FP&A TRENDS

Best Practice in Financial Planning and Analysis

2024

FP&A TRENDS SURVEY

Empowering Decisions with Data:

How FP&A Supports Organizations in Uncertainty

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CONTENTS

1. INTRODUCTION

Welcome to the 2024 FP&A Trends Survey Report!

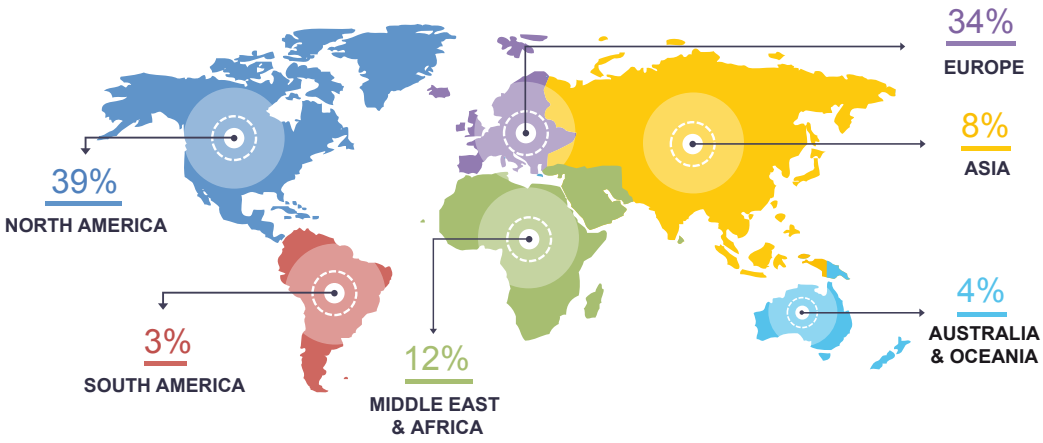
Over the past eight years, we have gathered over 2,400 responses from finance practitioners worldwide to gain insights into the Financial Planning and Analysis (FP&A) function. This year, we explore how FP&A teams assist organizations in navigating a rapidly changing business environment by leveraging advanced technologies and analytics. In an uncertain environment, agility and adaptability are crucial, and FP&A's objective is to support efficient and timely scenario management, enabling informed decisions based on data.

To achieve these goals, FP&A teams must:

- Analyze past performance to uncover trends and relationships that may affect future outcomes.
- Oversee planning processes that set priorities and allocate resources while connecting strategic, financial, and operational needs.
- Provide management with data-driven insights, combining information with human intelligence and strategic thinking.

Consequently, an FP&A department relies on clean, accurate, and up-to-date data, as well as sophisticated tools to uncover business trends and drivers. Managing complex data requires more than simple spreadsheets or basic tools. FP&A must also adopt an organization-wide planning and forecasting approach that addresses different, fast-changing strategic and operational needs so that they can provide relevant options for management.

This year's FP&A Trends Survey, which has taken responses from 383 finance practitioners across diverse industries and regions (Figure 1), looks in depth at the ways FP&A supports data-led decision-making in the current dynamic landscape as well as the future developments that need to be implemented.



JOB TITLE:

CEO / CFO / CIO / CTO / CxO	17%
Vice President or Senior Vice President of Finance, or FP&A	11%
Director or Senior Director of Finance, or FP&A	31%
Finance Manager or Senior Finance Manager	28%
Analyst or Accountant	5%
Other	8%

TURNOVER:

Less than $25M	12%
$25M - $100M	13%
$101M - $499M	22%
$500M - $999M	13%
$1B - $5B	19%
Greater than $5B	21%

Fig. 1:
Survey demographic

2. KEY FINDINGS

Results from the survey highlight the following key trends and challenges in FP&A:

Data-Driven Decision-Making

- 64% of organizations report that most of their decisions are data-driven, which marks a 12% increase from last year.
- 35% of organizations cite data quality and timeliness as major obstacles to achieving data-driven decision-making.
- 22% of businesses have or can create a single source of data with an agreed taxonomy that is easy to analyze. However, 47% have multiple data sources that require time and effort to collate. Only 10% of organizations have real or near real-time data updates, highlighting the ongoing data management challenges that FP&A teams face.

Critical FP&A Activities

- 39% of companies can only predict the next three months accurately. Another 24% can only predict less than six months, meaning 63% of companies cannot make accurate predictions for more than 6 months into the future. This underlines the importance of regular on-demand forecasting, as updates are needed consistently, but many organizations are unprepared.
- 42% of FP&A teams rate their forecasts as 'great' or 'good'. This statistic rises to 65% in teams that use Artificial Intelligence (AI) or Machine Learning (ML). However, only 18% of organizations can produce a forecast within two days. In fact, 53% of companies take more than five days to do so.
- While 15% of organizations can produce an annual budget in less than 1 month, the majority (57%) take between 1 to 3 months. Interestingly, this figure has not changed significantly since the survey began in 2017.
- In an uncertain business climate, running scenarios is essential, but 21% of organizations are unable to do this—the same finding as last year.

Planning Practices

- Integrated strategic, financial, and operational plans are crucial for FP&A as they offer a comprehensive view of the organization and allow for the alignment of all departments to the company's strategic goals. Nonetheless, only 13% of those surveyed have an integrated management approach to planning, indicating that a serious gap exists between strategy and execution.
- The use of fully automated driver-based models, that can significantly reduce planning time and improve accuracy, remains limited. Only 9% of organizations have made the transition. The majority (54%) employ partially calculated models that rely on manually chosen drivers. This approach still requires significant human intervention.
- Interestingly, 70% of organizations that use driver-based models make most of their decisions based on data, which is significantly higher than organizations using all other model types.

FP&A Planning Technology

- In the past year, 40% of organizations have upgraded their systems. This marks the highest increase since the survey began seven years ago and highlights a trend toward modernizing FP&A tools.

- Excel remains the predominant planning application, used by 52% of organizations in 2024. Modern cloud-based planning platforms are the next most utilized tool, at 18%, representing a slight decrease from 20% of organizations in 2022.
- The adoption of AI and ML within FP&A has dropped from a peak of 11% in 2021 to 6% in 2024. This is likely due to challenges with integration and an evident skills gap. Despite this drop, 15% of organizations plan to adopt AI/ML within six months and 44% plan to do so in the longer term. Still, 35% of organizations remain skeptical about the value of AI and ML in FP&A processes.

FP&A Team Performance

- 19% of FP&A teams are 'optimized' or 'performing well' which illustrates a 4% increase from last year.
- Currently, only 35% of FP&A time is spent on gaining insights and driving actions, while 45% is spent on data collection and validation, a distribution that has remained stable for the past four years. This finding is surprising given the technological advancements that automate most manual FP&A processes.
- Business partnering is the top skill sought when hiring, in 50% of organizations, up 9% from last year. This indicates the importance of FP&A's role within the business itself.

As we will show throughout this report, these findings, along with some others, underscore the importance of data quality, advanced technologies, and modern planning practices in enhancing the effectiveness of FP&A teams in decision-making. They also provide a clear direction for the future development of FP&A.

Overview of the 2024 FP&A Trends Survey

The 2024 FP&A Trends Survey captures key trends within FP&A, reflecting its evolving landscape and any emerging technologies. This year's survey included 31 questions focused on FP&A activities and the use of data. To tell the story of FP&A in 2024, the report is structured under the following headings:

- Data-Driven Decisions
- Critical FP&A Activities
- Planning Practices
- FP&A Tools and Technologies
- FP&A Team Performance

At the end of the report, we examine the impact of FP&A 'Best-in-Class' on planning performance, followed by conclusions and recommendations on how organizations can enhance their FP&A practices.

3. DATA-DRIVEN DECISIONS

The Value of Data-Driven Decisions

Data-driven decisions enhance the accuracy, objectivity, and efficiency of an organization's processes. By relying on factual evidence, organizations can minimize biases, optimize performance, and manage risks better. This approach ensures effective resource allocation and leads to decisions that are transparent and traceable.

64% of respondents state that most decisions were made using data.

Encouragingly, our survey showed a 12% increase from last year of respondents who claim most of their decisions are made using data, at a total of 64%. This marks a significant improvement over previous years, which demonstrates a growing reliance on data to guide business decisions. On the other side, the percentage of organizations making a low amount of data-led decisions has dropped from 16% to 9% since last year, indicating a clear trend toward embracing data-driven methodologies (Figure 2).

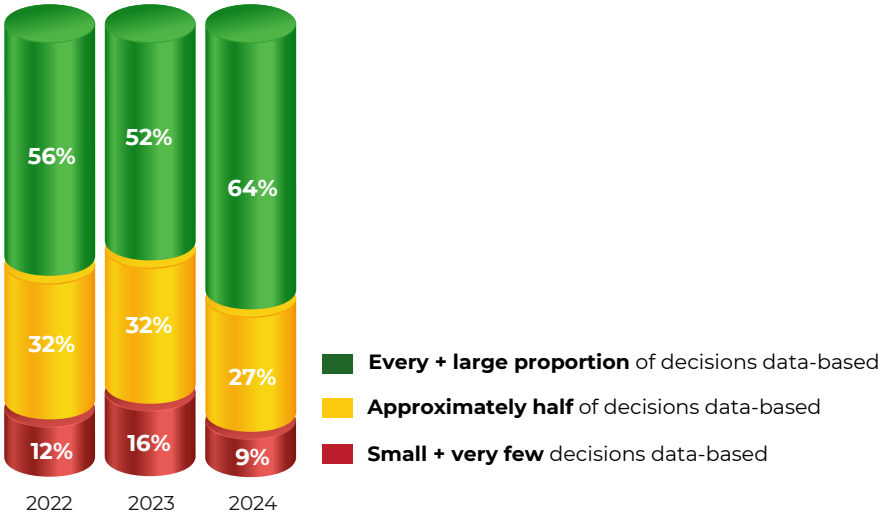


Fig. 2:
Trends in data-driven decision-making

This increase reflects a heightened recognition of the importance of data as well as a higher availability of powerful, sophisticated analytic tools. However, organizations still face several barriers to realizing the full potential of data-driven decision-making. According to the survey, these are:

- Data quality and/or timeliness, cited as a significant barrier by 35% of respondents.
- A lack of suitable analytical tools, pointed out by 24% of respondents.
- The absence of a data-driven culture, mentioned by 21% of organizations.
- Limited access to relevant data, reported by 12% of respondents.
- A shortage of relevant skills, highlighted by 8%.

These barriers suggest that while there is a strong trend toward data-driven decision-making, there are challenges that still need to be addressed to enhance this approach.

The Biggest Issues in Planning and Forecasting

Lack of a single trusted data source is the number one issue in planning and forecasting.

When asked about the biggest issues organizations face in planning and forecasting, several key challenges emerged – most of which are connected to data quality (Figure 3):

- **The Lack of a Single Trusted Data Source (30%):** This has been the number one issue since we first asked the question back in 2021. Its continued presence, even though this stat has fallen by 6% since 2023, indicates that there are ongoing difficulties in data consolidation and overall data management.

- **Complexity of Data (18%):** This continues to be the second biggest issue that organizations face, decreasing by only 5% year-on-year, highlighting a persistent problem in handling complex data sets.

- **Inconsistent Data Definitions (14%):** These typically arise when data is taken from multiple sources, and there is no accepted description of what each data point represents. The trend on this challenge is downward, with a 2% reduction over last year.

- **Use of Offline Excel (14%):** Another issue that has remained constant over the years and worsened by 2% in the last year is the use of Excel. This is a problem since it prevents management from seeing the big picture, fosters multiple versions of the 'truth', and inhibits real-time analysis.

- **Timeliness of Data (11%):** This obstacle has risen by 5% compared to last year, underscoring the need for more real-time and up-to-date data to support the decision-making processes.

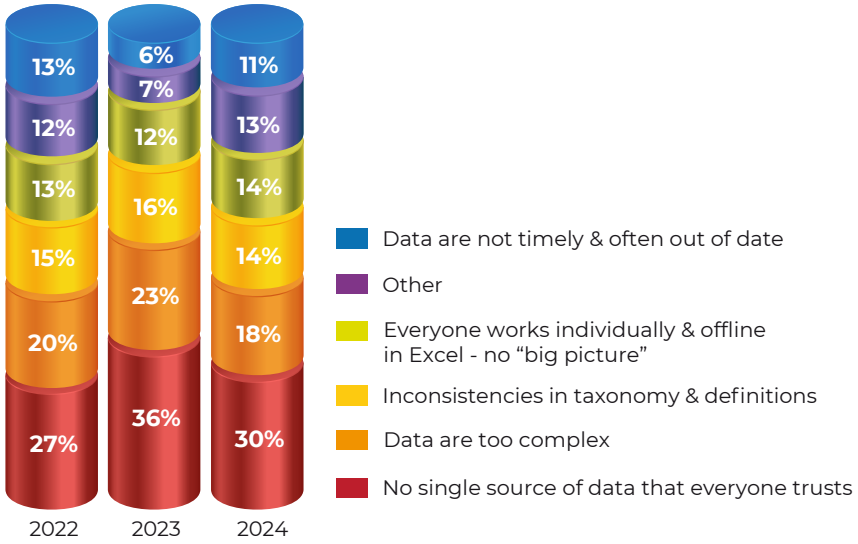


Fig. 3:
Data – The biggest issue in planning and forecasting

Data Quality

In looking at the quality of data in more detail, we asked respondents to describe the characteristics of the data being used. Answers fell into the following three categories (Figure 4):

Only **22%** of respondents have access to a single source of data.

- **Harmonized Data Sets:** 22% of respondents say they have access to or can create a single source of data that is easy to analyze. This result is consistent with previous years and shows that not much progress has been made to improve data quality.

- **Multiple Data Sources with Mostly Agreed Taxonomy:** The majority of organizations, 47%, manage multiple data sources with mostly agreed taxonomy that can be consolidated easily by FP&A. This represents a 4% improvement over two years, with most of the increase coming from respondents who cited poor data quality.

- **Multiple Data Sources with Limited Agreement on Taxonomy:** 31% of respondents have multiple data sources with limited agreement on data taxonomy, which requires significant effort to collect, validate, and consolidate. There has been a reduction in these organizations of 3% since 2022, the inverse of which is reflected in the increase of organizations that now work with data sources where taxonomy is mostly agreed.

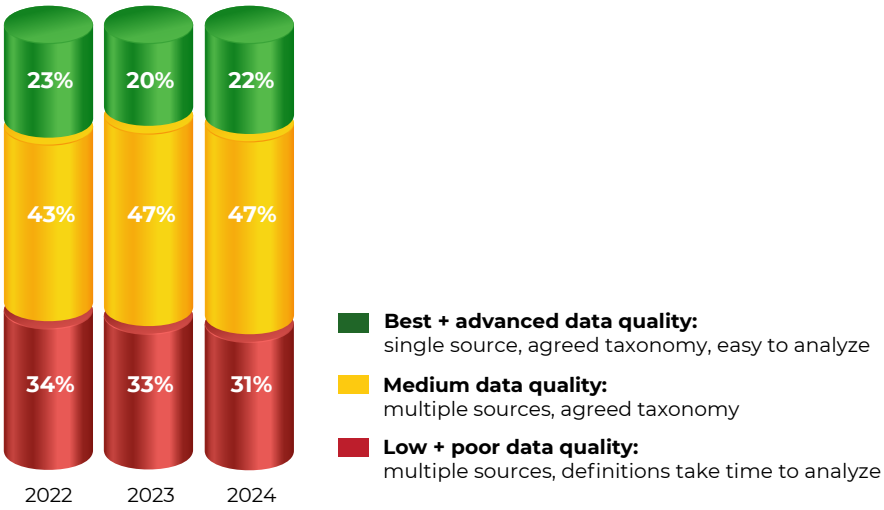


Fig. 4:
Data quality over the years

Given the availability of sophisticated data management tools and the increase in computing power, it is both surprising and concerning that these issues continue to endure. The stability of these statistics suggests that while there may have been technological advancements, their adoption and integration across FP&A processes have not kept pace.

When data quality improves, so does an organization's ability to make timely, quality decisions. The chart below (figure 5) illustrates the correlation between varying levels of data quality and forecast accuracy. Our analyses show that:

71% of organizations with high data quality rate their forecasts as great or good, compared to only **21%** with low data quality.

- 71% of organizations that have high data quality rate their forecasts as great or good, compared to only 21% of those with low data quality. This indicates that organizations with high data quality are 3.4 times more likely to have great or good forecasts than those with low data quality.

- 41% of organizations with medium data quality rate their forecasts as great or good, highlighting that forecast accuracy improves significantly as data quality increases.

- 27% of low data quality organizations rate their forecasts as poor or not good, underscoring the detrimental impact of poor data quality on forecast accuracy.

A separate analysis shows that 79% of high data quality organizations base a large proportion of their decisions on data, which is a 15% increase over the average. This demonstrates the importance of high-quality data in the decision-making processes.

These findings emphasize the critical role of data quality in achieving accurate forecasts and effective decision-making. Organizations that work with high data quality are significantly more likely to produce reliable forecasts, whereas those that only have access to low data quality are prone to producing inaccurate forecasts that may hamper strategic planning.

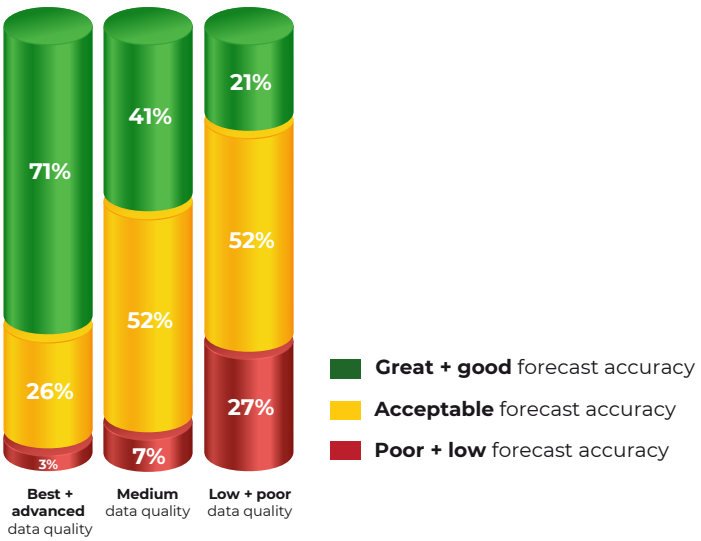


Fig. 5:
Impact of data quality on forecast accuracy

Data Timeliness

Data timeliness is crucial for making relevant and accurate business decisions. The frequency with which data is updated can significantly impact the effectiveness of the entire decision-making process. Our survey reveals the following frequency levels:

- **Real or Near Real-Time Updates:** 10% of respondents reported having data that is updated in real or near real-time. This provides the most recent information that can enable immediate decision-making but will require a sophisticated infrastructure.
- **Daily Updates:** 30% of organizations update their data daily. This frequency offers a good balance between timeliness and practicality for most business operations and allows for relatively quick adjustments to be made based on recent data.
- **Weekly Updates:** 19% of respondents work with data that is updated weekly. While this may be adequate for less dynamic business aspects, it can create a lag for rapidly changing business situations and lead to slower response times.
- **Monthly Updates:** 37% of respondents, the largest group, rely on data that is updated only monthly. This frequency is often not enough for agile decision-making, meaning that decisions may end up based on outdated or less relevant information.
- **Uncertain:** 4% of respondents were uncertain about the frequency with which their data is updated. This indicates a lack of clarity or control over data processes, which can undermine the effectiveness of decision-making.

37%, the largest group, rely on data that is updated monthly. This frequency is often not enough for agile decision-making.

Improving the frequency of data updates will require investment, but it can provide timelier and more reliable insights, which will lead to better decision outcomes in a fast-paced business environment.

Responsibility for Data Management

The survey responses indicate which departments are primarily responsible for collecting and managing the data that is used in all analyses.

- **The Finance Department (49%):** Nearly half of the respondents rely on the finance department to take care of data management.
- **Self-Managed (23%):** Almost a quarter of respondents manage their own data needs, and where there is no specific department responsible for data quality.
- **A Specific Data Department (13%):** A smaller proportion of respondents have a dedicated data department that handles data tasks.
- **The IT Department (12%):** Just over one-tenth of respondents depend on the IT department for data management.
- **Other (3%):** A minimal percentage falls into other categories that have not been specified above.

This distribution shows a significant reliance on the finance department. In addition, a notable percentage of respondents manage data themselves which may lead to data inconsistencies and different data interpretations.

The persistence of data quality issues underscores a need for organizations to invest in better data management practices and technologies. Addressing these challenges is essential for improving the accuracy and efficiency of all data-driven decision-making processes.

Recommendations for enhanced data-driven decision-making:

- **Consolidate Data Sources:** Implement data integration tools to create one single, reliable source of truth.
- **Standardize Data Practices:** Develop and enforce standardized data validation processes and a standardized data taxonomy.
- **Improve Data Timeliness:** Invest in real-time data collection and processing systems.
- **Cultivate a Data-Driven Culture:** Promote the importance of data-driven decision-making and provide sufficient training to embed these practices across the organization.

4. CRITICAL FP&A ACTIVITIES

The 2024 FP&A Trends Survey revealed that FP&A conducts its activities in a landscape where the span of predictability is shrinking. As organizations face increasing uncertainty, the need for agile, flexible, and integrated planning and forecasting processes becomes paramount.

63% report the forecast horizon they are comfortable to predict is less than 6 months, including **39%** where it is less than 3 months.

Predictability

The span of predictability in the current business environment continues to shrink for many organizations. Currently, 63% of respondents report that the forecast horizon they can comfortably predict is less than 6 months, including 39% that report this period to be less than 3 months (Figure 6).

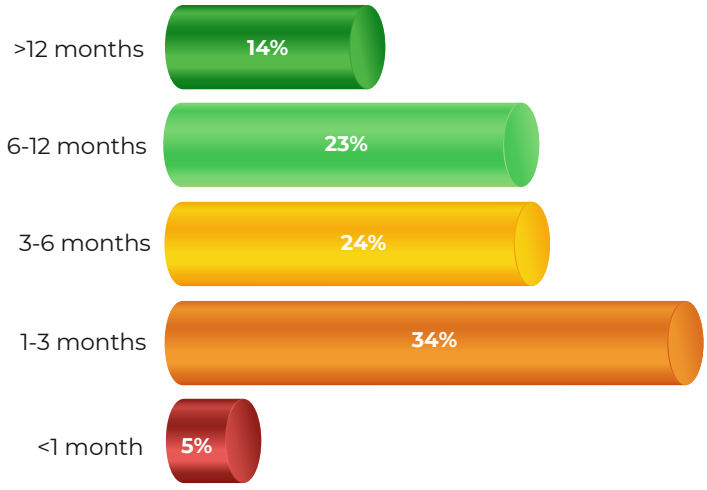


Fig. 6.
Level of predictability

This demonstrates that since traditional planning and forecasting processes assume a predictability span of at least 12 months, they are becoming less relevant. As a result, flexibility in planning is essential, with an ability to forecast and replan on-demand as well as run various scenarios.

Predictability varies significantly by industry. Sectors like agriculture, construction, utilities, pharmaceuticals, retail, and healthcare have the least predictability, with an average prediction span of less than 6 months. These industries specifically need to adopt more regular and faster forecasting processes.

Annual Budgeting and Planning

57% of organizations take between 1 to 3 months to budget with a trend that shows little sign of change.

Given the shrinking horizon of predictability, it is surprising that the duration of the annual budgeting process has not changed much since our first survey in 2017. Figure 7 shows results from this year in comparison to the past 3 years. It illustrates that most organizations (57% in 2024) take between 1 to 3 months to prepare a budget with a trend that shows little sign of change. Similarly, over the last 7 years, a quarter of respondents consistently report that their budget process takes between 3 and 6 months. Although there has been a slight improvement in the number of organizations taking more than 6 months (3%), this is offset by a decline in those who continually adapt their budget, down to 3% from 7% last year.

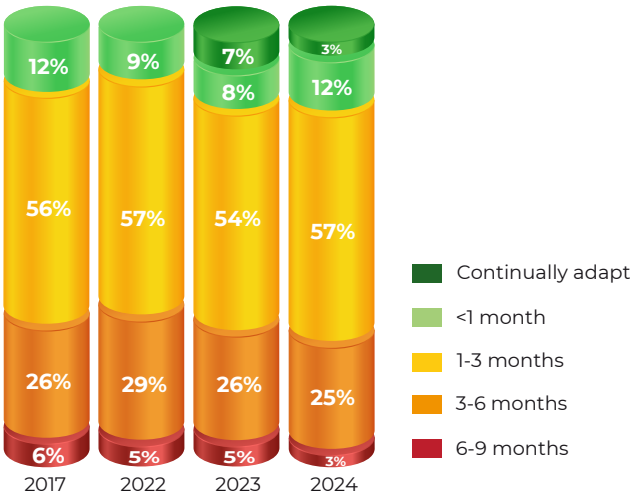


Fig. 7:
Time taken to produce the annual budget

To further illustrate the point that the annual budget process has not shortened over the last seven years, there has been minimal improvement in the weighted average duration of the budgeting process over the period:

- 2017: 2.46 months
- 2023: 2.35 months
- 2024: 2.24 months

The slight decrease in this weighted average, from 2.46 months in 2017 to 2.24 months in 2024, shows that although there has been some progress toward shorter budgeting cycles, the evolution is not happening quickly enough. This supports the need for an even more significant cultural and technological shift toward more agile and adaptable planning methods that better match the rapidly evolving business environment.

Forecasting Quality

42% consider their forecasts to have a high or good level of accuracy, around the same as in 2017.

Accurate forecasts are essential if the decisions they impact are to be relied on. The survey shows that 42% of organizations consider their forecast to be highly accurate, around the same as in 2017, but with a slight improvement of 2% compared to last year. Around 12% of respondents consider their forecasts to be poor or totally inaccurate, a slight improvement since 2017 (4%) and since last year (2%) (Figure 8).

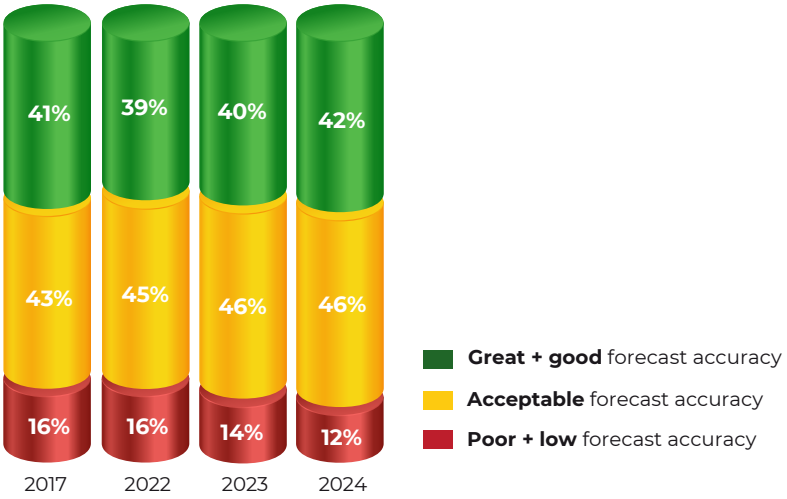


Fig. 8:
Forecast accuracy

Forecasting Duration

The average length of time it takes to produce a forecast is longer today than in our first survey in 2017. The data shows a declining trend over the years, with only 18% being able to produce a forecast within 2 days in 2024, compared to 23% in 2017. This includes only 3% of organizations that can forecast on-demand, which has almost halved since 2017 (7%). Shockingly, in this environment of huge uncertainty, the majority of organizations (53%) take more than five days to produce a forecast, more than the relative 46% in 2017 and 51% in 2023 (Figure 9).

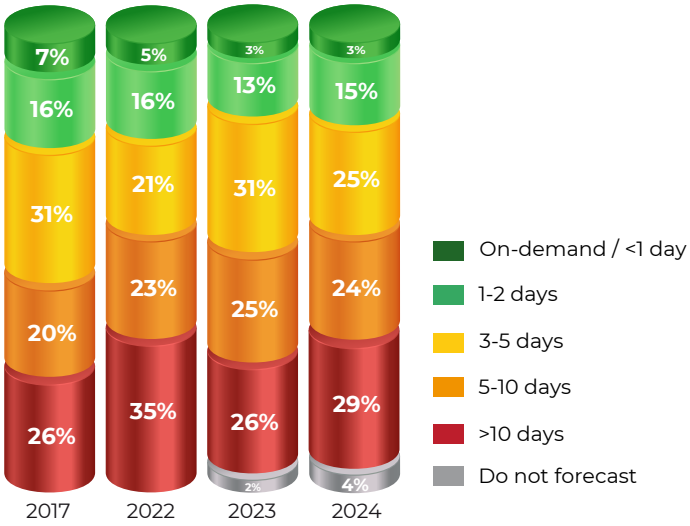


Fig. 9:
Time taken to produce a forecast

The weighted average time taken to produce a forecast demonstrates performance decline even further:

- 2017: 5.75 days
- 2023: 6.10 days
- 2024: 6.09 days

The slight increase in the average length of the forecast cycle, from 5.75 days in 2017 to 6.09 days in 2024, shows that current planning and analytics ecosystems are not adjusting quickly enough despite the heightened level of economic uncertainty. This indicates that current automation efforts are not sufficient to meet the growing complexity and volume of data.

Scenario Planning

As predictability diminishes and uncertainty grows, scenario management becomes essential for maintaining agility. We believe it is the ultimate tool for organizations that are seeking to manage change effectively.

Only **22%** run scenarios in real-time or within 1 day.

It is, therefore, encouraging to see a slight improvement in the respondents' abilities to run scenarios. Currently, 22% of respondents can run scenarios in real-time or within a day, which has increased from 16% in 2023 and 20% in 2022. On top of this, we found that 33% of organizations can run a scenario in less than one week, down 2% on 2023 but up 1% on 2022. The most concerning is that 21% of organizations are still unable to run scenarios at all. While this statistic is almost the same as last year, there has been an improvement since 2022 (Figure 10).

The improvements indicate progress, but the fact that a significant proportion of organizations are still unable to run scenarios at all highlights the need for a continued focus on developing their scenario management capabilities.

To help prepare for and navigate uncertainty better, organizations must adopt a more integrated and agile planning system that enhances the decision responsiveness of management.

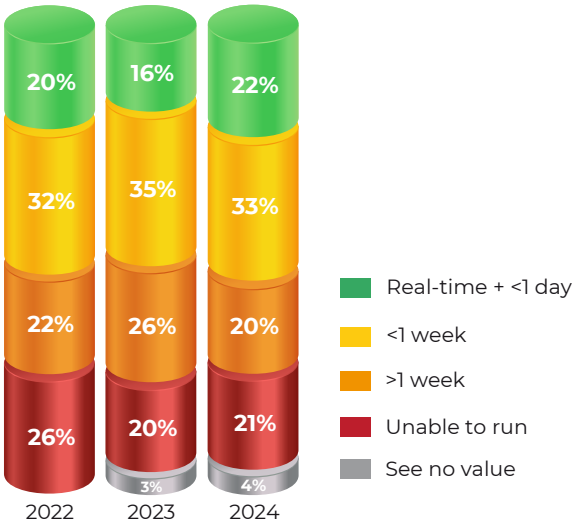


Fig. 10:
Timeline to run scenarios

Recommendations for improving critical FP&A activities:

- **Promote Agility in Planning and Forecasting:** Make the transition from traditional annual processes to agile and adaptable planning methods in order to cope with the shrinking predictability span.
- **Enhance Scenario Planning Capabilities:** Focus on developing capabilities for real-time or near real-time scenario planning so that uncertainty can be navigated effectively.
- **Upgrade Analytical Tools:** Move from spreadsheets, and older generation systems, to modern planning tools that automate planning processes and enable effective scenario management.
- **Evaluate and Adapt:** Continuously assess technological tools and strategies to ensure they remain aligned with the evolving business needs and the latest technological advancements.

5. PLANNING PRACTICES

Over the years, many different planning practices have come and gone, but the linking of strategic, financial, and operational plans remains essential to all. Also key to planning practices is the elimination of bias and the ability to assess multiple potential futures.

Integrated FP&A

Integrated strategic, financial, and operational plans are crucial for FP&A success since they offer a comprehensive view of the organization, help align all departments to strategic goals, and improve accuracy. This style of integration enhances collaboration across teams, optimizes resource allocation, and increases agility in response to change, therefore enabling more informed decisions.

Our survey shows the following states of integration:

- **A Single Integrated Management Approach (13%):** Organizations where strategic, financial, and operational plans are fully integrated into a single cohesive approach. This percentage has remained steady over the years, indicating stagnation in organizations adopting fully integrated planning.

- **Fully Aligned Plans (12%):** Organizations that have strategic, financial, and operational plans that are fully aligned but not completely integrated into one single approach. This category saw a 13% drop from last year, which signals an evident challenge in achieving comprehensive integration.

Only **13%** of organizations have a single integrated approach to strategic, financial, and operational planning.

- **Formally Aligned Plans (31%):** These organizations have plans that are generally aligned with some formal processes but not fully integrated. This category increased by 7% on last year, likely due to a decline in fully aligned plans.

- **Plans Influenced Politically (13%):** Organizations where planning processes are significantly impacted by internal political factors. This category has increased 9% since last year, reflecting a growth in internal political influences.

- **Divergence of Interests (31%):** This category represents organizations where there is a noticeable divergence between the interests of central management and decentralized units. There has been a 2% increase since last year, indicating that there are ongoing challenges in aligning decentralized operations with centralized goals.

These findings highlight the struggle that many organizations face when trying to improve their planning integration. There is a clear need for better strategies and tools to achieve comprehensive and cohesive planning processes.

When asked what prevents fully integrated FP&A, respondents identified the following obstacles:

- **Processes that Cannot or Are Hard to Integrate (30%):** This main barrier indicates a need for organizations to rethink how planning is conducted.

- **A Lack of Suitable Systems (24%):** This obstacle highlights a need for advanced planning and integration tools.

- **A Lack of Senior Management Vision (16%):** This suggests that it is important that leadership drive integrated planning.

- **A Lack of Internal Support (15%):** Without internal support, there is a need for better internal collaboration.

- **A Lack of Skills within FP&A (11%):** This suggests a need for targeted training and development.

- **A Lack of Recognition for the Importance of Integration (4%):** This shows a gap in the organization's understanding of the real benefits of integration.

To improve the state of integration, it is essential that steps are made to overcome the barriers to integration, addressing internal political challenges. This requires improving processes, investing in suitable systems, fostering leadership commitment, enhancing internal collaboration, and developing the skills of the FP&A team. The result will be improved agility, improved resource allocation, and more informed decision-making.

Main Planning Methods

The planning methods used within FP&A continue to be a mixture of traditional and modern approaches. Since organizations typically use more than one method, the following percentages exceed 100% (Figure 11). The most commonly used methods are:

1. **Rolling Forecast (49%)** remains the most popular planning method, where usage has increased from 41% in 2023 to 49% this year. This reflects the need for frequent plan updates in the current fast-changing business environment.

2. **Last-Year's Figures Plus a Growth Percentage (45%)** is, sadly, still a widely used technique across FP&A, increasing by 2% from 43% in 2023. This indicates a lack of data and insights when setting plans.

3. **Driver-Based Planning (37%)** helps organizations adjust plans quickly based on key business drivers. This method shows steady adoption, rising from 35% in 2023 to 37% in 2024.

Rolling Forecast remains the most popular planning method for **49%** of respondents.

4. **Scenario Planning (31%)** is being used at around the same level as last year, highlighting that organizations struggle to prepare for multiple potential outcomes.

5. **Zero-Based Budgeting (28%)** remains at about the same level as last year, reflecting its value as a way of justifying revenue and costs over alternative methods.

6. **Predictive Modeling (11%)** and **Beyond Budgeting (3%)** remain to be the lowest employed methods, indicating that while innovative approaches in FP&A are gaining traction, they are not yet mainstream.

Overall, the survey indicates a trend toward more adaptive and responsive planning methods, driven by the need to navigate a volatile and uncertain business environment effectively.

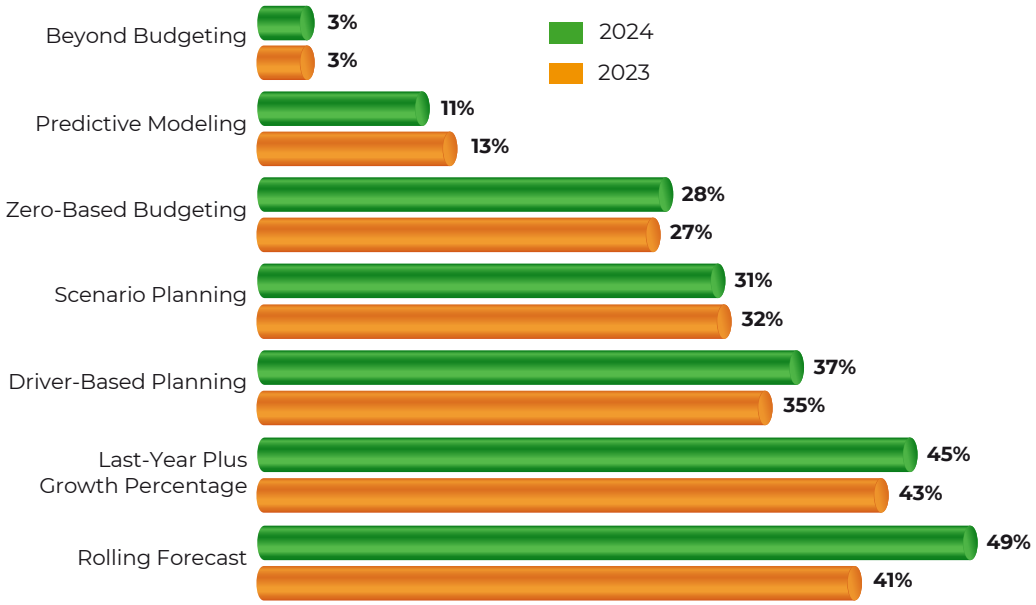


Fig. 11:
Most used planning methods

Driver-Based Models

Driver-based models are crucial in FP&A to streamline processes, reduce manual labor, and curb biases. These models provide a mathematical representation of business operations and the internal and external drivers that impact performance. These drivers include price levels, production efficiency, market inflation rates, and competitor activities. By adjusting drivers, models can show the effect on costs, profits, and other key financial metrics.

Despite their importance, the adoption of fully automated driver-based models has been limited. According to our latest survey:

- **54%** of organizations employ **partially calculated models** that rely on manually chosen drivers. This approach still requires significant human intervention which signals a reluctance or perhaps an operational restriction to full automation.

- Only **9%** of organizations have transitioned to **fully automated driver-based models** that allow for dynamic and responsive financial planning.

- **23%** of respondents claim they utilize models for **basic computations,** such as simple totals and ratios. Although this may help speed up result generation, it does little to show the impact of real-world threats and opportunities, therefore, reducing forecast accuracy.

- **14%** of organizations **do not use driver-based models** at all, which may reflect challenges in model implementation or a preference for more traditional financial forecasting methods.

The adoption of fully automated driver-based models remains limited with only **9%** having made the transition.

The relatively low adoption of fully automated models underscores a gap between the potential of driver-based planning and its practical application. This gap is likely a result of the difficulty of fully integrating such systems as well as the requirement for ongoing expertise that manages and interprets the outputs they generate.

Among the surveyed organizations, only 21% have achieved a fully integrated model that includes the profit & loss (P&L) statement, balance sheet, and cash flow statement and, therefore, a comprehensive financial oversight. Another 25% of respondents report employing partial integration, reflecting a coordinated but not fully unified approach. On the other hand, 16% focus solely on planning the P&L, which might limit their strategic view as a result of a lack of integration with the other key financial statements.

In today's business world, integrated driver-based models are essential to formulate accurate financial analysis, plans, and make well-informed decisions. Including a 3-way view of performance within those models ensures all aspects of a company's financial performance are considered. This helps to provide a complete picture of financial health and, therefore, aids strategic management.

Recommendations to improve planning practices:

Enhance Planning Integration:

- **Unify Plans:** Bridge the gap between strategic, financial, and operational plans to achieve a cohesive approach.

Adopt Advanced Planning Methods:

- **Rolling Forecasts:** Increase the use of rolling forecasts for flexibility.
- **Driver-Based Models:** Implement driver-based models to improve accuracy.

Address Internal Barriers:

- **Mitigate Political Challenges:** Tackle internal political disagreements and influences.
- **Align Units:** Ensure decentralized operations align with centralized goals.

6. FP&A TOOLS AND TECHNOLOGIES

Technology is crucial for effective organizational planning and precise forecasts. Today's business environment is flooded with an abundance of complex and diverse data, making advanced tools that extract insights efficiently from large datasets more essential than ever.

Main Planning Applications

Excel remains the predominant planning application **(52%)**, followed by cloud-based planning platforms **(18%)**.

Despite advancements in technology, Excel remains the predominant planning application, used by 52% of organizations in 2024. The level remains consistent compared to last year but does demonstrate a decline from 60% in 2022. Modern cloud-based planning platforms are the next most utilized tools at 18%. Although the data shows a gradual decline in these modern tools from 20% in 2022, and older generation BI systems show a slight increase (4% since 2023), we believe this is not an accurate reflection of the whole market.

Interestingly, home-grown solutions, and accounting system modules are each used in 7% of organizations, percentages that have remained fairly consistent over the last three years (Figure 12).

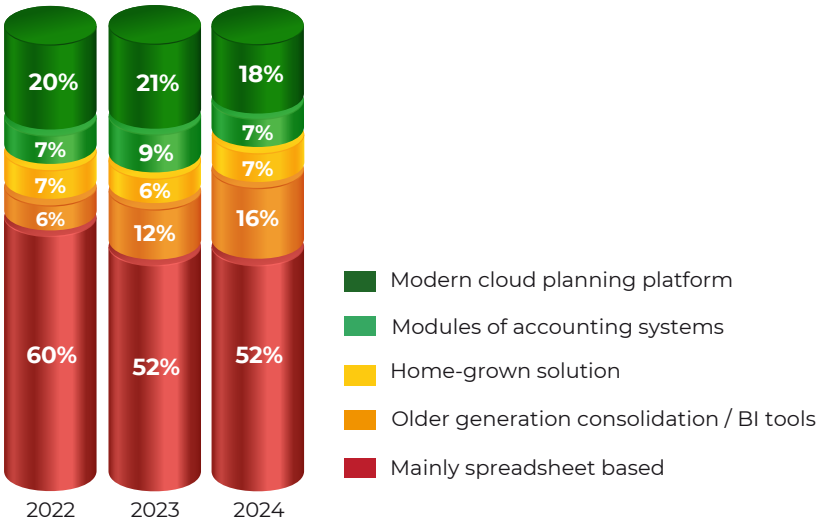


Fig. 12:
Main types of planning applications

We believe that the use of traditional spreadsheet-based tools will continue to decrease as organizations seek out more dynamic and responsive planning systems.

Adoption of AI/ML in FP&A

While only **6%** currently use AI/ML, **15%** plan to use in the next 6 months, and a further **44%** in the longer term.

The adoption of AI and ML in the world of FP&A has shown a nuanced trend over recent years. Initially, in 2021, interest surged, and the percentage of organizations using AI/ML climbed to 11%. Since then, however, enthusiasm has waivered, and the percentage has reduced annually, 9% in 2022, 7% in 2023, and finally, 6% in 2024.

The decline may reflect the challenges organizations experience with AI/ ML adoption, such as integration complexities and an existing skills gap in finance. Despite the dip, future prospects look positive. There is an increasing trend in the respondents that plan to adopt AI/ ML as 15% plan to do so within the next six months, vs. 12% in 2023, and 44% are anticipating the integration in the longer term, up 2% since 2023. Nonetheless, disappointingly, almost one-third of organizations still see no immediate value in deploying AI/ML within their FP&A processes, which indicates a persistent skepticism about the practical benefits (Figure 13).

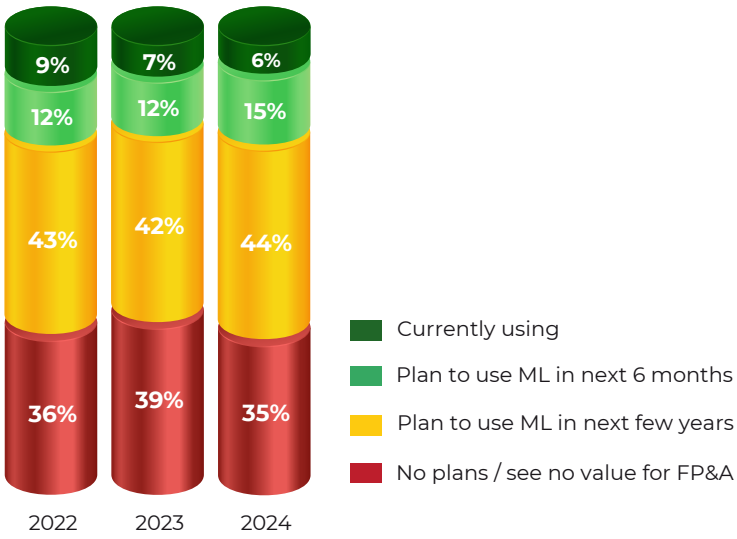


Fig. 13:
The use of AI/ML in forecasting

For organizations currently employing AI/ML, the main application used is a modern cloud-based planning platform, representing 35% of respondents in 2024 (Figure 14). This preference is likely due to this system's ability to handle large data volumes as well as its embedded AI capabilities, which makes its advanced technology easy to apply. The use of AI/ML through spreadsheets has been in decline since 2023 (22%) and is now only used by 20% in 2024—a trend we expect to continue since there are easier ways to apply AI/ML.

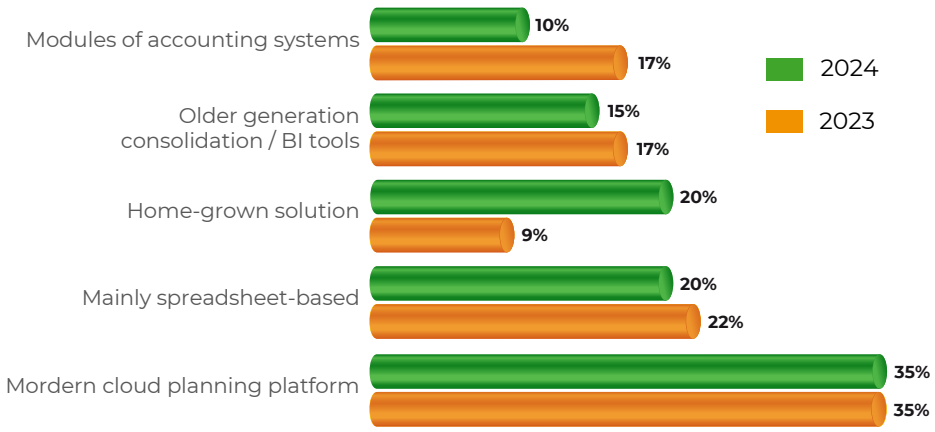


Fig. 14:
Application of AI/ML users

It is interesting to note that the use of home-grown systems, which accounted for only 9% of users in 2023, has grown dramatically to 20% of organizations in 2024. We believe this trend signals that organizations are using existing internal expertise to evaluate AI.

Older generation BI tools and accounting system modules are less favored in the use of AI/ML, likely due to the difficulties that arise when connecting data points. Looking to the future, we expect modern planning systems to become the AI/ML system of choice.

Scenario Planning Applications

34% of organizations using modern cloud-based planning platforms can run scenarios in less than one day, compared to just **19%** of those relying on spreadsheets.

As with AI/ML, the in-built flexibility of a modern cloud-based platform makes scenario management much easier. In fact, more than a third of respondents (34%) that employ this system can run scenarios in less than one day (Figure 15). This is significantly higher than the average of 22% for all respondents who use other planning applications. Home-grown solutions also offer efficiency benefits. In fact, 39% of respondents in this category are able to run scenarios in less than one day.

In contrast, only 19% of organizations that use spreadsheets and 17% of those that use older generation tools are capable of running scenarios in less than one day (Figure 15).

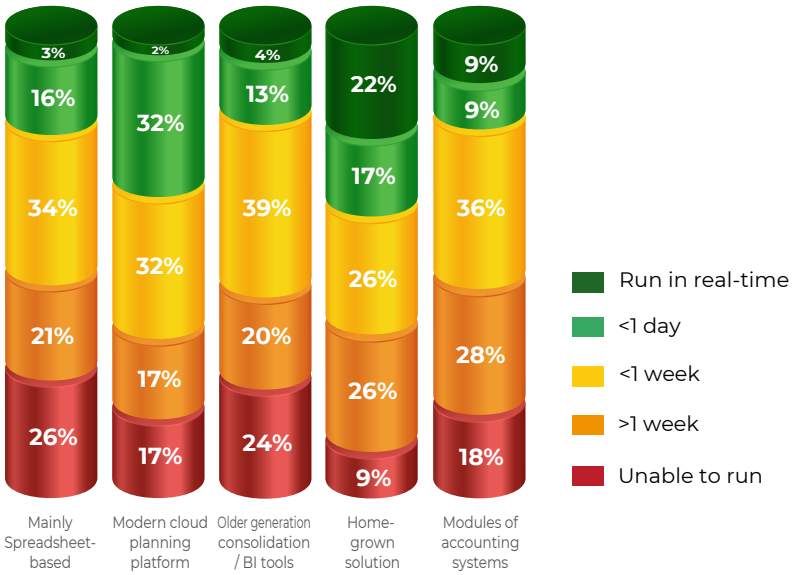


Fig. 15:
Application used to run scenarios

These results confirm the trend we are seeing - that organizations are moving away from older systems toward more sophisticated, integrated solutions that support a new generation of analytics.

Recommendations for improving FP&A technology infrastructure:

- **Accelerate Cloud Adoption:** Expedite the integration of cloud-based planning platforms into the FP&A practices to benefit from real-time data processing and AI-driven analytics.
- **Expand AI/ML Utilization:** Encourage the adoption of AI and ML technologies to refine forecast accuracy and enhance predictive capabilities.
- **Skill Development:** Invest in continuous training programs to equip FP&A professionals with the necessary skills that can easily handle advanced technologies and complex data sets.
- **Regularly Update Systems:** Maintain a schedule for continual system upgrades to ensure that FP&A tools remain current and therefore capable of handling the complexities of data in the modern environment.

7. FP&A TEAM PERFORMANCE

In a dynamic and fast-changing business landscape, the role and efficiency of the team or people responsible for Financial Planning & Analysis is vital. This section delves into the performance of FP&A teams, their allocation of time, and their evolving role as business partners. We also look at the level of investment and the transformation priorities in place.

When we asked how well the FP&A function is performing, the following characteristics were reported (Figure 16):

- **Optimized Performance (19%):** There has been a slight improvement in the number of teams that reported optimal performance, increasing from 17% in 2022 to 19% in 2024.
- **High Level of Collaboration (34%):** This has been reported at the same level as last year but has increased by 9% compared to 2022. These organizations are performing well but are still encumbered with a lot of manual work.
- **Developing but with a High Workload (35%):** The proportion of teams struggling with manual tasks has decreased from 42% in 2022 to 35% in 2024, suggesting a slow reduction in workload pressures
- **Struggling (12%):** The teams that find it difficult to keep up with demand have reduced from 16% of respondents in 2022 to 12% in 2024, indicating that there has been a gradual improvement in teams being able to manage operational needs.

19% of FP&A teams consider themselves optimized for performance, while **47%** struggle to meet demand.

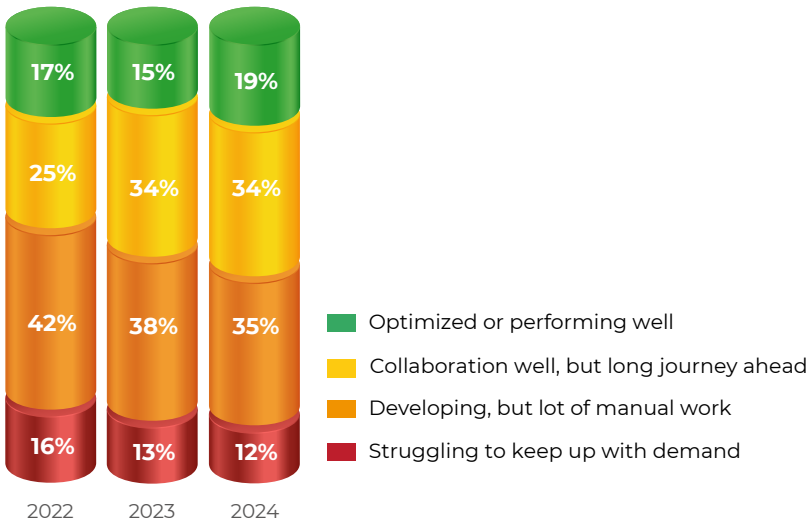


Fig. 16:
FP&A team performance

These shifts suggest a slow adaptation toward more efficient practices, with a minor decrease in teams being overwhelmed by manual tasks. However, nearly half of all FP&A teams still face workloads that are heavily manual which highlights the need for ongoing enhancements to tools, training, and process management.

Allocation of Time

Only **35%** of FP&A time is spent on high-value activities, while **45%** is used on data validation and collection.

The distribution of FP&A team tasks between 2019 to 2024 has steadily shifted but a significant imbalance remains (Figure 17). The percentage of FP&A time dedicated to high-value activities such as insight generation and driving actions is 35%, which has increased by 9% since 2019. Yet this is still a relatively low level of time, especially when compared to the 45% of time spent on data validation and collection. The survey also shows that while time has improved compared to 2019, nothing significant has changed over the past 4 years.

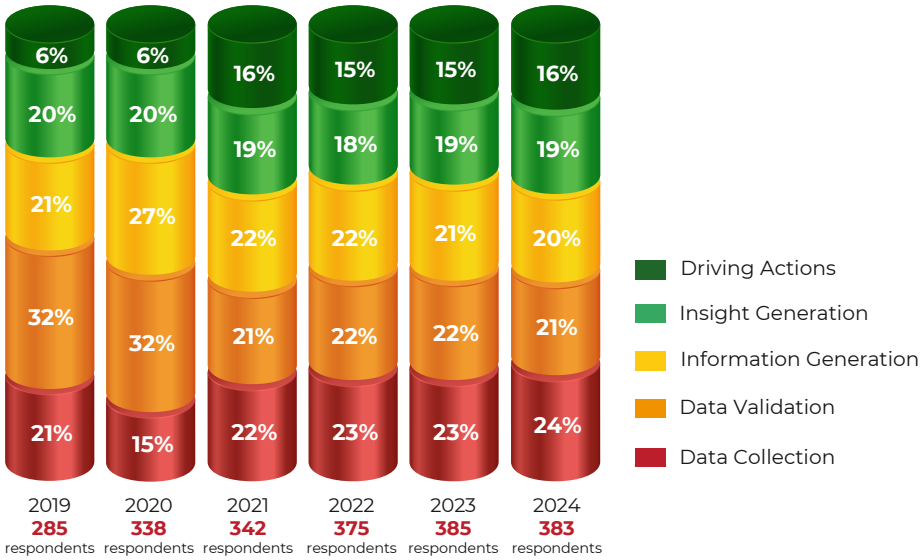


Fig. 17:
The distribution of FP&A time

The persistence of lower-value activities, we believe, can be attributed to several factors:

1. **Insufficient Technological Adoption:** Many FP&A teams may not yet have access to or fully utilize the advanced technological solutions that can automate routine tasks like data handling or validation. This results in continued extra effort and time spent on these manual activities.

2. **Complex Data Environment:** As organizations deal with increasing volumes of data from diverse sources, the complexity of managing, cleaning, and validating this data grows. Without robust data management frameworks and tools, teams will spend excessive time guaranteeing data quality before they can use it for analysis.

3. **Skill Gaps:** There may be a skills gap in current FP&A teams, particularly in leveraging new technologies that can help automate or streamline data processes. This lack of expertise can hinder the effective use of tools that might otherwise reduce FP&A time spent on data-related task.

4. **Cultural and Structural Inertia:** Organizational culture and existing processes also play a role in the continued pursuit of lower-value activities, as often there is a resistance to changing traditional ways of working or an underestimation of the potential benefits.

These issues collectively contribute to the slow progression being made to reallocate time toward more strategic, insight-driven tasks. To combat these challenges, organizations need to invest in training on the current analytical tools, adopt more integrated data management systems, and possibly reevaluate their operational culture to emphasize strategic analysis over data stewardship.

FP&A as a Business Partner

FP&A's role as a business partner is essential to influence, guide, and challenge business decisions and decision-makers. The survey emphasizes this as business partnering is stated to be the top skill sought when 50% of organizations are hiring, reflecting a 9% growth versus last year.

13% of organizations still lack any business partnering activities.

In addition to this, 37% of organizations say their FP&A department is well-established as a business partner, and a further 21% of FP&A teams have formal links with the business. Nonetheless, 13% of organizations still lack any business partnering activities at all, which highlights a gap in FP&A's ability to integrate and fully support decision-making.

When we look at the types of roles, individual FP&A team members carry out, most (95%) work as analysts, which emphasizes a critical need for data analysis. Yet, the reality is that FP&A staff typically carry out more than one role. The roles identified include storytellers and influencers at 58% and 50%, respectively, signaling that communication and influence are important. More specialized roles like FP&A architects and data scientists are less common, held by 37% and 11% of professionals, respectively. These latter roles are crucial for designing financial processes and integrating data science into FP&A.

Investment in FP&A

40% of organizations upgraded their systems in the past year, the highest level since the survey began.

The survey reveals a notable trend in the investment made into FP&A systems. A large percentage (40%) of organizations reported an upgrade to their systems within the past year, up 6% on 2023, and 5% higher than 2022. This level of system investment is the highest recorded since the survey began (Figure 18).

Conversely, on the other end of the scale, the percentage of organizations with systems that were last upgraded over five years ago remains relatively stable, reported at 22% in 2024. This suggests that while there is a significant shift toward modernizing FP&A tools, a substantial portion of organizations still operate with outdated technology.

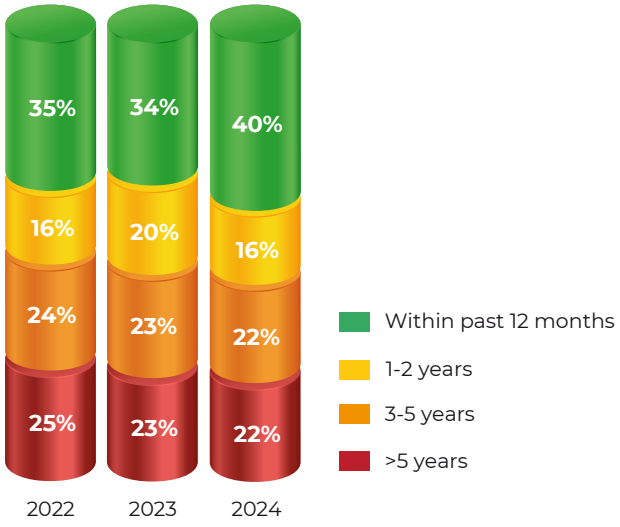


Fig. 18: Investment in FP&A systems

The biggest barrier to FP&A investment remains the justification of ROI when compared to short-term spending on sales and marketing (35%). This barrier has increased 7% in its presence compared to last year at 28%. Other reasons for a lack of investment include FP&A not being considered a strategic investment area (23%) and a lack of IT resources (20%) - both remain roughly the same as last year.

FP&A Transformation Priorities

According to the survey, the top 5 areas for FP&A transformation in 2024 were (Figure 19):

1. **Enhancing Systems (21%):** The priority for system enhancements has seen a 3% decline from 24% in 2022, indicating that while still important, its urgency may be stabilizing as systems mature.

2. **Cost Control and Insights (19%):** Investment in improved cost control measures and insights is consistently strong, up 4% from 15% in 2022. This reflects ongoing efforts to tighten financial management in a volatile market.

3. **New Technologies and Processes (17%):** Investment in new technologies and processes is down 3% compared to last year. This may be impacted by the higher investment made into other areas this year and may, therefore, not be such a high priority for next year.

4. **Resource and Training Investment (15%):** There was a slight increase of investment in this area, 3% compared to last year, reflecting the growing recognition of the importance of upskilling FP&A teams to be able to leverage new tools and data effectively.

5. **Scenario Planning (8%):** Investment in improved scenario planning has been relatively stable over the past 3 years.

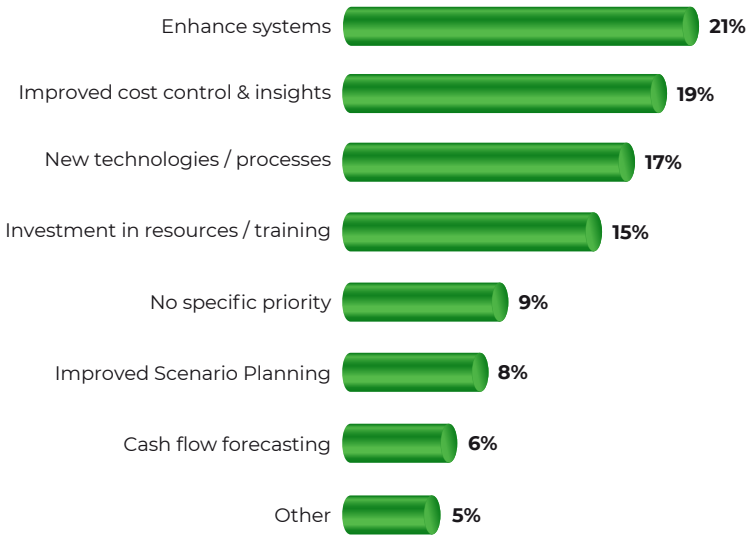


Fig. 19:
FP&A transformation priority

FP&A performance is totally dependent on the quality of data, the tools at its disposal, the skills of the people involved, and the time they have to perform their roles. If any of these is lacking, then FP&A will be unable to effectively support organizational decision-making.

Recommendations for improving FP&A team performance:

- **Accelerate Automation:** Implement more advanced automation tools to reduce the time FP&A teams spend on manual data tasks and increase their capacity for higher-value activities.
- **Enhance Training and Skills Development:** Focus on upskilling FP&A professionals, particularly in the areas of data science and strategic analysis, to fill the existing gaps and enhance their role as strategic business partners.
- **Strengthen Business Integration:** Develop stronger collaborative ties between FP&A and other business units in order to foster a more integrated approach to business planning and decision-making.

8. ‘BEST-IN-CLASS’ FP&A: USING ADVANCED PRACTICES AND TECHNOLOGIES

In this chapter, we explore how 'Best-in-Class' practices can significantly enhance performance.

Organizations using driver-based models are **70%** likely to make data-driven decisions, an **18%** premium over those without.

‘Best-in-Class’ Definition:

For our purpose, 'Best-in-Class' refers to organizations that utilize:

- **Driver-Based Models:** These are dynamic models that use mathematical relationships based on key business drivers. They adjust outputs when the input variables change, which enables more responsive and accurate planning. These models are either fully or mainly calculated using manual or automatically selected drivers.

- **Modern Technology:** These take the form of advanced cloud-based platforms that are used to support integrated planning, scenario modeling, and AI/ML-powered forecasting.

Our analysis demonstrates the profound impact of these best practices on decision-making processes, forecast quality, time allocation, and overall FP&A team performance.

Enhancing Data-Driven Decisions

For data-driven decision-making, advanced FP&A practices significantly enhance effectiveness (Figure 20). These practices include:

- **Driver-Based Models:** Organizations using these models have a 70% likelihood of making data-driven decisions, which represents an 18% premium over those without.

- **Cloud Platform:** The use of cloud platforms yields a 65% likelihood of data-driven decisions, which is only a 2% increase over those without.

- **Use of AI/ML:** Companies employing AI/ML for forecasting see a 75% likelihood of data-driven decisions, 13% higher than those without.

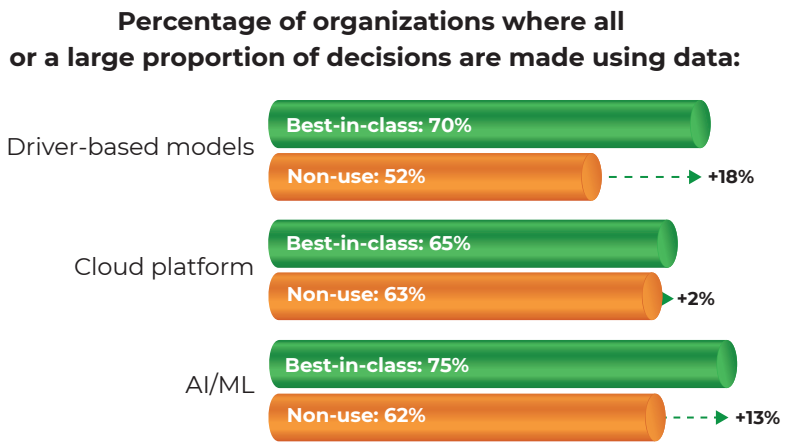


Fig. 20: Impact of 'Best-in-Class' approaches on data-driven decision-making

Impact on Forecast Quality

Some technologies impact organizations' rating of their forecasts. Below is an illustration of how each technology impacts whether a forecast is rated great or good (Figure 21):

- **Driver-Based Models:** 51% of organizations using driver-based models rate their forecasts as great or good, compared to just 25% of those that do not employ driver-based models. This represents a 26% variance.
- **Cloud Platform:** 61% of organizations using a cloud platform rate their forecasts as great or good in comparison to 37% that use other applications. This marks a 24% improvement.
- **Use of AI/ML:** 65% of organizations that use AI/ML rate their forecasts as great or good, whereas only 40% of those without AI/ML do the same. This reflects a 25% premium generated by AI/ML.

61% of organizations using a cloud platform rate their forecasts as great or good, compared to **37%** using other applications, a **24%** improvement.

65% of organizations using AI/ML rate their forecasts as great or good, compared to **40%** without, reflecting a **25%** premium.

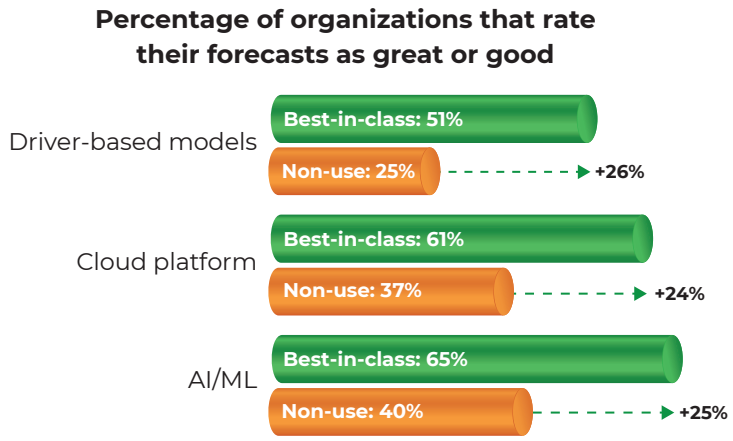


Fig. 21: Impact of the 'Best-in-Class' approach on forecast quality

Impact on FP&A Time

Employing 'Best-in-Class' systems impacts the amount of time FP&A teams spend on high-value activities such as insight generation and action driving (Figure 22):

- **Driver-Based Models:** For those using driver-based models, 45% of FP&A time is spent on high-value activities, which represents a significant 12% increase over the comparable 33% of time spent on high-value activities by the FP&A teams who do not use these models.
- **Cloud Platform:** FP&A teams that use a modern planning platform spend 37% of their time on high-value activities, compared to 34% of FP&A teams that do not. This represents a 3% premium.
- **Use of AI/ML:** For the FP&A teams employing AI/ML, 39% of the time is spent on high-value activities, compared to 34% for those not using this technology, which shows a 5% improvement.

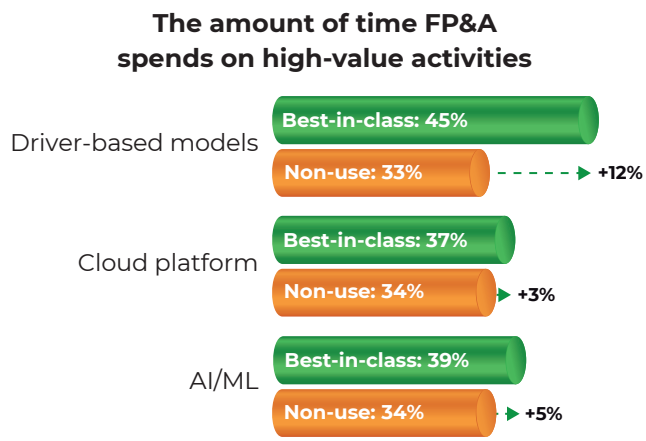


Fig. 22: Impact of 'Best-in-Class' on the distribution of FP&A time

Impact on FP&A Teams Performance

FP&A teams that cite their performance as being optimized to perform or are performing well with a few areas for improvement, the following stats show their use of 'Best-in-Class' systems (Figure 23):

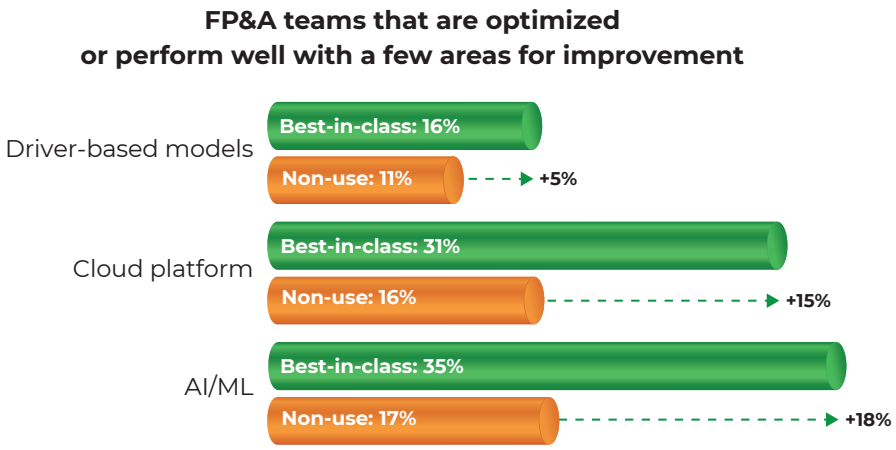


Fig. 23:
Impact of 'Best-in-Class' on overall FP&A team performance

- **Driver-Based Models:** 16% of high-performing teams use driver-based models, compared to 11% who do not.
- **Cloud Platform:** 31% of high-performing teams use a cloud-based planning application, compared to 16% who are still high-performing but who use other systems.
- **Use of AI/ML:** 35% of high-performing teams use AI/ML for forecasting, compared to 17% of high-performing teams who do not.

Conclusions

Adopting advanced FP&A technologies like driver-based models, modern cloud platforms, and AI/ML can significantly improve decision-making, forecast quality, time allocation, and team performance. Organizations should prioritize these practices to enhance their FP&A capabilities and support more effective data-driven decisions.

Recommendations for leveraging advanced FP&A practices:

- **Adopt AI/ML for Enhanced Decision-Making:** Invest in AI/ML technologies to improve forecast accuracy and support data-driven decisions.
- **Implement Dynamic Driver-Based Models:** Transition to driver-based planning for more responsive and accurate planning.
- **Strengthen Business Integration:** Adopt cloud-based planning platforms to benefit from real-time data processing and integrated planning capabilities.

These insights and recommendations highlight the significant improvements 'Best-in-Class' practices can bring to any FP&A function, ultimately leading to more informed and effective business strategies.

9. CONCLUSIONS AND RECOMMENDATIONS

The survey shows that while most organizations face a number of critical challenges in relation to data, technology adoption, and the way planning is conducted, there are also many areas where FP&A has improved its ability to support effective decision-making.

In each section, we have made specific recommendations, which can be summarized as follows:

Improve Data Quality

This should be an organization-wide initiative to improve data quality and access so that everyone uses the same information under the same interpretation, enabling consistent decisions. Data is essential to managers throughout the organization, but it requires continuous investment if it is to become an asset.

Move Toward Driver-Based Budgeting

The value of driver-based models, in eliminating bias and speeding up planning processes, has been known for years. Today's technology platforms enable models that can be tailored for each business area, and predictive analytics that can be used to help uncover and quantify the impact of business drivers. They provide the basis for evaluating scenarios quickly and help managers adapt their plans with speed when unexpected change occurs.

Investigate the Use of AI/ML to Improve Forecasts

AI, in the form of ML algorithms, is becoming increasingly embedded in planning applications. However, they still require expertise and knowledge to apply them well and to interpret results adequately. Our recommendation is for organizations to investigate the potential of this exciting new technology through a pilot project where its potential can be assessed.

Implement a Modern Planning Platform

Modern cloud-based planning platforms are fast becoming the technology standard for FP&A. Unlike spreadsheets and older BI or consolidation applications, they enable the setup of truly integrated models that cover strategic, financial, and operational planning. They also support local plans, tied to strategic goals, whose output is fully integrated into the overall plan. These platforms are typically accessible from any location on any internet-enabled device, and they come embedded with the latest developments in AI.

Integrated Plans

Our final recommendation is to develop an ongoing integrated approach to planning that includes the 3-way modeling of a P&L, balance sheet, and cash flow statement. Too often planning is based on outdated practices such as 'last year +x%' and is run at set times during the year. Yet, we live in an ever-changing business environment that can only be predicted a few months ahead. To support a fully integrated approach will require all of the above recommendations.

We believe that applying the above will transform the impact that FP&A teams have on organizational decisions. For more information on the key steps and strategies that lead to FP&A transformation, see our latest research on our FP&A Trends Maturity Model.

10. ACKNOWLEDGMENTS

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Larysa Melnychuk, CEO of FP&A Trends Group, is an accomplished FP&A professional and thought leader with over 20 years of experience in senior finance roles at top-tier companies. In 2016, she founded the FP&A Trends Group, a global organization that offers valuable insights, advisory services, and training to finance professionals seeking to stay ahead of the curve. Under her leadership, the FP&A Trends Group has conducted 27 innovative research and insight projects, including the widely recognized FP&A Trends Maturity Model. She also created the International FP&A Board, which has held over 250 meetings for finance leaders from 33 chapters across 19 countries on four continents. As a founder of the AI/ML FP&A Committee, Larysa is committed to promoting excellence and enhancing the profession globally.

ABOUT FP&A TRENDS GROUP

FP&A Trends Group is a high-profile think tank focused on modern corporate financial planning and analysis (FP&A). The organization's mission is to identify, shape, and share the latest FP&A trends and best practices via global research, events, educational content, and advisory services.

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