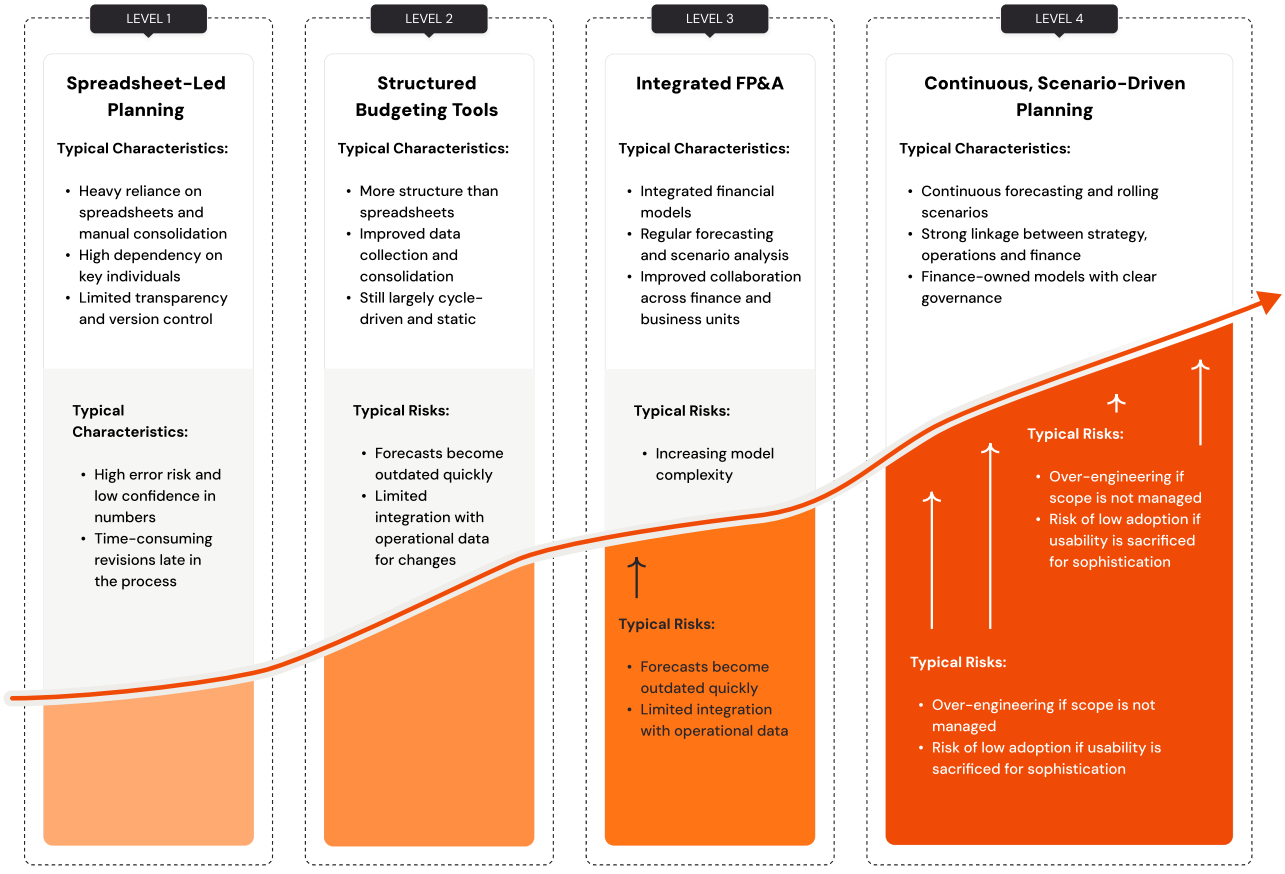
Modern planning solutions enable fully integrated models where the income statement, balance sheet, and cash flow are closely connected. Continuous updates, scenario modeling, and automated calculations provide greater control and predictability, allowing organizations to move from static plans to more dynamic and forward-looking financial management.

Understanding Your FP&A Maturity:

Where Are You Today?

Organizations approach budgeting, forecasting, and financial planning from very different starting points. Understanding the current maturity of FP&A processes is an important first step in selecting the right solution.

The model below describes four typical stages observed across organizations. The purpose is not to label maturity as good or bad, but to help organizations identify common challenges, risks, and priorities at each stage of the buying journey.



Organizations may recognize elements from multiple levels. The key is not to aim for the highest level immediately, but to select a solution that supports the next logical step while allowing further maturity over time. Using this maturity perspective early in the buying process helps ensure that solution needs and future ambitions.

Fig2: This figure illustrates a four-level maturity model for financial planning. Organizations should focus on advancing to the next logical stage rather than pursuing full maturity at once

Organizations may recognize elements from multiple levels. The key is not to aim for the highest level immediately, but to select a solution that supports the next logical step while allowing further maturity over time. Using this maturity perspective early in the buying process helps ensure that solution selection is aligned with both current needs and future ambitions.

What to Consider Before Selecting a Solution

While functional and technical requirements are critical, many financial planning initiatives fail to deliver their expected value due to challenges during implementation and adoption rather than limitations in system capabilities.

Based on experience from multiple implementations, organizations should be aware of the following common risk factors early in the buying journey:

- Excessive customization early in the project can increase complexity, cost, and dependency on external consultants. Many organizations underestimate the value of starting with standard models and gradually adapting them as needs evolve.

- Unclear ownership between finance and IT often leads to delays and frustration. Successful implementations typically establish finance as the business owner of models and assumptions, with IT ensuring data integration, security, and governance.

- Data readiness is frequently overlooked. Poor master data quality, inconsistent structures, or manual data corrections can limit the effectiveness of even the most capable planning solutions.

- Finally, adoption should not be treated as a training issue alone. Solutions that align with how finance teams work under time pressure, and that allow gradual onboarding of users, are more likely to achieve sustainable value.

Discussing these aspects with potential vendors early in the process can significantly reduce implementation risk and improve long-term outcomes.

Recommended Approach to the **Procurement Process**

We recommend beginning with an assessment of current challenges and aligning them with anticipated future needs. This document, together with the accompanying template, should be used to define requirements in close collaboration with relevant stakeholders across the organization.

Engaging early with potential vendors can provide valuable insight into available capabilities and best practices, as well as a clearer understanding of how different solutions can simplify and improve day-to-day operations. This dialogue will also provide useful input for refining and strengthening the final RFP.

Functional and Technical **Requirements**

When selecting a new budget and forecasting solution, it is important to evaluate the capabilities offered by each vendor and how well they support both current and future needs. The sections below outline key capability areas that should receive particular attention during the evaluation process.

Flexible and Configurable Models

A modern planning solution should provide flexible and highly configurable models capable of supporting a wide range of planning requirements. Models should be structured around clearly defined entities, attributes, and relationships, ensuring that business dependencies are accurately represented.

The solution should support multiple forecasting methodologies and provide sufficient dimensionality to enable continuous forecasting, planning, and target setting. Model development should be configuration-based rather than code-driven, allowing users to focus on business logic instead of technical implementation.

Scenario and Sensitivity Analysis

The ability to work with multiple scenarios is essential for evaluating the impact of strategic and operational decisions. A strong solution should make it easy to create, manage, and analyze scenarios individually and in combination.

User-friendly simulation and sensitivity analysis capabilities help organizations better understand risk, uncertainty, and the implications of changing assumptions, enabling faster and more informed course corrections when required.

Data Integration

Robust data integration is a prerequisite for efficient and reliable planning. The solution should integrate seamlessly with core systems such as ERP, payroll, CRM, and other relevant operational platforms, preferably through standard connectors or APIs.
It should also support integration with third-party solutions for areas such as demand planning, workforce planning, supply chain planning, and marketing planning. This ensures a consistent, comprehensive, and up-to-date data foundation for financial analysis and forecasting.

Predictive Analytics and Advanced Insights

Modern solutions should support predictive analytics through statistical methods, algorithms, and machine learning. These capabilities improve forecast accuracy, identify trends, and detect deviations at an early stage.
At the same time, transparency and explainability are critical. Users must be able to understand how forecasts are generated and combine system-driven insights with professional judgment and business context.

Scalability and Performance

The solution must scale efficiently as data volumes increase and as the number of users grows, without compromising performance or stability. Adequate computational capacity and resource management are essential to avoid latency, downtime, or functional limitations.

Workflow and Process Automation

Support for workflow management and process control is important to ensure structure, quality, and progress throughout the planning cycle. The solution should track contributors, enforce roles and permissions, and provide clear visibility into process status and potential bottlenecks.

Configurable workflows for approvals, information sharing, and accountability reduce manual follow-up and improve governance within the finance function.

User Experience and Governance

A strong user experience is critical for user adoption and effective utilization of the solution. The platform should be intuitive, responsive, and tailored to different user roles, offering features such as drag-and-drop functionality, self-service reporting, real-time collaboration, and configurable notifications.

At the same time, robust governance capabilities are required, including version control, auditability, and dedicated test environments to support quality assurance and continuous improvement. Additional features such as embedded documentation, guided workflows, preconfigured planning templates, and chat-based assistance can further enhance usability.

Implementation Strategy and Delivery Model

The vendor's implementation approach should be a key evaluation criterion. A successful implementation typically begins with a thorough assessment of business needs, followed by clearly defined objectives, milestones, and timelines.

Requirements should be set for certified or experienced implementation partners, ongoing project governance, system health checks, and mechanisms that ensure best practices are applied throughout implementation and into the operational phase.

Integrated Planning Across the Organization

The solution should support integrated planning that connects financial, strategic, and operational perspectives. This enables alignment between long-term strategic objectives and short-term budgets and operational plans.

Support for additional planning domains, such as workforce, supply chain, or marketing planning, further strengthens the organization's ability to make well-informed, cross-functional decisions.

Management Insight and Dashboarding

To support effective decision-making, the solution should offer flexible reporting and dashboard capabilities that provide fast, intuitive insight into business performance.

Users should be able to access relevant data easily, create their own reports, tailor visualizations to different audiences, and analyze variances through drill-down and root-cause analysis.

Global Planning and International Support

For organizations with international operations, support for global planning is essential. This includes multilingual user interfaces, compliance with local regulatory requirements, and secure handling of sensitive data in accordance with applicable data protection regulations.

The solution should also support modeling of currency effects and foreign exchange risk in budgets, forecasts, and cash flow, which is critical for decision-making in global and volatile markets.

Non-Functional Requirements

In addition to functional capabilities, it is important to define clear non-functional requirements. These are essential to ensure secure operations, regulatory compliance, and long-term reliability.

Security and Access Control

The solution should meet high standards for information security and access management, including role-based access control to ensure users can only access data and functionality relevant to their responsibilities.

It should be possible to manage access across organizational units, legal entities, and dimensions. Secure authentication mechanisms such as Single Sign-On (SSO) and multi-factor authentication (MFA) should be supported.

The vendor should clearly describe how data is protected both in transit and at rest, and which security standards and certifications are applied.

Privacy and GDPR Compliance

The solution must comply with applicable data protection regulations, including GDPR. This includes clear handling of personal data, mechanisms for restricting access to sensitive information, and support for deletion or anonymization where required.

The vendor should describe its role as a data processor, procedures for data processing agreements, and how personal data is stored and processed, including data residency and the use of sub-processors.

Audit Trail and Traceability

To support auditability and strong internal controls, the solution should provide a comprehensive audit trail. All changes to data, models, assumptions, and user inputs should be logged, including who made the change, when it was made, and what was changed.

Strong traceability is particularly important in budgeting and forecasting processes involving multiple contributors and frequent revisions. The vendor should explain how audit trails can be used in practice for both internal governance and external audits.

Operations, Availability, and Roadmap

The solution should be delivered with clear commitments related to operations and availability. The vendor should specify expected uptime (SLA), monitoring procedures, incident management processes, and response times.

It should also be clear how maintenance, upgrades, and ongoing development are handled, and how these activities affect system availability. For cloud-based solutions, the vendor should describe the operating model, redundancy, and contingency plans.

Costs and Commercial *Terms*

To ensure a solid decision-making foundation, full transparency around both direct and indirect costs is essential. The RFP should therefore include clear requirements related to pricing and commercial terms.

Licensing Model and Pricing Structure

The vendor should clearly describe the licensing model, including how pricing is calculated (e.g. per user, per module, per data volume, or per legal entity).

It should be clearly stated which capabilities are included in the base license and which are offered as optional add-ons. The vendor should also explain how pricing may change over time, including indexation, contract duration, and terms for scaling usage up or down.

Implementation and Training Costs

Vendors should provide estimated costs related to implementation, configuration, and training. This should include both one-time costs and any recurring services.

The scope of the implementation, division of responsibilities between vendor and customer, and the approach to training and knowledge transfer for different user groups should be clearly described.

Scalability and Total Cost of Ownership (TCO)

Organizations should evaluate the solution's total cost of ownership over time, not just the initial acquisition cost. Vendors should explain how costs evolve as usage increases, including additional users, larger data volumes, or expanded functionality.

A TCO assessment should include licensing, implementation, operations, support, training, and potential future enhancements. This provides a more realistic view of long-term costs and improves comparability between vendors.

The Next *Step*

When selecting a new budgeting and forecasting solution, it is essential to evaluate functional, technical, and organizational capabilities holistically. A future-ready solution should support integrated planning, offer a high degree of automation and usability, and provide the flexibility required to respond to changes in market conditions and strategy.

This requirements specification is intended to serve as a structured foundation for evaluating and comparing vendors, ensuring that the selected solution supports the organization's needs in both the short and long term.

Each requirement should be assigned an importance level on a scale from "very important" to "not important." Vendors are evaluated and scored based on how well their solution meets each requirement.

The list of requirements is not exhaustive. Additional requirements may be relevant depending on the organization's specific context and objectives. The document should therefore be used as a starting point and adapted as needed.

This document is intended to support and guide the process of defining needs and requirements when selecting a new budgeting and forecasting solution.

Best of luck with the process.

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