

## SHANNON AEROSPACE RETOOLS BUDGETING AND PLANNING PROCESS



Shannon Aerospace Limited  
Shannon, Ireland  
Aviation Industry

### Challenges

- Increase the effectiveness of the budgeting process
- Eliminate errors associated with 350 linked Excel spreadsheets used for financial planning
- Improve the effectiveness of a five year rolling forecast and strategy

### Why Adaptive Planning

- Automated the budgeting process at the level of detail required by a large aviation service business
- Provided a better mechanism for making rapid changes to a 5 year rolling forecast
- Offered a low risk solution at an attractive price

### Results

- Eliminated errors found in Excel spreadsheets that caused a budget shortfall against plan
- Enabled visibility into changes in the budget and plan instantaneously across multiple versions
- Delivered a day-to-day operational tool with planning features to manage the business

### Introduction

Since 1989, Shannon Aerospace, a wholly owned subsidiary of Lufthansa Technik AG, has worked with more than 50 of the world's top airlines to provide national and international airlines with world-class airframe maintenance and overhaul services. Based in Ireland, the company specialises in the heavy airframe overhaul of narrow-body aircraft types, performing structural maintenance checks specifically on the Airbus, Boeing and McDonnell Douglas type aircraft. The company offers a portfolio of expert services such as aircraft painting, engineering, line maintenance and training. Shannon Aerospace currently employs more than 800 individuals and has attracted a strong reputation for its customer service and consistent record of releasing aircraft back to commercial service on time and safely.

### The Challenge

Due to the nature of this cyclical industry, Shannon Aerospace has to re-forecast frequently because their business is hard to predict. Each spring Shannon Aerospace conducts a strategy analysis with their parent company, Lufthansa. That five year rolling horizon strategy is updated to reflect current market conditions and produce a targeted EBITDA. Historically all of this work was done in an Excel model and would set the framework for a top-down approach for the annual budget. This top-down planning approach was then translated into a detailed budget by the finance department resulting in 350 linked spreadsheets. Due to the nature of the process and the need to involve more than 40 managers in the planning cycle, Shannon Aerospace sought an improved tool that could better manage the collaboration across departments, as well as the iterative budgeting and planning process which typically took 8 to 10 weeks to complete.

"We ran into a number of problems with the Excel models at the individual cost center level, including mistakes in formulas, lines missing, sheets missing, and roll-ups not accounting for thousands of Euros," recalls David O'Keeffe, Business Planning and Reporting Specialist at Shannon Aerospace.

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—Pat Shine, CFO, Shannon Aerospace

### The Solution

The Shannon Aerospace finance team began to explore alternatives to the existing error-prone, Excel-based process. After asking a number of other firms what solutions they used and not finding a good match between product features and the budget and timeline they had, they began working with an independent business partner, Junior Nelson from Optim Performance Management who introduced them to Adaptive Planning.

“We realized we were not producing a budget that matched our actual results because we didn’t have a tighter, more accurate budget process in place.”

—David O’Keefe, Business Planning and Reporting Specialist, Shannon Aerospace

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The ability to have all the primary statements, cash flow, profit and loss, balance sheet, investments and headcount, accessible in one application was a key factor in their decision to select Adaptive Planning. They also appreciated the ability to have multiple versions and toggle between plans to determine the best approach. Furthermore, the granularity available in the application met Shannon Aerospace’s need to plan based on specific aircraft types, employee levels, man hours and rates.

“What appealed to us about Adaptive Planning was that it had the essential requirements we wanted, could cope with traditional financial statements, and could go down to the level of detail we needed, such as revenue planning, expense planning, salary cost, and investment,” states O’Keefe. “It had everything we were looking for and could handle the planning horizon we set for the organisation, as well as the methodology we used for annual planning, strategy and forecasting.”

## The Results

With Adaptive Planning, Shannon Aerospace has automated its strategic planning and budgeting, providing them the ability to quickly revise their five year rolling strategy as key indicators change. While the old process for managing the business remained essentially the same, Adaptive Planning is substantially more powerful and streamlined, which has allowed Shannon Aerospace to reduce the time spent budgeting and deliver a greater level of accuracy. Using this web-based application, the finance group reviews the budget and strategic plan with each manager and updates the numbers based on their input. This has allowed the organisation to bridge the large gap that used to exist between business managers and the finance department. Now instead of receiving broken spreadsheets that do not roll-up accurately, the finance organisation can spend that time ensuring the budget reflects the strategic top-level plan.

“The time to budget has been reduced from 10 weeks to 4 weeks and has resulted in significant cost savings for the organisation,” says Shine. “The budget is now nuts and bolts and you know specifically how you are going to deliver on the aspiration. All the managers have been very impressed with the new application and simplified process.”

Now the finance department can look at the next 4 years of data from the budgeting process and update the strategy and see changes instantaneously. Each September, they present the outcome of the budget to the Board of Directors for final sign off. Once the fiscal year starts, they begin re-forecasting to keep Shannon Aerospace’s business performance ahead of the curve.

“Adaptive Planning was the right decision for us and we remain very happy with our selection. We look forward to pushing the boundaries of the application next year and believe that it will continue to be a critical operational tool for Shannon Aerospace,” says Shine.



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