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Abstract

The nature of this study was experimental case study in which, based on existing theory and normative reasoning, the aim was to find an alternative model for annual budgeting for Stora Enso Group in a form of rolling financial forecasting.

In order to find the alternative the current situation was described as well as related weaknesses from the business management perspective. To describe the current situation the whole organizational control process was described including the planning, budgeting and management reporting processes and content. Problems relating to the current situation were investigated by comparing the existing theory and the current situation using normative reasoning. The data used in the study was gathered from four different interviews, in which five different Stora Enso employees were interviewed, and from company material published for external and internal use.

It was noted in the study that the whole organizational control process relies heavily on the annual budgeting and that there is a lot of room for improvement in the annual budgeting as well as in the management reporting. Just replacing the annual budget with rolling financial forecasting would not add value compared to the current situation. The most significant improvement proposals relating to replacing the annual budget were related to target setting, follow up of the realization of plans, and explaining the cause and effect relationships of the financial results of operations. Currently the financial targets are set in the annual budget and the budget follow up is used to follow up the realization of the plans. In target setting the focus should be more on relative measures, like competitor benchmarking, to eliminate the effect of the market situation. In the follow up of the realization of plans, more emphasis should be put on the follow up of the three year targets and the forecasting of those. Explaining the cause and effect relationships of the financial results of operations should be emphasized more in reporting and in forecasting. This could be done by making forecasting and reporting simpler and less focused on accounting and by increasing the importance of modeling the business. For example, changing the management reporting so that variable and fixed costs would be separated in the group level management reporting would increase the value of information delivered to the management. The focus of the study did not include improving the contents of reporting, thus it was left as a topic for further studies.

Key words	Budgeting, organizational control, rolling financial forecasting
Further information	