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Special for *O Papel*



TREASY DISCLOSURE

## BRAZILIAN MANAGERS SEEK DIFFERENT TOOLS TO KNOW MORE ABOUT COMPANIES AND ANTICIPATE MARKET TRENDS

**T**he second edition of the Budget Trends 2017-2018 survey, which aims to map the main financial and budget trends in Brazilian organizations, showed the concern of finance and controllership professionals in overcoming the bottleneck caused by the drop in company revenues and in maintaining control over their business. For 72.3% of respondents, “having the company under control, knowing how to anticipate scenarios” is a priority of their professional work.

Conducted by Treasy, in partnership with Ferreira Filho Associados, the online survey counted on the anonymous participation of professionals from all over Brazil, in companies from different sectors (57.8% services, 20.3% industry, 17.4% trade, 2.6% government and 1.9% NGOs). “The survey has been of utmost importance for directors and entrepreneurs in knowing more about their business through numbers, as well as in identifying what other companies are doing to achieve more business security,” says Daniel Fernandes, Customer Success Director at Treasy.

In this month’s interview, Fernandes provides more details about the information collection process, analyzes the main results identified and stresses the importance of this type of survey to foster the implementation and strengthening of a budget culture in companies.

**O Papel** – How did the idea of a survey come up, and how did this second edition go?

**Daniel Fernandes, co-founder of Treasy and current Customer Success Director** – Even though Treasy is a relatively new company, with only five years in the market, we've been working in the Budget and Financial Management areas for a long time and felt a need to know more about the market. Ferreira Filho, our survey partner, noticed the same bottleneck. As a result, we got together to conduct the first Budget Trends edition in 2016. Since the focus of both companies was to facilitate Business and Budget Management processes in organizations, we had to thoroughly learn the difficulties of business executives and managers. Given this context, Budget Trends has proven to be of utmost importance for directors and entrepreneurs to know more about their own business through numbers, as well as know what other companies are doing to achieve greater data security and make decisions. Through this type of study, we wish to incentivize the implementation and strengthening of a budget culture in companies, since we believe that budgets are a powerful organizational-management tool that are fundamental when seeking financial predictability. The corporate budget also satisfies the need of areas with more practical content, through real experiences and numbers, having become a consolidated theory disseminated among professionals.

**O Papel** – What were the main results identified in this latest edition of Budget Trends?

**Fernandes** – The main takeaway from this edition of Budget Trends is the pursuit of directors and entrepreneurs to have control over their business. That is, to know exactly where the organization's bottlenecks are, be able to anticipate problems and identify opportunities more easily. This need for predictability becomes evident when asked what's most important in their work: for 72.3% of respondents, "having control over the company, knowing how to anticipate scenarios" is a priority. The goal to "understand alternatives and trends in the market, using the best there is in the

company" appears next, in the opinion of 63.8% of the participants, followed by "reducing costs in an intelligent manner" by 53.9%. If we only look at the market, it's natural for this concern to exist, especially when considering Brazil's political and economic instability. What's new in this scenario is that executives no longer want to be stuck to these variables, but rather be key players in their own history. However, since the management maturity level of Brazilian organizations is very new, considering that we are in the second generation of managers, these processes are still in the construction phase. We noticed that more mature companies already utilize budget management in an adequate manner, which makes them less vulnerable.

**O Papel** – According to these results, what are the main trends you would point out among Brazilian executives and directors? What factors justify such trends?

**Fernandes** – A survey conducted by Sebrae in 2016 showed that the survival rate of Brazilian companies up to two years old (excluding Individual Micro-Businesses — MEIs) amounted to 58%. The reasons pointed out for this rate included lack of planning, particularly financial, and lack of budget management. Some participants mentioned, for example, that they did not track Revenues and Expenses closely. Such data reinforces what we also identified in companies: an increased pursuit of process control, especially budgetary. The majority already do planning — according to Budget Trends 2017-2018, 74% of all interviewees adopt Budget Planning as a tool —, but execution numbers begin to drop in subsequent steps, which also represent fundamental stages for process efficiency, such as, for example, monthly tracking of planned versus executed. This mainly happens due to a lack of processes or highly-complex and centralized management models.

**O Papel** – What would be the ideal conduct to correct these errors that still occur in organizations?

**Fernandes** – After planning and simulating

Fernandes: "Even though we are far from the ideal pace, we are advancing towards more mature corporate direction and management, with a well-disseminated budget culture"

various scenarios, the right thing is to track and conduct eventual reviews of the Budget Plan whenever necessary. This monitoring is just as important as the planning itself. It's what's going to let you know whether the organization is on the right track or not. Nonetheless, we're already seeing changes — albeit timid, but real — in the mindset of executives and managers, seeking greater professionalization in the Financial and Controllershship areas. As a result, they're adopting appropriate tools that allow optimizing time and, consequently, let them focus on more strategic activities.

**O Papel** – What are the competitive advantages of corporate budgeting as an organizational management tool? How does this tool contribute to the competitiveness of companies?

**Fernandes** – Imagine you're going on a trip with your family and you need to pack your bag without knowing what your final destination is, which could be a beach or a ski resort. That would be a difficult mission, wouldn't it? If it's already a difficult task to do alone, involving other people makes it even more complicated. The same occurs in a company that does not have well-defined plans and has centralized management. If the organization does not know where it wants to go, it's highly unlikely that it will achieve the success desired. The corporate budget is not the secret to success, but it's the beginning of everything. Before beginning to plan, however, it's important to organize the financial and operational. It's in this stage that this highly important tool comes into play, especially if the process has a clear and transparent methodology that involves all managers and directors in the organization. Cost reductions, greater productivity and accurate figures are just a few of the benefits of having a company under control using a corporate budget.

**O Papel** – In practice, how should the corporate budget be prepared?

**Fernandes** – Our suggestion is that management define an objective, what it believes is the most important and, based on it, define plans. What the areas will do to achieve this goal, what the plan will be for doing it, how much it will cost. Once this is done, it is fundamental to track the budget on a monthly basis or the frequency that's most appropriate to the organization's reality. With the right tools and following the ideal methodology, the company will have greater assurance in the numbers, agility to identify potential problems or opportunities, and data for decision-making. Inevitably, it will be better prepared for the market, with more engaged teams and managers.

**O Papel** – How should the corporate budget be managed so that it, in fact, is a useful tool? What eventual mistakes can end up invalidating the tool?

**Fernandes** – It's important to keep in mind that the corporate budget is not a static tool. Some companies prepare the plan but then store it in their desk and only pick it up at the end of the cycle, when it has to prepare the next. During this time, a lot of things can change and make these numbers and plans not make sense anymore. As a result, the corporate budget loses all its potential and becomes a tool with no credibility. Like the market, the corporate budget is also dynamic. This doesn't mean that it will be necessary to make changes whenever you want, based on what 'you think'. When tracked correctly, throughout a cycle, it's possible to make plan reviews based on numbers. To understand what we're talking about, think of a plant, for example, that planned a production of 1,000 new products per day and prepared its entire action plan and budget based on it. But an unexpected truckers' strike kept the plant from operating three days. By tracking budget figures and data on a frequent basis, it is possible to analyze the impact of such an event on the organization in a much quicker manner than if managers and directors only look at it at the end of the cycle when they have to prepare the new budget.

**O Papel** – Do you believe that Brazil's structural bottlenecks, coupled with today's troubled political-economic environment, increase the need to adopt effective strategies to strengthen the competitiveness of companies?

**Fernandes** – Brazil is still in the second or third (for the oldest ones) generation of managers and directors. Therefore, some models that work so well abroad are still being discovered here, like budget controls and corporate budget as management tools. The good news is that the current market scenario is accelerating this process. Today's generations also seek modernization given the ease that new technologies provide. They understand that it's possible to reduce costs, for example, with cloud tools, waving investments in machinery and physical infrastructure, in addition to making the process more agile and safe. As a result, they are able to dedicate more time to strategic than operational matters, gaining productivity. Even though we are far from the ideal pace, we are advancing towards more mature corporate direction and management, with a well-disseminated budget culture. ■

To see the complete version of the survey, go to:  
<http://materiais.treasy.com.br/budget-trends-2017-2018>