2019 SAP

FP&A Empowerment Survey:

The Evolution of FP&A Technology & Trends

FPA Global

About the research

In this uncertain, technology-driven world, we conducted a survey of FP&A professionals to assess whether the work they do and the skill sets they employ, are adequate in today's fast-moving business world.

The 2019 SAP FP&A Empowerment Survey allows FP&A leaders to identify opportunities that could improve their strategic value across all aspects of this evolving function. It does this by focusing on how teams are leveraging technology for planning and analysis across the enterprise and how they are coping with the challenges of speed and complexity.

The results provide benchmarks and insights drawn from **285 participants** who are engaged in the **finance function across a diverse set of industries around the globe including North America (125); Europe (94); Asia (37); MEA (16) and South America (13).** This analysis, along with our 2017 survey, offers a foundation for improving the role of FP&A.

We would like to thank our sponsor SAP and all those who invested their valuable time to participate in the survey-without your support this whitepaper would not be possible. We are also thankful for all the candid answers from survey participants. These offer a much-needed reality check on where FP&A is today and what needs to happen for FP&A teams to develop their best practices from theory into reality.

FP&A Global is an independent research team of thought leaders:

- Larysa Melnychuk, CEO, FP&A Trends Group
- James Myers, CEO, FP&A Strategy Consulting

With special thanks to Michael Coveney.

FPA Global

Executive Summary

Historically, FP&A has been viewed as a back-office function. A provider of historical data, FP&A 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 across the enterprise for strategic and operational decisions.

FP&A has become the heartbeat of any organisation. One of its main focus areas is the flow of finances through organisational activities and how they impact corporate goals. As well as monitoring that flow, FP&A are expected to provide insight on the effectiveness of resources allocated, to deliver actionable insights to the business and to find new information as the organisation embarks on new directions. It helps facilitate the decision-making process at different levels of the organisation: strategic, financial and operational.

To support, FP&A are equipped with systems and tools that help them work faster and be more efficient. However, recent developments in technology threaten to disrupt traditional approaches and make traditional planning systems obsolete. Businesses are firmly in the online world with 24/7 global operations, where technology can sift through vast volumes of data and automate decision-making within fractions of a second. This is either an advantage, if those systems are being employed internally, or a disadvantage if those systems are being used by competitors to outmaneuver your strategy. As a consequence, finance staff need to move on from using restricted, old tools such as spreadsheets, and stop relying on traditionally accepted financial procedures.

In this uncertain, technology-driven world, we conducted a survey of global FP&A professionals to assess whether the work they do and the skill sets they employ are 'good enough'. We asked what things they found difficult and where they saw the need for change. We also asked them about the future and whether the executive support they receive will help them deal with a fast-moving, data-driven world.

From our analysis, the following 5 themes emerged:

Strategic impact of FP&A: In this section, we looked at where FP&A spends its time and the value it brings to an organisation.

Efficiency of Business Processes: How efficient and effective the business processes are and any changes that are necessary to improve them.

Data Maturity: How organisations collect data and use it to drive decision-making.

Use of Analytic Tools: The systems employed by FP&A and the challenges they present.

Looking to the Future: Plans for the future and where investments should be made.

With a survey of this nature, it can be difficult to come up with definitive conclusions on the combination of activities that are directly responsible for the state of performance within FP&A. However, we believe that the survey does give an idea of what drives performance and the areas that need particular attention over the coming years.

Key Findings

Is the FP&A function being left behind the rest of the organisation?

Only **9.6% believe they have all the right data in a timely manner** but as we look to the future we see **44% of organisations plan to start projects using AI** within the next year.

On the face of things, the survey would suggest that all is well with FP&A departments. Their strategic value is recognised at a senior level. The information they produce is used widely around the organisation to make decisions. What they do is having a strong positive impact on the bottom line. But, as we look closer we see a department that is typically battling with inflexible, hard-to-use systems. The data being used is often obsolete or irrelevant. They struggle to get the investment they need to take them to the next level.

In a world where the analysis of large volumes of fast-changing data is essential for survival, let alone growth, FP&A is being left behind. There are glimmers of hope – the newer cloud-based systems are being used in those organisations previously wedded to Excel, and many are planning to make investments in AI. In addition, FP&A managers realise that they need to up-skill staff and implement modern planning techniques rather than rely on old, established practices.

But will this be enough to maintain FP&A's strategic value?

Hopefully, we'll know more in our next survey. For now, take a look through our current findings and chart your own organisation's course to analytic transformation.

Ten Most Interesting Results

Strategic Impact of FP&A:

- Perception of strategic value among executives increased from 60% to 69% in the past 2 years
- Perceived impact on the bottom line has increased from 56% to 67%

Efficiency of Business Processes:

- Planning techniques have not changed much in the past 2 years:
  - 36% use driver-based modeling
  - 49% use rolling forecasts
- The Forecasting process needs improvement with accuracy being a major concern

Data Maturity:

- Data availability remains an issue
  - 32.2% say that everyone has access to their relevant data
  - Only 9.6% have all the right data in a timely manner

Use of Analytic Tools:

- Excel still dominates but cloud-based applications are on the increase
- 59% rate their current systems as being difficult to use
- Only 14.8% have a single system that aggregates data into one place

Looking to the future:

- Around two-thirds see the top areas for investment as Strategic Planning, Forecasting, and Budgeting but they face difficulties in justifying the ROI for other shorter-term investments
- 44% of organisations plan to start projects using AI within the next year

Strategic Impact of FP&A

FP&A is playing a larger strategic role and that value is being recognised.

Perception of FP&A's strategic value among executives increased from **60% to 69% in the last 2 years**. This is supported by the fact that:

- **Perceived impact on the bottom line has increased from 56% to 68%**
- **89% of organisations use the Information and insights offered by FP&A when making decisions throughout the organisation**

FP&A exists to add strategic value to organisations through the planning and analysis of, primarily, financial information. After all, that's what is in the title. The strategic value can be measured through the efficiency and effectiveness of how the organisation conducts its business.

For many years this has taken the form of helping to reduce operational costs, but after a point this offers diminishing returns. In recent years the value of FP&A has been delivered through identifying trends and opportunities, hidden within operational data, and presenting them in a way that allows decisions to be taken, implemented and tracked. The speed and reliability in which this can be done is a key factor in adding value.

In achieving this aim, FP&A has had some success. The overall perception of the strategic value of FP&A has increased since 2017 across all core metrics. This indicates that FP&A is playing a larger strategic role and that value is being recognised.

A key question is how is this increased value being achieved. For some, it is through the use of technology but many have issues that need to be resolved (see the section on the use of analytic tools). Indeed, there are many challenges facing FP&A when it comes to managing an organisation's business processes. Therefore, it could be down to the sheer hard work that FP&A puts in when generating and communicating results.

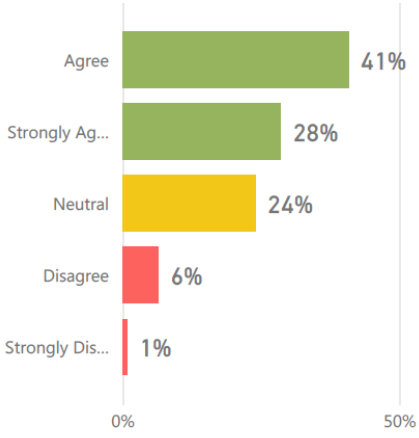


Fig 1. CxO understands Strategic Value of FP&A

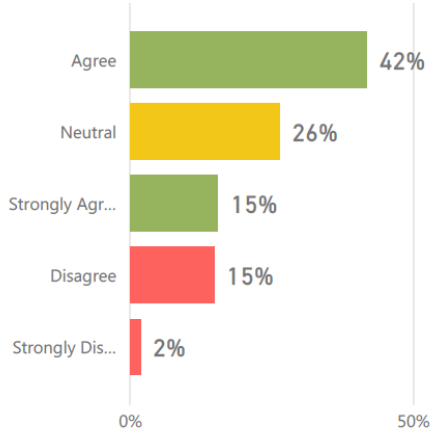


Fig 2. FP&A delivers High Strategic Value

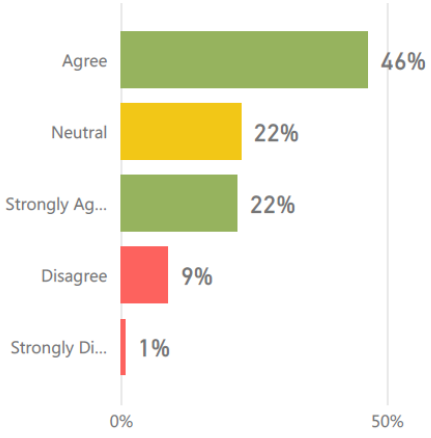


Fig 3. FP&A has a positive impact on the bottom line

FPA Global

Strategic Impact of FP&A

Low-value activities are consuming too much of FP&A's valuable time. We are seeing small improvements in this metric over time but we are still far from the desired state.

For example, Data validation accounts for 33% of time spent on Analytics, highlighting concerns around the quality of data

Where FP&A Spends its Time?

Understanding activities where FP&A are engaged is key. The survey asked what percentage of their time was spent on low, medium or high-value activities. Low-value activities are things such as data collection, validation, and creating standard monthly reports. Medium-value activities include time spent on variance analysis, traditional budgeting and planning. Whereas high-value activities include things like business partnering, strategic support, predictive analytics, customer-facing activities, and influencing actions.

Respondents were also asked where they would prefer to spend their time. When we compare this with the survey from 2017 we see the following:

- Between 2017 and 2019, the time spent on low-value activities has reduced from 47% to 41%
- In 2017 the time spent on high-value activities was 21% vs 23% in 2019
- The desired time to be spent on high-value activities grew from 48% to 56%

This means that the gap between current time spent on high-value activities, and how much time FP&A would like to spend on high-value activities, has increased from 27% to 34%. So, the real challenge is to determine how more time can be spent on high-value activities. The answer is two-fold. To work smarter i.e. to rethink how FP&A approaches low and medium value activities, and to increase the use of technology to reduce the time staff spend on lower value activities.

Action Points

- Review with senior management the value FP&A delivers
- Determine how this value could be increased in terms of people, process and technology
- Review how FP&A interacts and communicates with the other managers – could this be improved?

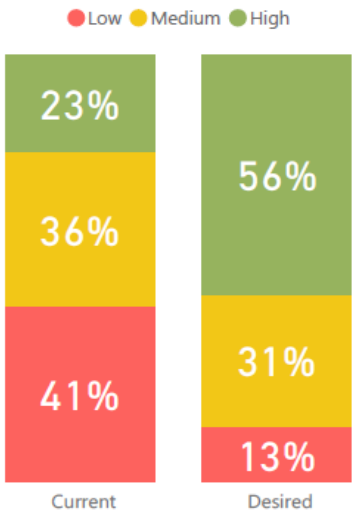


Fig 4. Time spent on High, Medium & Low-Value Activities

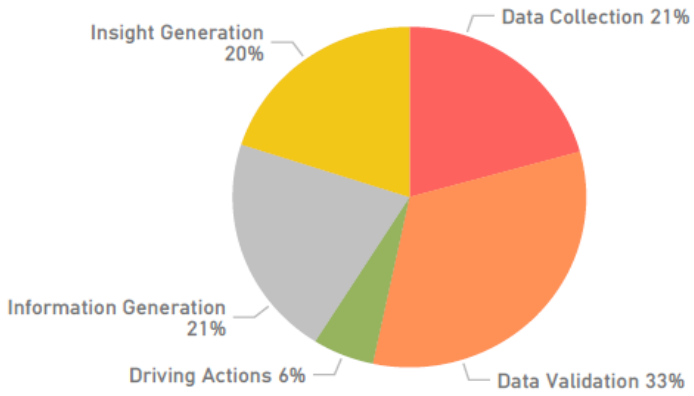


Fig 5. Time spent on analytics

FPA Global

Efficiency of Business Processes

A perennial area for improvement within FP&A is in how it conducts the business processes of strategic planning, operational planning (budgeting) and forecasting

A perennial area for improvement within FP&A is how it conducts the business processes of strategic planning, operational planning (budgeting) and forecasting. For too long these processes have been overly long, open to abuse (game playing on both sides of the management divide), and have had little connection to the implementation of strategy.

Therefore it is disappointing that the survey revealed that there has been little change in both the approach and the time taken for these processes over the past two years. The time taken to produce a budget or a revised forecast is still too long in today's fast-moving business world.

Time to produce a budget:

- Less than 1 month: 11%;
- 1-3 months: 50%
- 3-6 months: 33%
- > 6 months: 6%

Time to produce a forecast:

- < 1 day: 6%
- 1-2 days: 18%
- 3-5 days: 29%
- > 5 days: 42%
- N/A: 5%

Planning techniques have not changed much in the past 2 years

- 36% use driver based modelling (up from 33%), although surprisingly the number that use predictive modelling has gone down (from 15% to 12%)
- 48% use rolling forecasts (up from 46%)

The forecasting process needs improving

- Forecasting frequency has not changed that much
- 39% are happy with the accuracy of their forecasts (down from 41%) with 43% believing they need further investment in this area

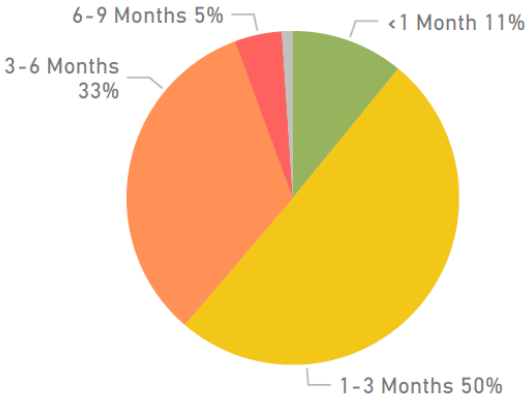


Fig 6 Time spent on Budgeting process

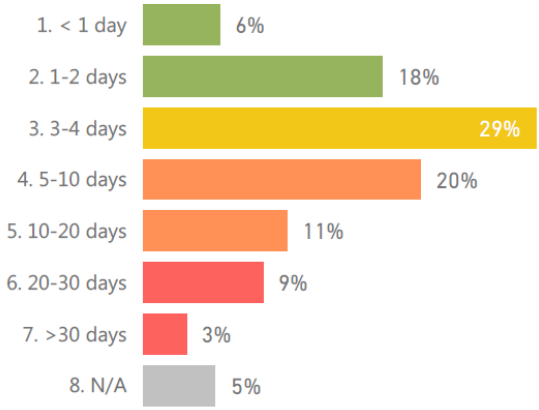


Fig 7 Time spent on the Forecasting process

FPA Global

Efficiency of Business Processes

Over 60% of organisations are concerned about the accuracy of the forecast results they generate

Planning Techniques

In terms of planning techniques, we found that 74% of organisations use a combination of both top-down and bottom-up approach to set a budget. It's also good to see that the use of 'last year + x%' as a method has dropped to 34% from 44% two years ago. However, the use of rolling forecasts has only increased slightly from 46% to 48%, which is significant under half of all organisations.

In today's fast-moving business world, where it is increasingly hard to predict events more than 6 months out, it is surprising that more have not adopted this method, nor have they increased the frequency of how often these are conducted. Nearly half do monthly forecasts, while 38% report forecasts on a quarterly basis.

Planning Accuracy

A key concern raised in the survey was the accuracy of the forecasts. Over 60% of organisations are concerned about the forecast results they generate and see this as an area for investment. We believe a method for improving accuracy is the use of systems that are more able to model the organisation. These take out some of the guess-work and bias that goes on. Often, forecasting and planning systems are configured to be purely adding up machines i.e. the user enters all the data and the system adds it up to produce the overall result.

A 'Better Practice' would be to use driver-based or predictive models that would cut down the time it takes to plan/forecast and help eliminate other issues. But to do this requires investment in modern software solutions.

Action Points

- Review the accuracy of plans and forecasts – how long is it before they become inaccurate?
- Review the planning technique/process being used – does it support the speed of the market that you are in?
- Review the drivers of your business – can these be used to predict / challenge the forecasts?

Fig 8. **Forecasting techniques**

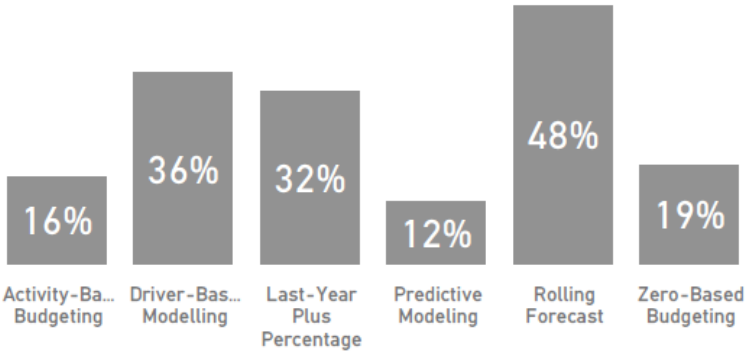
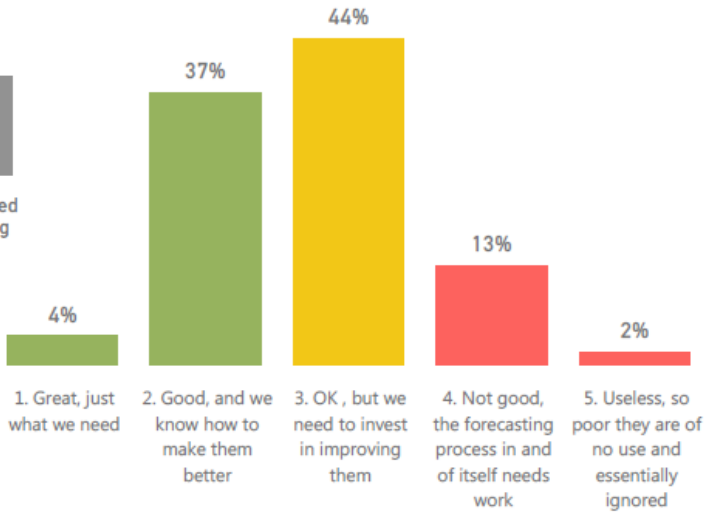


Fig 9. **Forecast Accuracy**



FPA Global

Data Maturity

Well over half of the participants surveyed do not have a strategy to enhance data maturity.

Key finding:

- **47% base all or a large proportion of their decisions on data, with 13% of organisations basing decision on little or no data**
- **32.2% say that everyone has access to their relevant data, with 29.6% using it to drive action**
- **10% have all the right data in a timely manner; while 25% have the right data but not in a timely manner**
- **13% suffer from data overload while over 52% do not have the right data**
- **57% have little or are still developing a data management strategy**
- **13% consider themselves leading or advanced in data maturity**

In an age where data has never been so abundant or easy to access, it is surprising to see so few organisations using it either effectively or at all. The survey indicated that less than half of the organisations base their decisions largely on data, which could be due to its quality and timely availability.

Less than a third of organisations say they have access to relevant data, while only 10% receive this data in a timely manner. Interestingly, 13% suffer from data overload, which would indicate that the data being provided is neither being filtered or presented in a meaningful format.

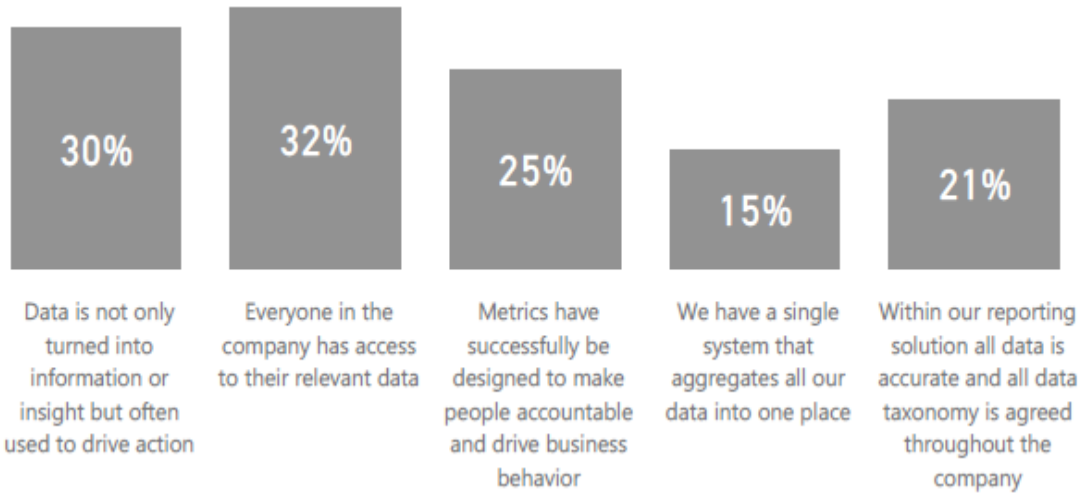


Fig 10. Data Maturity Model

Data Maturity

The most challenging issue faced by a company when it comes to planning & analytics is having a single source of truth.

These findings are consistent with the survey conducted in 2017, a problem that would be solved by using a true data management solution.

Right Data at the right time

In today's data-driven world, where the amount of data being generated is growing exponentially, organisations must have a data strategy to avoid being overwhelmed. This will require the appropriate systems and staff that know how to store and analyse it. However, yet the survey shows that well over half do not have a strategy.

When it comes to planning and analytics, having the right data in the right format at the right time, is crucial to success. However, 32% of organisations report that one of the biggest issues they face with data continues to be that there is no single source of truth, with many indicating the reliance on spreadsheets as the cause. 20% also report that they struggle with 'too many inconsistencies in taxonomy and definitions'.

Action Points

- Determine what data you need to make decisions – how often, in what format, and its source.
- If the data you want is not there, or available in a timely manner, specify a system that would provide it.
- Use a specialised data management system to record, organise and provide data around the organisation. Use clear definitions and document how and when it is available.

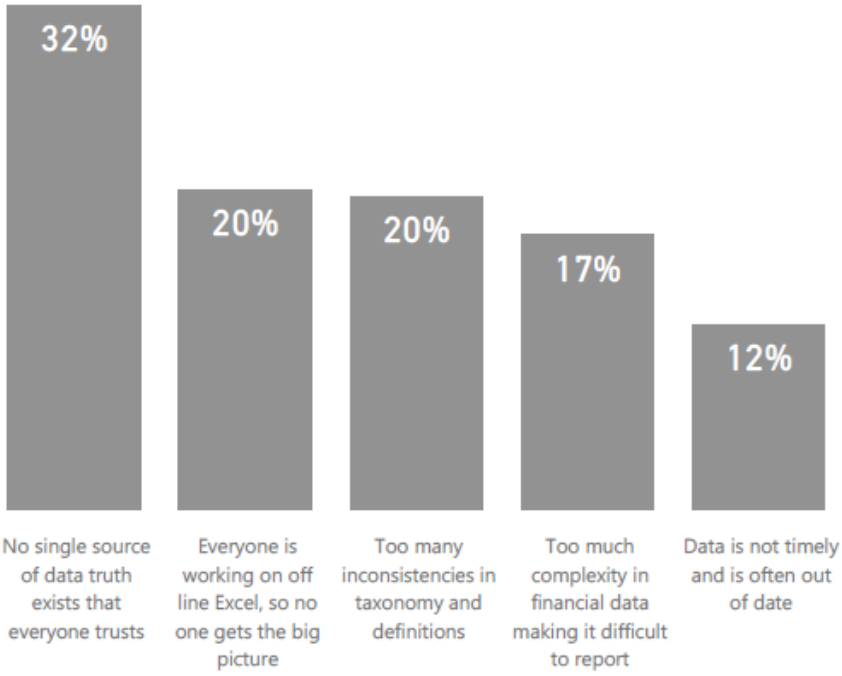


Fig 11. Most challenging issues in FP&A

Use of Analytic Tools

Progress in Data Analytic Maturity has been slow, with no significant changes from 2017 to today

Over 50% of the time spent on Analytics is spent on collection and validation of data

Less than 2% saying their systems allow them to easily perform scenario analysis

Key finding:

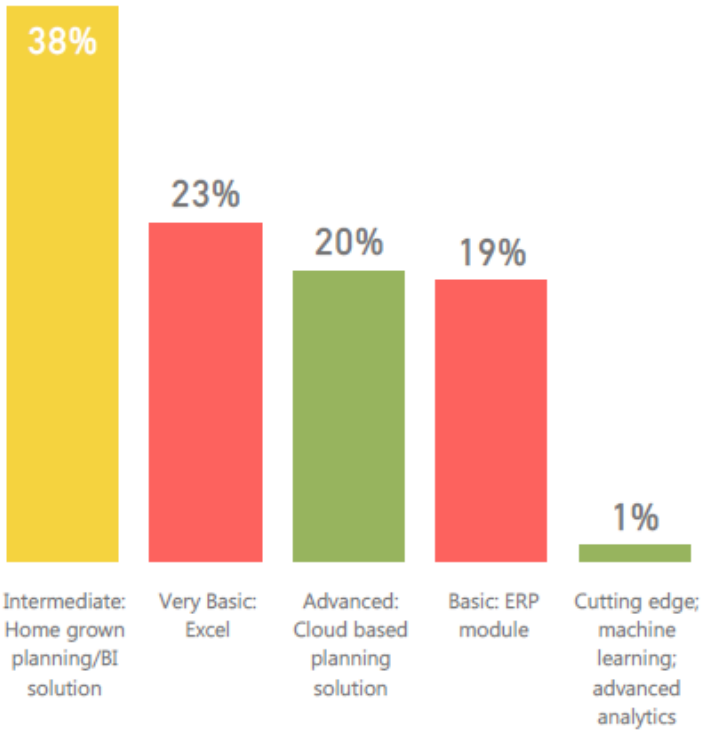
- **19% use their ERP solution; while 23% still use Excel exclusively for planning.**
- **20% use cloud-based planning solution**
- **38% use a home-grown/BI solution**
- **15% have a single system that aggregates data into one place**
- **59% rate their systems as difficult to use, with less than 2% saying their systems allow them to easily perform scenario analysis**
- **32% of organisations use their systems to predict future results, while 21.8% use it to prescribe actions that should be taken in the future**

Analytic Tools are essential in today's business world. The volume and type of data combined with the fast-changing nature of markets means that a single user equipped with a spreadsheet is not going to cope. Also, there is a limited amount of time to make use of data being generated now, after which it becomes obsolete and unsafe to base decisions on.

Unfortunately, many FP&A departments are using systems that are inadequate and that create inefficiencies. For example, data collection and validation account for more than 50% of the time taken by users when planning and reporting.

In terms of how they view specialist systems, 14% say they embrace modern technology wherever they can, while 52% are mindful of it and embrace it on occasion. However, the survey also showed that only 35% have made an investment in the past year, with 25% saying it was made over 5 years ago.

Fig 12. How modern are your organisation's FP&A Tools



FPA Global

Use of Analytic Tools

Excel still remains the most popular FP&A tool, on average being used 72% of the time, either as the only planning solution or as an Excel add-in for their ERP

Tools in Use

When looking at all the systems in use, Excel still remains the most popular FP&A tool, with every organisation saying they use it at some point during the planning process. This is not a problem for personal end-user analysis, but when it becomes part of a corporate planning and reporting system, issues arise. Over 20% of respondents say that 'everyone is working on Excel, and so no one gets the big picture'.

Specialised solutions such as SAP BPC and Oracle account for 38.5%. This again is surprising as these solutions are often shown to be far superior in terms of integrity, implementation and on-going support.

Interestingly, most organisations use systems to report data, but only 32% use it to predict future results and 21.8% use them to prescribe actions that should be taken in the future. This means that nearly 50% do not use the data they collect to help manage the future. So if it is not data, then what are they using?

How the Tools are Used

Having spent much time collecting data, the main role of any analytic system is to produce meaningful analyses from which management can make decisions. Most organisations seem to use their systems to look back at the past, while only around a quarter use them to look both to the past and to the future.

The reasons for this could be due to the capabilities of the system in use. When asked how they would rate their systems' ability to produce forecasts from trends or conduct scenario analyses, nearly two-thirds of respondents said it would be difficult to achieve. This means that the systems designed to help FP&A perform their role, are hampering their ability to do so.

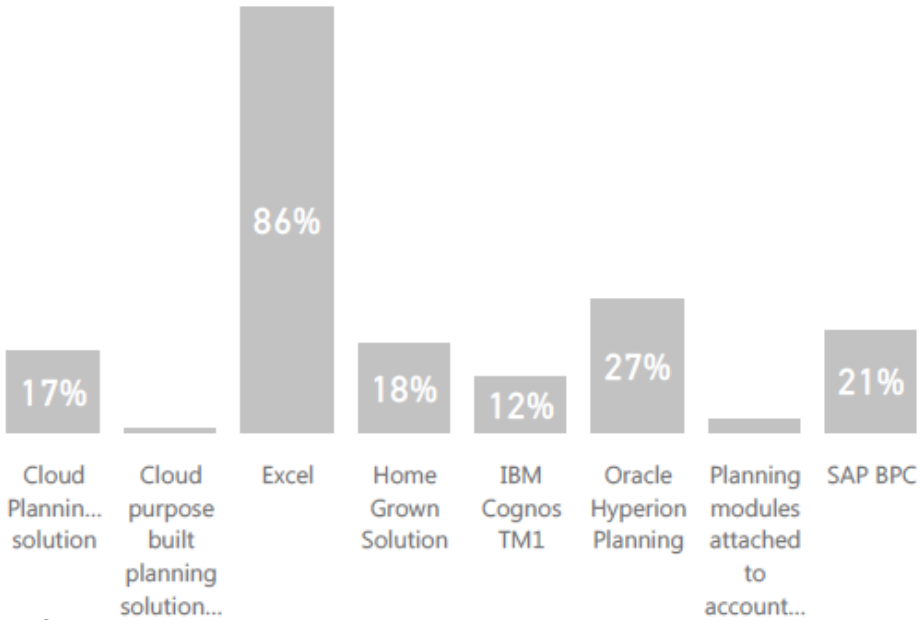


Fig 13. Current planning tools

Use of Analytic Tools

We believe that cloud-based solutions are responsible for reducing the use of spread-sheets as a corporate tool

The survey showed that on average Excel is used 72% of the time, whereas it is only used 54% of the time within companies that use cloud-based solutions.

The rise of Cloud-Based Applications

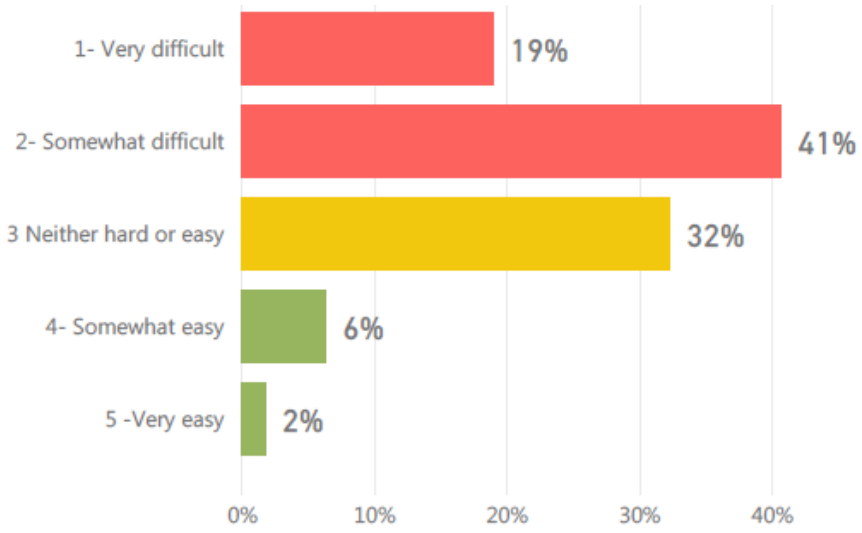
For the first time, we are seeing an increase in Cloud-based analytics becoming significant in replacing home-grown Analytics applications. We believe part of the reason is the low cost of entry, the fact that they do not require capital expenditure, that they can be used from anywhere and on any device, and that they are relatively 'ease to use'. It also helps that 'apps' are becoming universally accepted. The security fears of the past have been mainly dispelled, particularly as most people now use apps to manage their personal bank accounts.

As a result, we believe that cloud-based solutions are responsible for reducing the use of spreadsheets as a corporate tool. As evidence for this, the survey showed that on average Excel is used 72% of the time, whereas it is only used 54% of the time within companies that use cloud-based solutions.

Action Points

- Review the systems you currently use for planning and analysis – are they integrated or do data and metadata need to be duplicated?
- How much time is spent maintaining those systems and how susceptible are they to errors?
- How much effort and time is required to collect, consolidate and produce results?
- Do those systems support the automatic generation of rolling forecasts, driver-based planning, and scenario analysis?
- How would a modern planning system impact on the above?

Fig 14. How easy is it to perform scenario analysis with your current forecasting tools



FPA Global

Looking to the Future

23% of organisations are planning on reducing the cost of FP&A and so any improvements can only come through the use of modern technology solutions.

Key finding:

- **Only 5% of organisations are currently using any form of AI, but 44% plan to do so over the next few years**
- **Investing in Strategic Planning along with Forecasting, Planning and Budgeting are seen as the top areas for improving strategic value. This investment would be focused on:**
    - **The right technology to support the business (45.5%)**
    - **Upgrading the analytical skills of the FP&A team (21.5%)**
    - **Creating a team dedicated to transforming the processes (20%)**

In the future, FP&A will need to continue to add strategic value to the organisation. This requires continued investment in both people and technology. It is not surprising that planning, in its many forms, is at the top of the list for where investment is essential.

To increase strategic value, improvements can only come through the use of modern technology systems since 23% of organisations are planning to reduce the cost of FP&A. However, respondents believe that getting the necessary investment will be a challenge. The major reasons are that it is difficult to justify the ROI against shorter-term sales and marketing investments; and that FP&A is generally not considered a strategic investment area.

This finding is surprising as 68% of respondents believe that the CEO and CFO understand the strategic value delivered by FP&A and 61% think that FP&A has strong executive support.

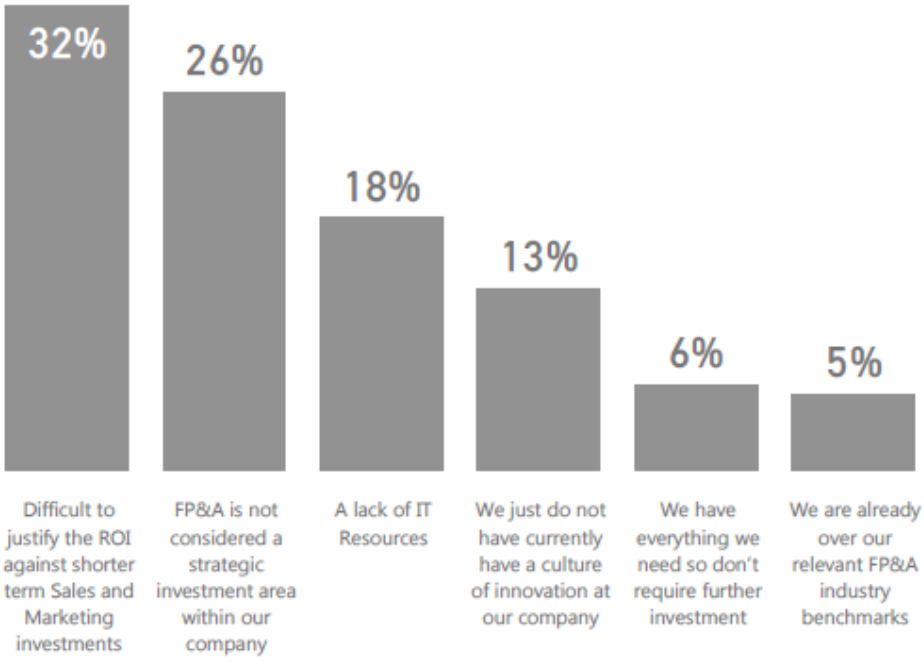


Fig 15. **The biggest obstacles to getting investment for FP&A**

FPA Global

Looking to the Future

44% of organisations plan to start AI, Machine Learning, and Big Data projects over the next year.

Investment Areas:

In terms of where FP&A would invest, the survey indicated that the top priorities were:

- **46%** say they would invest in the **right technology** to support the business
- **21%** say they would invest in upgrading the **analytical skills** of the FP&A team
- **20%** say they would invest it to **hire a team dedicated to transformation**
- **7%** say they would invest it to **hire a consultant** to help overhaul the FP&A function
- **4%** say they don't need to invest

Given the hype around emerging technologies such as AI, Machine Learning and Big Data, 44% of organisations plan to start projects in these areas over the next year. Currently, only 4.8% use AI, so it will be interesting to see whether these newer technologies make an impact over the coming years.

One Wish:

The final question of the survey related to FP&A having just one wish relative to improving FP&A. The top 3 responses were:

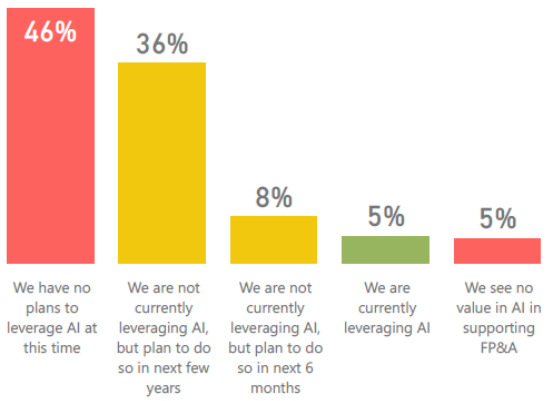
- **25%** say **more accountability** for those impacting the budgeting and forecasting functions
- **25%** say having the **right systems**
- **16%** say having the **right strategy** in finance that everyone is aligned behind

The interesting thing here is that the biggest issue revolves around responsibility and accountability. FP&A can play a large role in facilitating processes but can do little to eradicate political game-playing and ensuring support for organisational strategy.

Action Point:

1. Review the biggest issues facing FP&A and ways in which these can be solved
2. Discuss with senior managers how these issues could affect the work FP&A does in the future if not addressed

Fig 16. Artificial Intelligence (AI) in FP&A



FPA Global

Conclusion & Recommendations

Investment is essential as organisations come to grips with the unprecedented growth in both volumes and types of data, as well as the new technologies and techniques that are required to make use of it.

As we have seen throughout the survey, FP&A, although doing work that adds value to the organisation, are struggling with the systems they have and in convincing senior management of the investment they desperately need. This investment is essential as organisations adapt to the unprecedented growth in volumes and types of data, as well as the new technologies and techniques that are required to make use of it. Without this investment, there is a very real danger that the value FP&A provides today will collapse, reducing an organisation's ability to support effective decision-making. It would be like using analogue communications that existed at the turn of the century to cope with today's 5G data streams.

Having read the report, we recommend the following:

Identify were your organisation fits within the survey results:

Take a look at each of the questions asked in the survey and chart where your responses stand. You can access the questions via the following link: http://bit.ly/FPASURVEY19 and review how our respondents answered.

Discuss with colleagues the action points listed in each category within the report:

Strategic Impact of FP&A:

1. Review with senior management the value FP&A delivers.
2. Determine how this value could be increased in terms of people, process and technology.
3. Review how FP&A interacts and communicates with the other managers – could this be improved?

Efficiency of Business Processes:

1. Review the accuracy of plans and forecasts – how long is it before they become inaccurate?
2. Review the planning technique/process being used – does it support the speed of the market that you are in?
3. Review the drivers of your business – can these be used to predict / challenge forecasts?

Conclusion & Recommendations

Remember, that improvement in FP&A is a continuous exercise.

Data Maturity:

1. Determine what data you need to make decisions – how often, in what format, and its source.
2. If the data you want is not there, or available in a timely manner, specify a system that would provide it.
3. Use a specialised data management system to record, organise and provide data around the organisation. Use clear definitions and document how and when it is available.

Use of Analytic Tools:

1. Review the systems you currently use for planning and analysis – are they integrated or do data and metadata need to be duplicated?
2. How much time is spent maintaining those systems and how susceptible are they to errors?
3. How much effort and time is required to collect, consolidate and produce results?
4. Do those systems support the automatic generation of rolling forecasts, driver-based planning, and scenario analysis?
5. How would a modern planning system impact on the above?

Looking to the Future:

1. Review the biggest issues facing FP&A and ways in which these can be solved.
2. Discuss with senior managers how these issues could affect the work FP&A does in the future if not addressed.
3. Produce an investment plan along with priorities for change, identify how each investment would improve future performance.

Come up with your own action plan

Finally, review the answers to the above and decide on your top 3 priorities. If you can, identify the costs that would be involved and the potential benefits that would be achieved. Review your findings with senior management.

Remember, that improvement in FP&A is a continuous exercise. It requires investing in systems; researching what other organisations are doing; and challenging established practices.

We wish you well and look forward to you taking part in future surveys.