

# **FP&A EMPOWERMENT: BENCHMARKS, CHALLENGES & OPPORTUNITIES**

**7 Insights Defining the Evolution of FP&A**



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## Summary

Historically, FP&A has been viewed as a back-office function. A provider of historical data, it was often regarded as the “scorekeeper,” focused on producing routine management reports with limited forward-looking capability. Now, many FP&A leaders are regarded as trusted advisers for both strategic and operational decisions. How empowered are FP&A leaders to support CFOs who now have more strategic, customer-facing, disruptive roles?

The *FP&A Empowerment: The Evolution of Technology & Trends* survey was designed to address this very question by engaging FP&A leaders from across the globe to share their experiences and insights in the following areas:

- The maturity of their analytics solutions
- The effectiveness and efficiency of their planning processes
- How companies are leveraging technology
- Internal perceptions relative to the value of FP&A

The survey results, which convey the experiences of over three hundred FP&A leaders across the globe, offer seven insights that help define the evolution of FP&A.

# Research Overview

**WHEN:**

- Data collection occurred between Q2 and Q3 in 2017

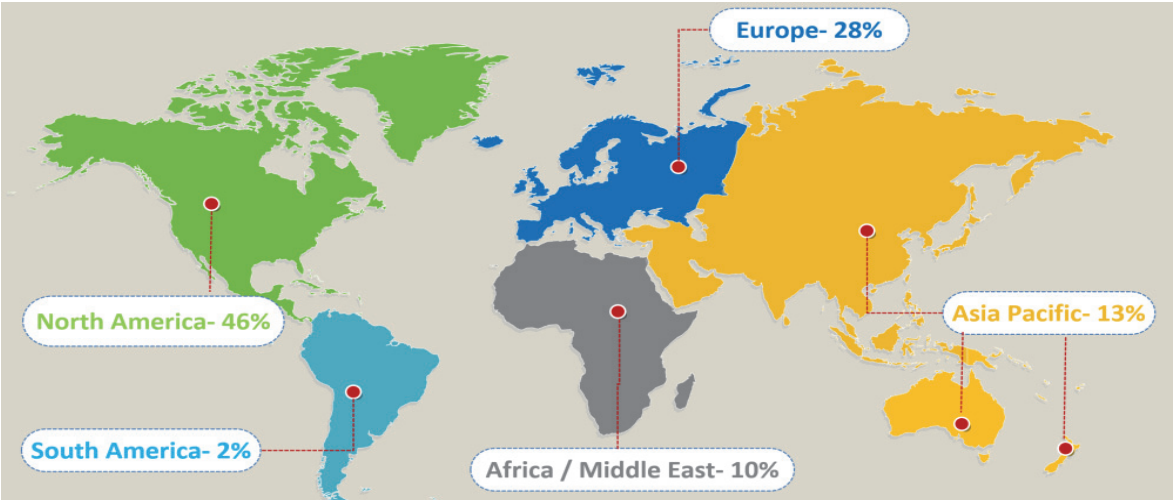
**WHO:**

- FP&A leaders from companies of all sizes across the globe

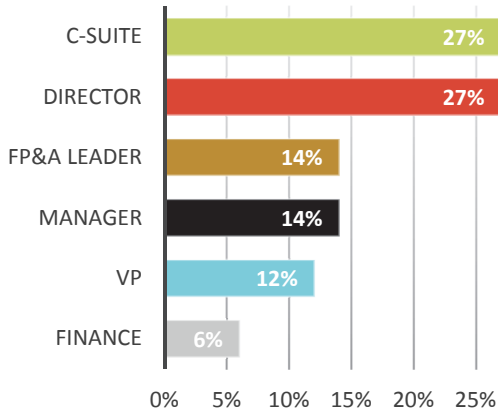
**HOW:**

- A total of 311 online surveys were completed
  - 41 surveys by companies with annual revenues less than \$25M
  - 40 by companies with annual revenues between \$25M and \$100M
  - 61 by companies with annual revenues between \$101M and \$499M
  - 36 by companies with annual revenues between \$499M and \$999M
  - 73 by companies with annual revenues between \$1B and \$5B
  - 60 by companies with annual revenues over \$5B

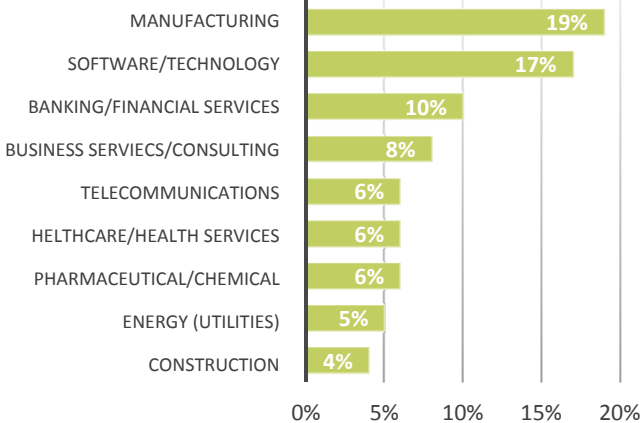
**Region**



**Job Level**

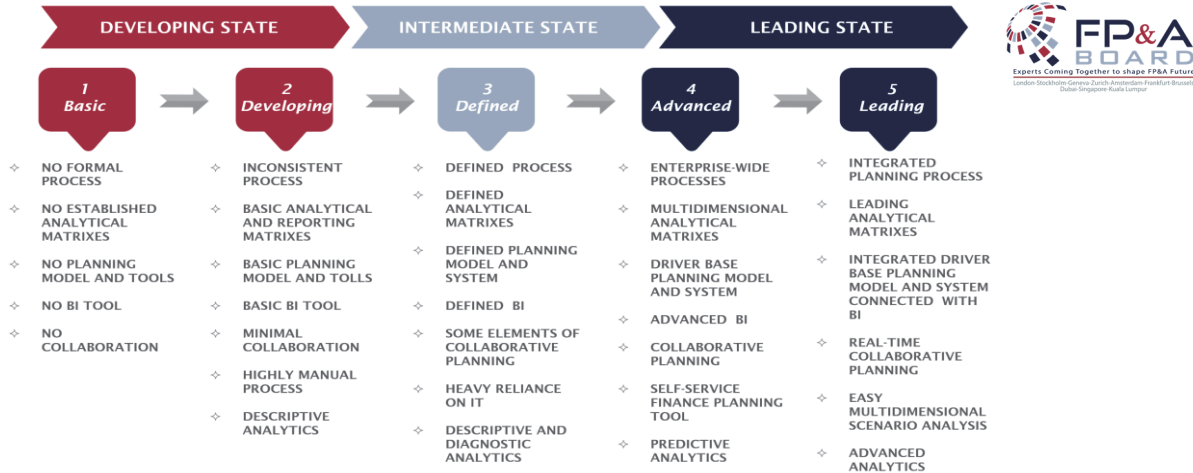


**Industry**



# Insight 1: Companies are Immature Relative to FP&A Analytics

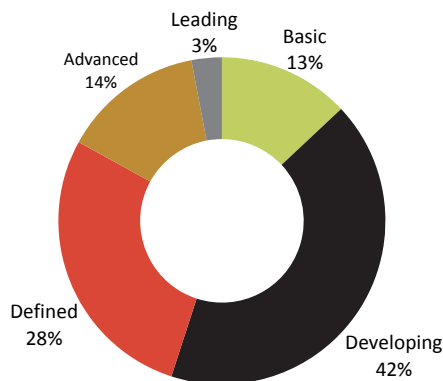
The International FP&A Board has developed a model that can be used to classify companies in terms of their relative FP&A analytical maturity. The three stages of FP&A analytics maturity are developing, intermediate and leading.



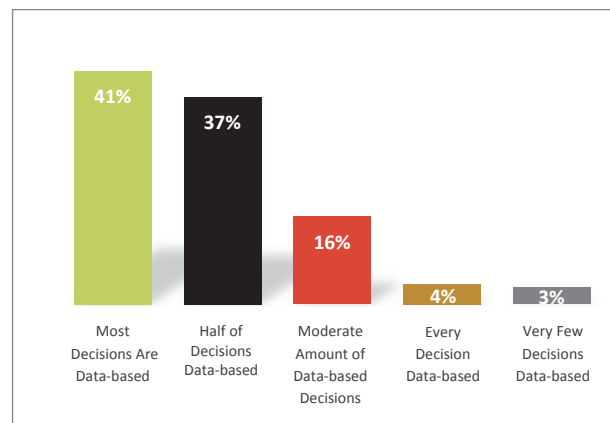
Mature analytical organizations reach an advanced or leading state by transforming their processes through investments into people, systems, models and flexible processes. The starting point is an evolution in business culture and top management to support analytical transformation, followed by changes to investments in FP&A infrastructure and people.

- Over half of companies (53%) report being in a basic or developing state of FP&A maturity. The main reasons for this are the non-value adding activities that drain a lot of resources and leave analytical staff demotivated
- Only 28% of companies report they are leveraging FP&A analytics to prescribe what actions should be taken to improve company results. The lack of investments in modern analytical tools and traditional static planning models leave many organizations stuck in the 20<sup>th</sup> century. Transformational change must occur at the outset to affect forward-looking analytics
- Only 41% of companies report that most decisions are based on data. The rest of the organizations are still using traditional “judgmental” decision-making processes. This problem is very much caused by an unwillingness to change a traditional and engrained culture of target settings and budget negotiations

**Analytics Maturity**



**Data-Driven Decisions**



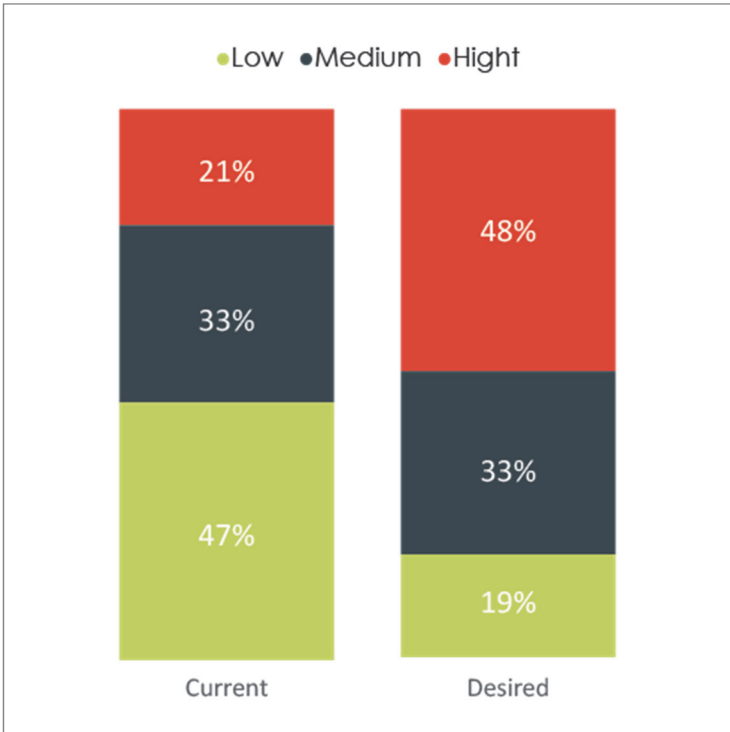
## Insight 2: FP&A Teams Aspire to be More Strategic

FP&A is undergoing a transformation, moving from the back-office to a strategic function. As it sits in the middle of the organization, it is well positioned for bridging operational and strategic planning processes. If the business culture allows, FP&A can become a strategic and influential business partner and enabler of strategic decision-making processes.

How much time is being spent in FP&A on high-value activities such as advanced analytics, business partnering, strategic support and various customer-facing activities? How much more time would FP&A team members like to allocate to high-value activities?

- FP&A teams aspire to spend more than double the amount of time on high-value activities
  - FP&A teams on average would like to spend 48.0%, almost half their time, on high-value activities, from the 20.7% they spend today
- Respondents with the title of Vice President are the ones most handcuffed in allocating their time to high-value activities, as they're only able to spend 17% of their time on high-value activities
- Healthcare is the industry with the largest difference between the time respondents want to spend on high-value FP&A activities and the time they are currently spending. They aspire to spend 53% of their time on high value activities vs. the 16% they do today.
- As we can see from the above, the FP&A infrastructure is still not ready for the challenges of the 21<sup>st</sup> century in many organizations. Valuable analytical talent is wasted on low-value adding activities such as data reconciliation, data cleansing, reports reconciliations, etc.
- The message is clear: organizations must invest in FP&A systems, processes and people to free up time that can be used to focus on more strategic and influential activities

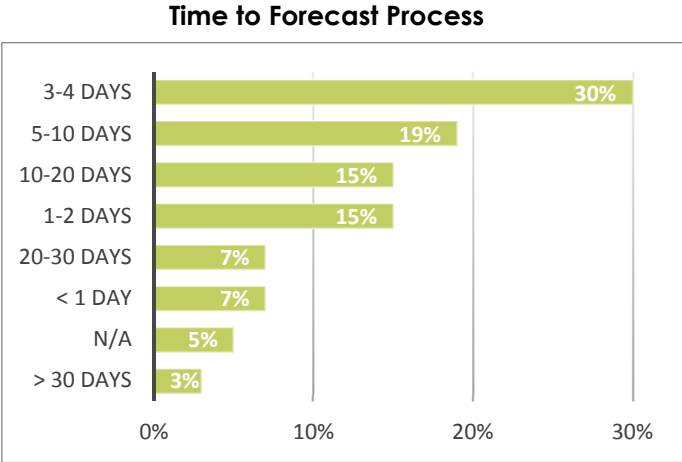
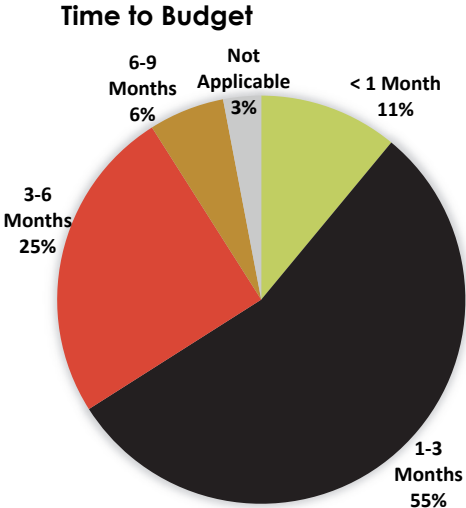
### Time on High, Medium and Low Value Activities



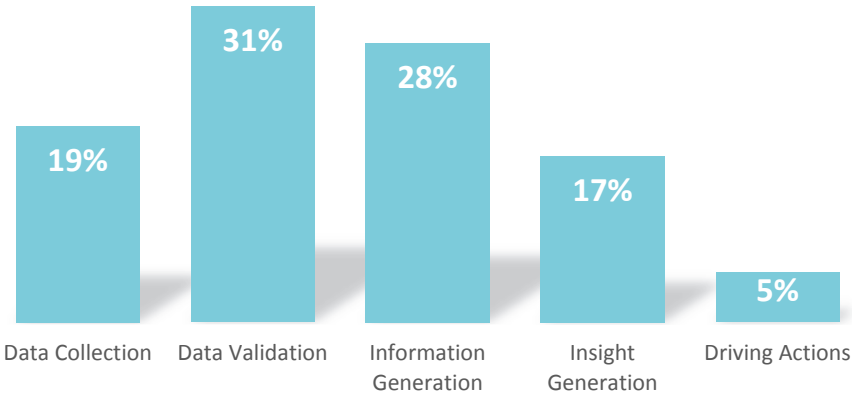
### Insight 3: Companies Invest Time on the Wrong FP&A Activities

Too much time is spent on data collection and validation, and inefficient budgeting and forecasting processes, which are the drivers of low- and medium-value FP&A activities. Root causes of time spent on non-value activities include low quality data and lagging technology in terms of having only basic or very basic reporting and analytical tools.

- Thirty-two percent (32%) of companies report it takes longer than three months to complete the budget process. In the world of “Unknown Unknowns,” such a heavy budget will be outdated even before it is finalized
- Forty-four percent (44%) of companies take longer than five business days to complete a forecast. The modern driver-based forecasting models that are implemented through flexible systems are essential ingredients for quick re-forecasting processes. Process simplification is the key and it must be different from the traditional process of detailed planning and forecasting to the general ledger level. Unfortunately in many companies, the forecasting process continues to be too detailed, static, judgmental and biased
- Companies allocate over 50% of time spent on analytics to data collection and validation. The problem is even bigger in larger companies



#### Data Analysis Time Allocation



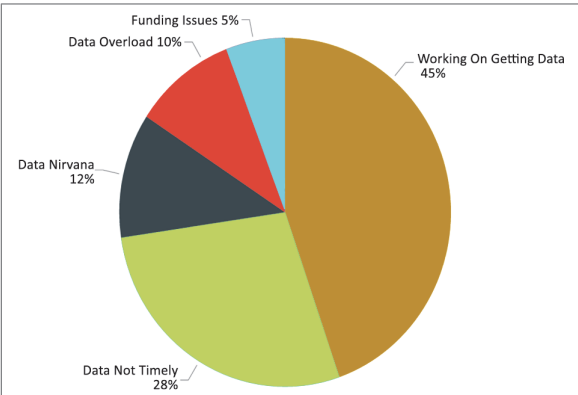
# Insight 4: Companies Face a Shortage of the Right Data

One of the big challenges of 21<sup>st</sup>-century FP&A is identifying key business drivers in a growing sea of data. Leading analytical organizations have already started to pay close attention to the modern methods of generating key analytical drivers, some of them have even started to use methods of machine learning and artificial intelligence for this purpose. However, the survey reveals that companies face a shortage of the right data even at the basic level. We are not even talking about using big data for FP&A yet.

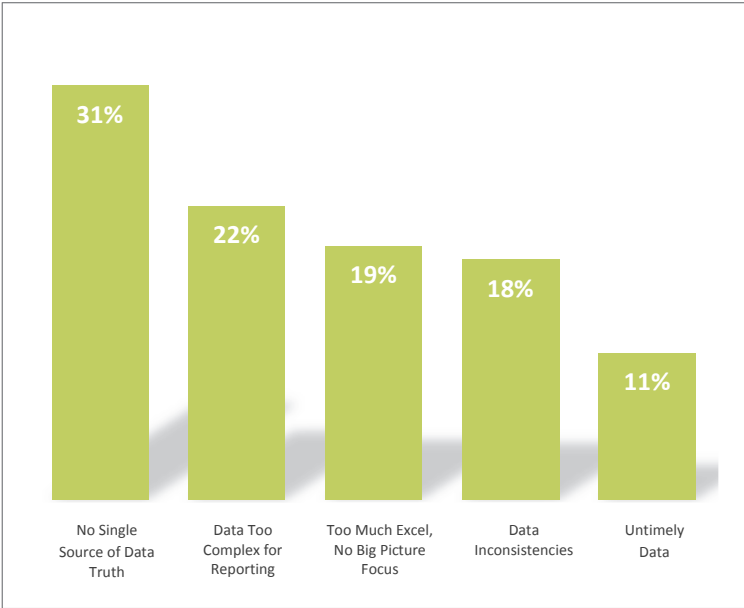
A key function of effective FP&A is to deliver a culture of data-driven decision making across the enterprise. This means having access to the right data and an ability to get the right information to the right person at the right time so informed decisions are made at the optimal time. Even if companies have the right tools and people, they can fail to deliver effective and efficient FP&A without the right data.

- Thirty-one percent (31%) of companies report that having no single-source of data truth as the most challenging issue they face when it comes to planning & analytics. This is one of the biggest drivers of low analytical maturity and FP&A staff demotivation
- Eighty-eight (88%) of companies struggle with data quality. Only twelve percent (12%) of respondents have access to the right data in a timely manner. This is a very serious barrier to realizing the true power of modern FP&A. Getting financial data in order continues to be one of the biggest challenges for many large organizations. FP&A's work is very much dependent on this: before analyzing and prescribing, the analysts spend a lot of time of finding the right data

Data Availability



Most Challenging Planning & Analytics Issues



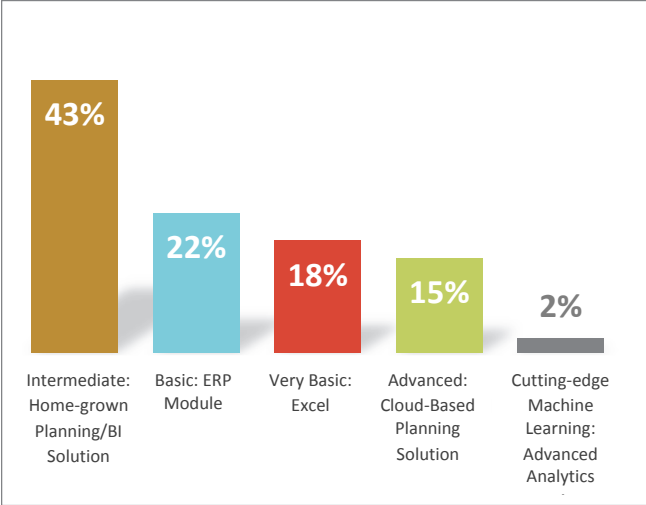


# Insight 5: FP&A Success is Inhibited by Technological Immaturity

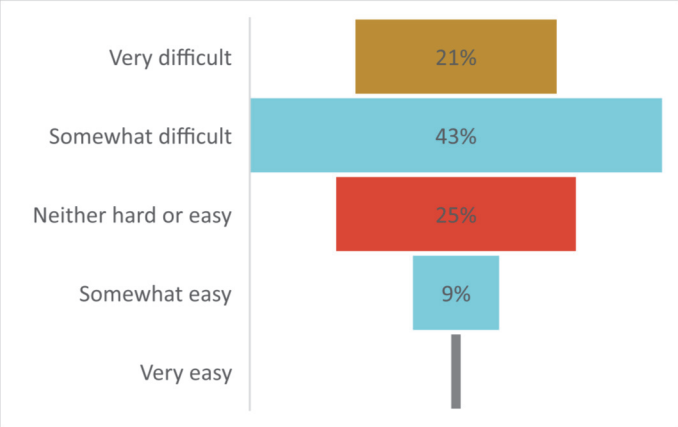
Optimizing the strategic value of FP&A means achieving a leading state of FP&A analytics maturity to drive a quick and flexible decision-making process. This requires defined planning models that are driver-based and implemented through a flexible tool that supports collaboration and advanced analytics. Meeting these requirements is nearly impossible without the right technology.

- Forty-percent (40%) of companies reported having only basic or very basic reporting and analytical tools
- Only 10% of companies reported that they find it very easy or somewhat easy to perform scenario analysis. The modern decision-making process should be based on an analytical (not judgmental) scenario-planning process. How 90% of the companies make their decisions is surprising given this incredible environment of "Black Swans" and "Perfect Storms"?

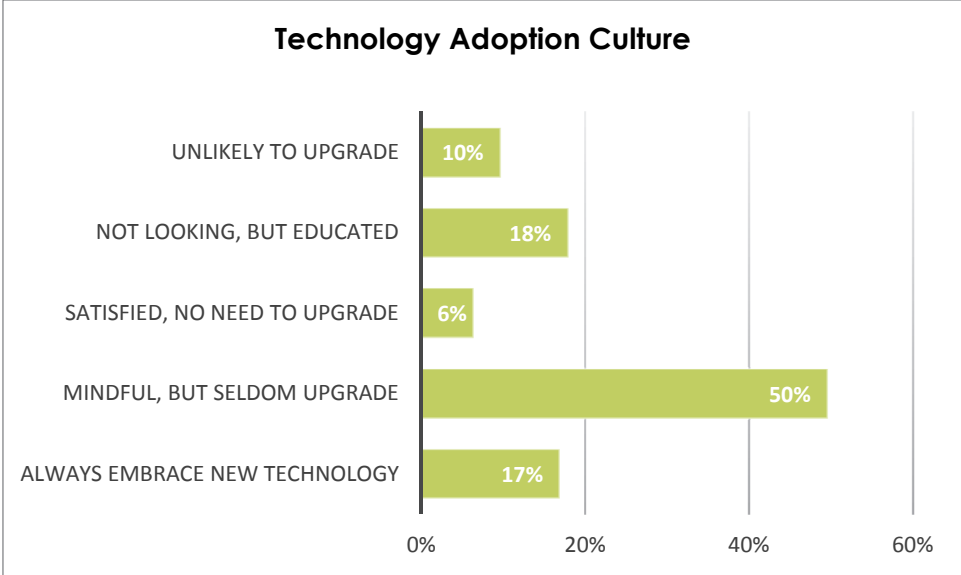
**How Modern are FP&A Analytics**



**Ease of Performing Scenario Analysis**



**Technology Adoption Culture**

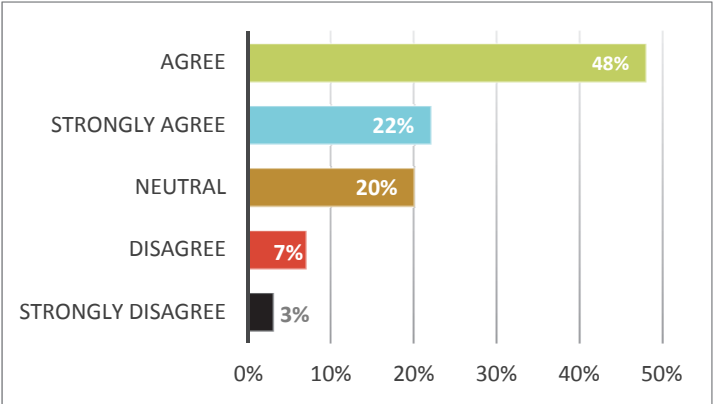


# Insight 6: Perceptions are Inhibiting Company Investments in FP&A

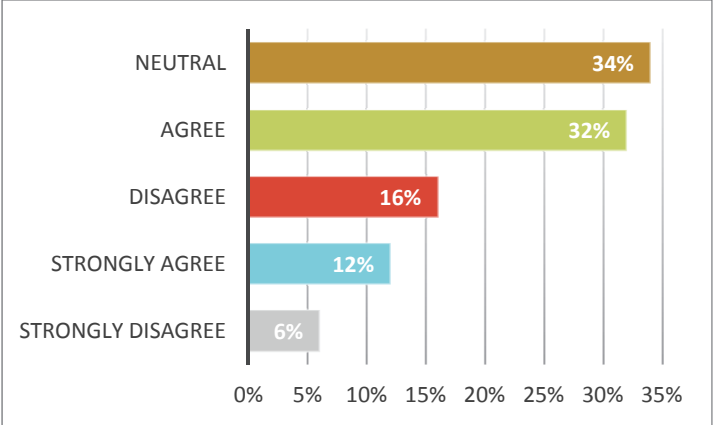
Effective and efficient FP&A requires the right business culture. It all starts with executive support; executives across the enterprise have to understand the value delivered by FP&A. This also means a willingness by executives to invest in the right people, processes and technology to inspire a mindset of continuous improvement relative to FP&A. Perceptions that FP&A does not have or can't have a meaningful strategic impact in and of themselves can limit the value offered by FP&A. Many companies currently face this barrier to FP&A excellence.

- Twenty-seven percent (27%) of respondents conveyed that their companies do not view FP&A as an area of strategic investment
- Fifty-five percent (55%) of respondents conveyed that their companies don't think that FP&A delivers strategic value
- Without investments in FP&A infrastructure, organizations will be stuck in 20<sup>th</sup>-century decision-making processes
- FP&A restructure will involve tremendous changes: the complex outdated models need to be simplified and re-written, modern planning systems will need to be implemented, people educated and processes re-thought

## ▼ CxOs Understand the Strategic Value of FP&A



## ▼ FP&A Impacts the Bottom Line

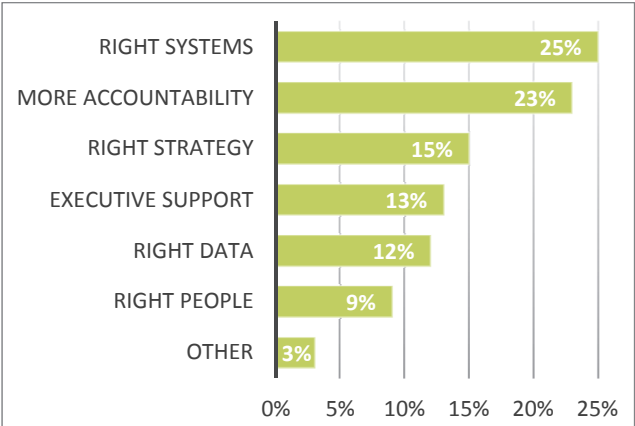


# Insight 7: FP&A Leaders Want Better Data, Better Technology, More Accountability

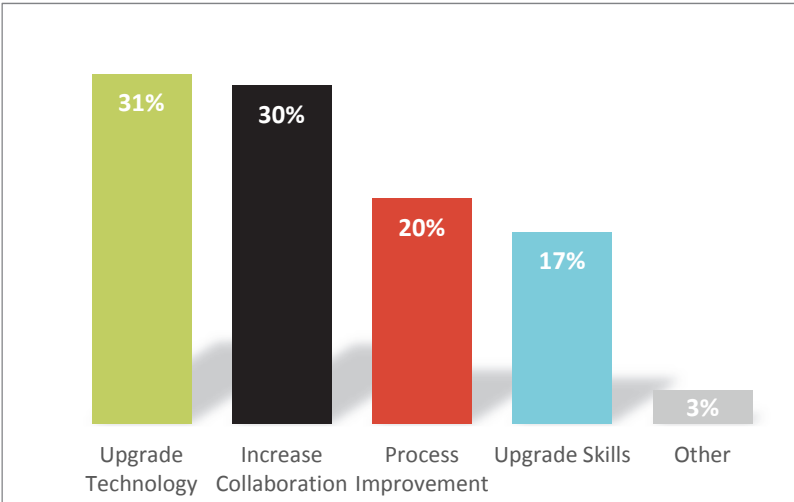
FP&A leaders realize that work needs to be done to deliver FP&A excellence at their companies. Improving data quality, upgrading technology, educating people and establishing more accountability for everyone whose actions influence FP&A will magnify the strategic value of the function.

- Seventy-nine percent (79%) of companies report an upgrade in FP&A technology would empower them to deliver better results
- When asked if they could be granted one wish relative to improving the FP&A function at their company, 25% of respondents wished for the right systems while 22% wished for more accountability
- When asked what would type of improvement would have the most impact on FP&A analytics maturity, 30% of respondents reported upgrading technology, and 30% reported increased collaboration across departments, which is driven by accountability

### ▼ Top Wish to Improve the FP&A Function



### ▼ Most Important Driver Impacting Analytic Maturity



## Conclusions & Recommendations

The world of FP&A has evolved rapidly in the 21<sup>st</sup> century. The FP&A function has undergone many cultural and analytical changes in the last 10 years and the FP&A profession has never been so critical as it is now. However, as the survey results reveal, there are still challenges that need to be addressed by many companies before they start to realize the full potential of strategic and influential FP&A.

- The FP&A analytical state is still not set for the 21<sup>st</sup> century, as over half of companies (53%) report being in a basic or developing maturity stage
- One of the biggest obstacles of the analytical transformation is the quality of FP&A data, as 88% of companies struggle with data quality. FP&A's work is very much dependent on this: before analyzing and prescribing, FP&A professionals continue to spend too much time on finding the right data
- Many organizations are still not leveraging modern technology for planning and forecasting with forty percent (40%) of companies reported having only basic or very basic reporting and analytical tools
- A quick and flexible decision-making process is based on playing out different scenarios almost in "real-time." However, only 10% of companies reported that they find it easy to perform scenario analysis. How will the remaining 90% survive in an environment of constant change?
- It is not surprising that there is generally an underinvestment in planning and analytical systems given that fifty-five percent (55%) of respondents conveyed that their companies don't think that FP&A delivers strategic value – we need to do a better job at selling the value we generate

How do companies overcome all the above challenges and transform FP&A into an analytical, strategic and influential function? A few key recommendations:

- Drive opportunities to rationalize and free-up time on low-value activities, so more time can be spent on business partnering and other high-value activities
- The FP&A infrastructure needs to be transformed. Investments in people, innovative solutions and systems, and improvement in planning and analytics all need to be addressed
- The business culture needs to be amenable to change. FP&A teams need to be able to do a better job at selling the value they provide to ensure continued investment
- Data is a company's most valuable asset and investment in data quality should be an investment priority
- The current trend worldwide is to reduce the cost of running finance departments without thinking about investing in FP&A infrastructure, which can be very damaging for the future of organizations

This survey was developed and conducted in partnership with:  
Ernie Humphrey, CEO, 360 Thought Leadership Consulting  
Larysa Melnychuk, CEO, FP&A Trends  
James Myers, CEO, FP&A Strategy Consulting



**CONTACT US:**

350 Burnhamthorpe Rd. West,

Suite 1000, Mississauga,

Ontario, Canada L5B 3J1

Tel: +1-905-279-8711

Toll-free: +1-800-387-5915

[info@prophix.com](mailto:info@prophix.com)