FP&A TRENDS
Best Practice in Financial Planning and Analysis

FP&A Strategy Consulting

FP&A Trends Survey 2021

Planning and Forecasting in times of high uncertainty

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1. ABOUT THE RESEARCH

“The Global FP&A Trends Survey provides insights on how FP&A departments operate and informs organizations on the latest trends across planning, analytics and performance management.”

Financial planning and analysis (FP&A) functions are at the forefront of guiding organizational performance and supporting the decision-making process. Over the years, the challenges faced by management have required different planning approaches and techniques. Some have stayed and become ‘the norm’, for example driver-based planning. Yet, at the same time, the technological systems that underpin FP&A’s work have been constantly evolving to support faster decision-making, more scenarios and increasing volumes of data.

The Global FP&A Trends Survey was established 4 years ago to capture these changes and provide insights on how FP&A departments operate. The aim is to inform organizations on the latest trends across planning, analytics and performance management, so that they can compare their experiences and practices with those of other companies.

For this year, **342** responses were received, giving a total of **1,246** since the survey began. These responses are from people involved in the finance function across a range of industries and countries. Analyzing this data enables us to get a sense of how FP&A operates, the challenges they face, and the plans for upcoming years.

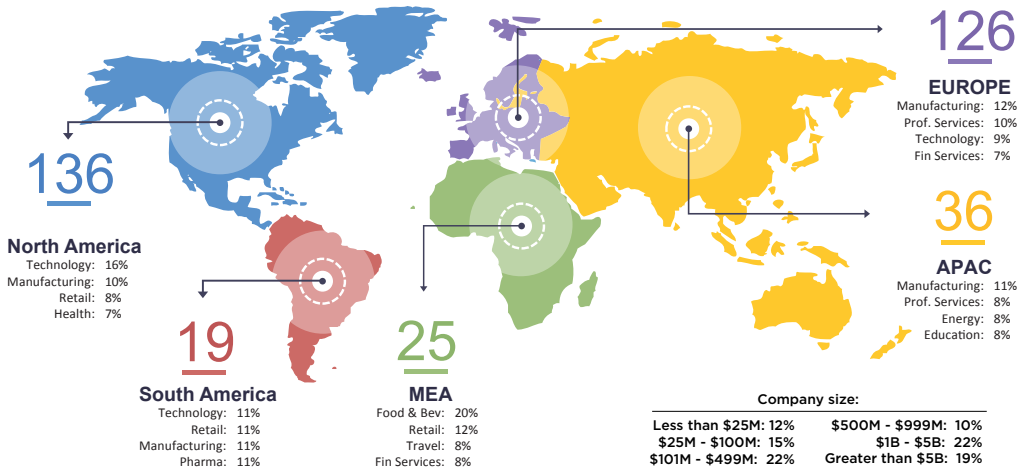

Fig 1: 2021 Survey response demographics

We would like to thank our sponsor, SAP, who made this research possible. We would also like to thank everyone who took part in the survey, as without your feedback we would not be able to draw the conclusions presented in this paper.

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

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“If there’s one thing that’s certain in business, it’s uncertainty.”

Stephen Covey,

American educator and author

2. INTRODUCTION: KEY FINDINGS

This year’s survey took place in March and April 2021, almost one year after Covid-19 had its first major impact on business. A year where organizations faced uncertainty in sales, major disruptions in supply chains, a shrinking economy, and fast-changing government legislation. It was also a year where some organizations were presented with significant growth opportunities. For example, personal protective equipment (PPE) suppliers, home deliveries, and provision of alternative work environments. As a consequence, the survey reflects how businesses coped during a period of unprecedented change and how this shapes the future of FP&A.

One thing became apparent. Organizations that rely on traditional planning approaches, with the control mechanism of an annual budget, were being challenged. In fact, in March 2020, when the pandemic started, the world was full of dead budgets and unrealistic forecasts. It was obvious that the one plan and quarterly forecast approach no longer worked. Instead, organizations had to become agile by continually adapting their plans to face multiple possible futures, any one of which could materialize within weeks.

As with all our surveys, some respondents seemed to fare better than others. These fell into four groups who:

- Spent more time on **higher value activities**;
- Employed **driver-based models**;
- Utilized **artificial intelligence and machine learning** (AI/ML);
- Utilized **cloud computing** as their technology platform.

Each group had significant advantages over the average organization, as we will see in the analyses within this paper.

Key findings from this year’s survey include:

- 67% of **decisions used factual evidence most if not all of the time.** This was up from 56% last year and the highest average percentage recorded since the survey began.
- AI/ML is having **a dramatic impact on forecast accuracy:** 83% of companies consider them to be ‘good’ or ‘great’ compared to an average of 50%.
- 12.5% of organizations are able to spend **more than 40% of their time on high-value activities.**
- Scenario analysis that anticipates **more than one possible future** is being used 51% of the time, up 19% from last year.

“This paper focuses on how prepared organizations were for managing uncertainty, both in the past and for the years to come.”

These are all positive indications that organizations are getting to grips at dealing with uncertainty. However, there are signs that FP&A is being hampered by the tools they use as:

- Only 7% of organizations are **happy with their current planning solutions.**
- 40% of organizations **report the data they use as ‘low’ or ‘poor’ quality.**
- 26% of FP&A departments have **received no investments in technology for over 5 years.**

The authors would like to point out that the research data contains far more information than is possible to cover in this paper. The data can be analyzed from a variety of viewpoints including by location, industry, company size as well as by the answers given to individual questions. In light of this, analyses within this paper focus on how prepared organizations were for managing uncertainty, both in the past and for the years to come.

3. FP&A AS A BUSINESS PARTNER: WHERE THE TIME IS SPENT

3.1 WHERE FP&A SPENDS ITS TIME

Only 12.5% of organizations spend more than 40% of their time on high-value activities.

"Great things in business are never done by one person. They are done by a team of people."

Steve Jobs,

former CEO Apple Inc.

A key element of a good business partner is spending time on things that influence better outcomes for the organization. For FP&A we split activities into two categories, high value and low value. High value activities include:

Information generation that takes in raw data and produces analyses for end users.

Insight generation that takes the above analyses a step further to identify the drivers of results, the implications for the business and the impact on decisions.

Driving actions that presents managers with alternative paths so that one can be selected. It also involves ensuring the decision selected is adequately resourced and fully executed.

Low value activities are those that could be automated and do not require specialist skills. These include:

Data collection where data is either requested from users or manually extracted from source systems and then processed to be ready for analysis.

Data validation where any data used is checked to ensure that it is complete, accurate, and up-to-date.

For the 4th year running the survey indicates that FP&A is not spending enough time in the areas they want to be (Fig 2).

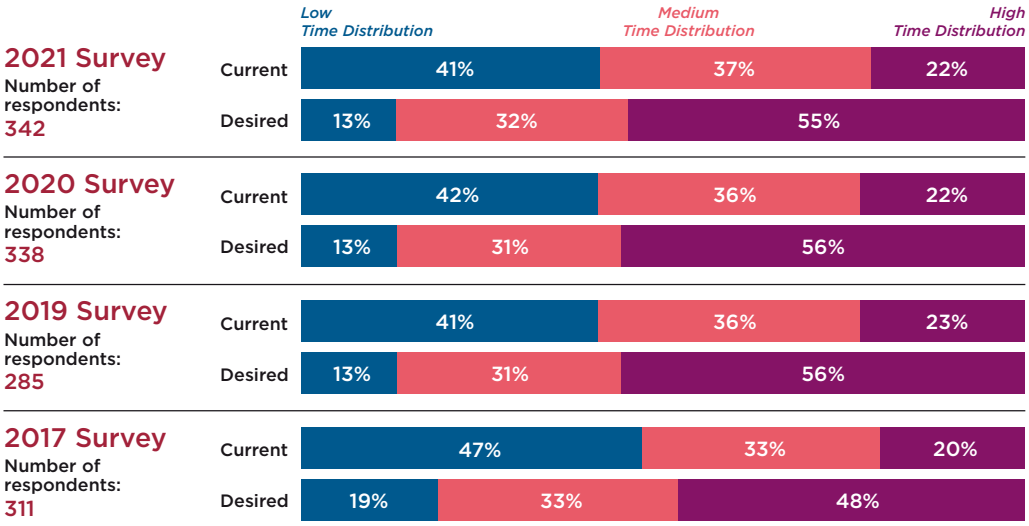


Fig 2:
Actual time distribution of FP&A vs desired time distribution

Respondents believe they should be spending 55% of their time on high value activities but instead it is less than half, at 22%. A situation that has barely changed over the years. However, when we look at the detail behind those activities, there are changes happening.

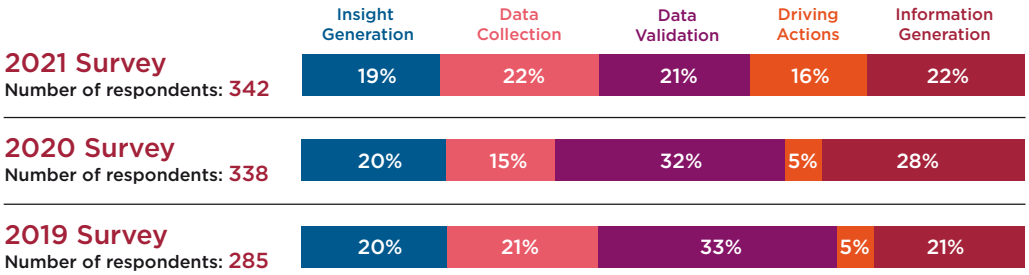


Fig 3:
FP&A activity
time distribution

As Figure 3 shows, 2021 saw a growth of 11% in driving actions from 5% to 16%. Something that no doubt was caused by the pandemic where organizations had to act fast when faced with huge, unexpected changes. This finding was similar across all regions (16% N. America, 15% Europe, 16% Asia, 18% Middle East and Africa (MEA), 19% S. America).

The increased time spent on driving action was achieved by lowering or eliminating low value activities such as data collection and validation. The good news is that the category of data entry and validation has been steadily decreasing over the past 3 years (54% in 2019, 47% in 2020 and 43% in 2021). However, it is still too much and probably the reason why 42% of FP&A departments believe they are underutilized.

So, why do low value activities dominate? The survey indicates that this is down to the use of inappropriate technology, which we will look at later.

3.2 THE RISE OF xP&A

"xP&A is a collaborative approach that integrates strategic, business and operational planning."

Another aspect of business partnering concerns FP&A going beyond finance and its traditional planning practices. **xP&A**, a term introduced by Gartner in February 2020, stands for Extended Planning & Analysis. The concept is not new and extends FP&A's reach to all functions of the entire organization. It is a collaborative planning approach that integrates the three **key processes** of strategic planning, business planning and forecasting (traditionally the role of FP&A), and operational planning and forecasting. Adopting xP&A, allows organizations to have a single joined-up plan that meets all needs.

In our survey, we can see that FP&A have started this adoption through their interactions with other departments (Figure 4).

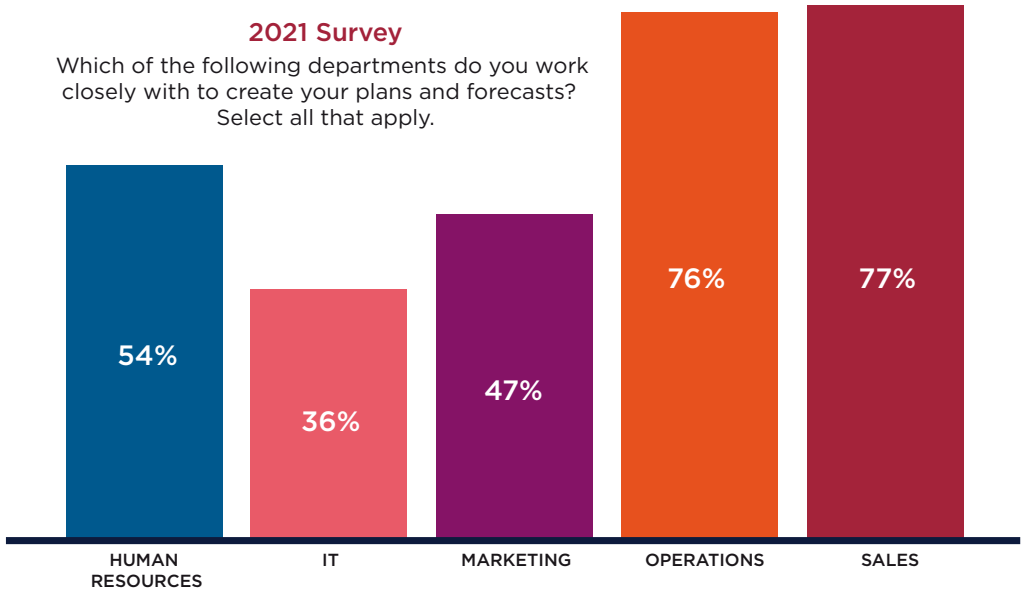


Fig. 4:
FP&A's interaction
with other departments
2021 results
(342 responses)

This graph shows that more than 75% of organizations have close connections with operations and sales when creating plans and forecasts. Close connections are also being forged with human resources (HR), information technology (IT) and marketing. This was the first year we asked this question, therefore we cannot comment on any trends, but our experience tells us this these close connections will grow over the coming years until FP&A is closely involved with the whole organization.

3.3 THE STRATEGIC IMPACT OF FP&A'S WORK

The ultimate test of FP&A as a business partner is in the strategic value it brings and how they impact overall company performance.

78% of respondents believe that FP&A has a strong and positive impact on the bottom line.

71% of respondents feel that they deliver a high amount of strategic value.

FP&A's perception on its bottom line impact did not change much from last year at 79%. There was an increase on the strategic value delivered by FP&A of 5%, up from 66% in 2020. This is probably attributable to the role FP&A teams played when uncertainty became the 'norm'.

3.4 IMPROVING TIME SPENT ON HIGH VALUE ACTIVITIES

Spending more time on high value activities is important, particularly in times of uncertainty. They enable FP&A to be a strategic advisor that can both inform and drive change. Technology is key to making this happen. When we look at this year's results on where FP&A spend their time, across modern planning systems such as AI/ML, driver-based models and cloud solutions, there has been an improvement in each category. However, AI/ML was the clear winner.

	Average	Use of AI/ML	Driver-based	Cloud
Insight generation	**19%**	**25%** *+6%*	**21%** *+2%*	**21%** *+2%*
Driving action	**16%**	**26%** *+10%*	**18%** *+2%*	**20%** *+4%*
TOTAL	**35%**	**51%** *+16%*	**39%** *+4%*	**41%** *+6%*

Table 1:
Time spent on high-value activities depending on technology implemented

4. ACCESS TO DATA: REAL-TIME AND FACT-BASED

"Without data, you are just another person with an opinion."

W. Edwards Demming,

American, statistician, professor and author

It is vital for organizations, particularly in times of unprecedented uncertainty, to rely on the data they have and use insights gained to drive decision-making. In the absence of data, decisions cannot be challenged and are subject to personal bias. With timely, accurate data, factual conversations can take place and agreements on action are more likely to be made.

4.1 INCREASE IN FACT-BASED DECISION-MAKING

67% of organizations base all, or most of their decisions on data.

(Regional breakdown: 70% N. America, 63% Europe, 73% Asia, 72% MEA, 64% S. America)

The percentage of respondents using factual data is the highest it has been since the survey started. There has been an 11% increase from an average of 56% recorded in 2020, showing that organizations are increasingly aware of the importance of data and its use as the basis for planning and taking action.

This percentage increases to:

- 71% in organizations who use **driver-based models** (up 4% from 2020)
- 74% in organizations who use **AI/ML techniques** (up 7% from 2020)

We believe these additional increases are due to the confidence level management have in the information provided, since predictions are made using advanced analytics.

4.2 INCREASE IN C-SUITE ACCESS TO REAL-TIME INFORMATION

45% of senior executives have a real-time view of business performance.

(Regional breakdown: 43% N. America, 39% Europe, 50% Asia, 72% MEA and 48% S. America)

This was an increase of 10% in comparison to last year. However, the percentage of senior executives that have a real-time view increases to:

- 50% in organizations that are **using driver-based models** (up 5% compared to 2020)
- 71% in organizations that are **using AI/ML** (up 26% compared to 2020)

4.3 DATA CHALLENGES

“Organizations using new technologies are more likely to have a single source.”

Only 5% of organizations have a single data source for planning and forecasting.

By definition, single source means that users can go to one place to access the data they need, and that there is an agreed taxonomy on what that data represents. When looking at organizations that use newer technologies, the percentage that have a single data source increases to:

- 7% for organizations **using driver-based models** (up 2% from 2020)
- 10% for organizations **using cloud solutions** (up 5% from 2020)
- 21% for organizations **using AI/ML** (up 16% from 2020)

The use of newer technologies, such as AI/ML, requires access to reliable, up-to-date information sources. In the same way, cloud solutions work best for planning when everyone is connected to a central database. As a result, organizations using these new technologies are more likely to have a single source.

40% of organizations report that the data they use is ‘low’ or ‘poor’ quality.

Low quality means that users access multiple data sources and consolidate them before use. Different data definitions also exist across the company, so all data collected needs to be validated. Therefore, as well being a potential source of error, multiple data sources means that FP&A’s time is taken up performing low-value activities. Activities that can be greatly reduced or eliminated with the right technologies.

If data cannot be accessed or relied upon, neither can the decisions upon which it is based. Data issues are a recurring problem that has not changed much over the last 3 years (Fig. 5).

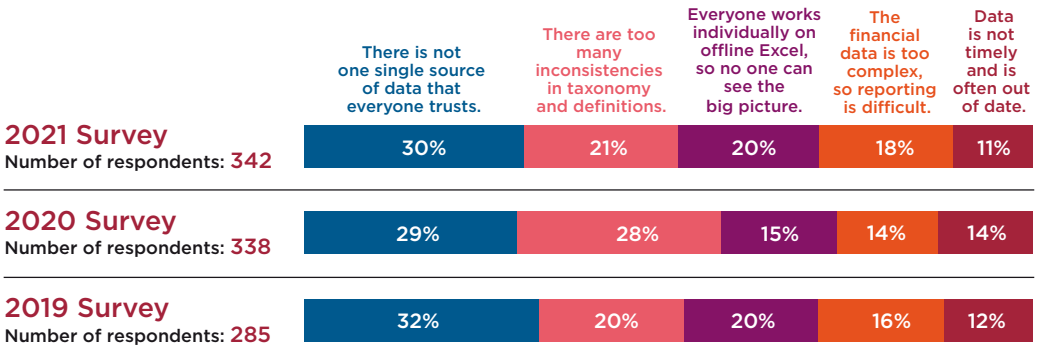


Fig. 5:
The biggest issues in planning and analytics

5. PLANNING SPEED & ACCURACY: AN IMPROVED PROCESS

Uncertainty means situations can change quickly and at any time, causing plans to be constantly out of date. Speed is a vital necessity, whether for producing an annual plan or forecast. If the time and effort involved is too high, then the result will not fulfill its purpose.

5.1 ANNUAL PLANNING

70% of organizations can produce an annual plan in less than 3 months.

The length of time taken to create the annual plan has improved over the past 3 years (Fig 6). There was a slight increase to 70% in 2021, from 66% in 2020 and respectively 62% in 2019. This increase appears to have been driven by organizations that previously took more than 3 months to create an annual plan, but now take only between 1 and 3 months. There was little movement in organizations that produce a plan in less than 1 month.

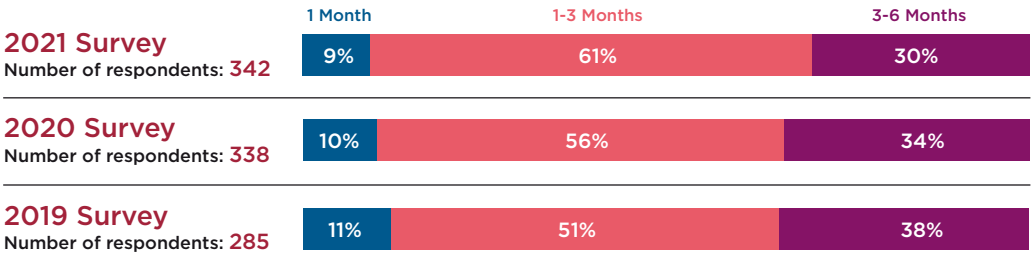


Fig. 6: Time taken to create an annual plan over the past 3 years

When we look at organizations using newer technologies in 2021 (Fig. 7), there is a slight improvement in those who can create an annual plan in less than 3 months. For AI/ML users this is 83% of organizations and 74% for those using a cloud solution, compared to 70% for all organizations.

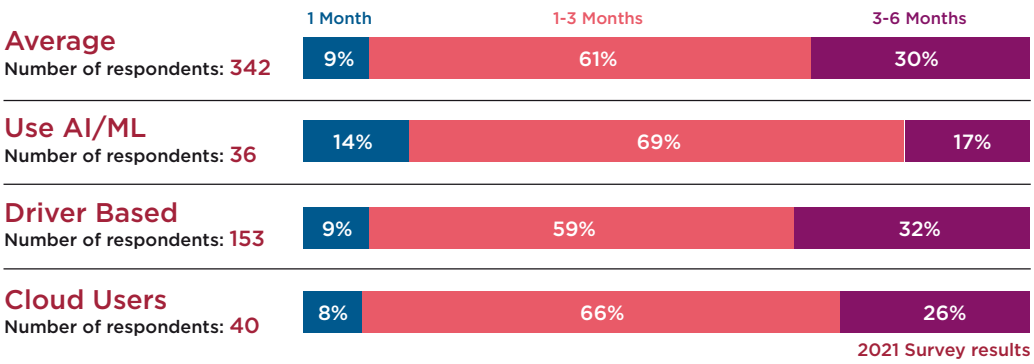


Fig. 7: Time taken to create an annual plan split by technology adoption

5.2 FORECAST SPEED

42% of organizations can produce a forecast in less than 4 days.

The ability to forecast quickly and accurately gives management the time necessary to consider alternatives. The survey shows a worrying trend in terms of how quick this can be carried out (Fig 8). If we look at being able to produce a forecast in under 4 days, for 2021 this was 42% of organizations, compared to 49% in 2020 and 53% in 2019.

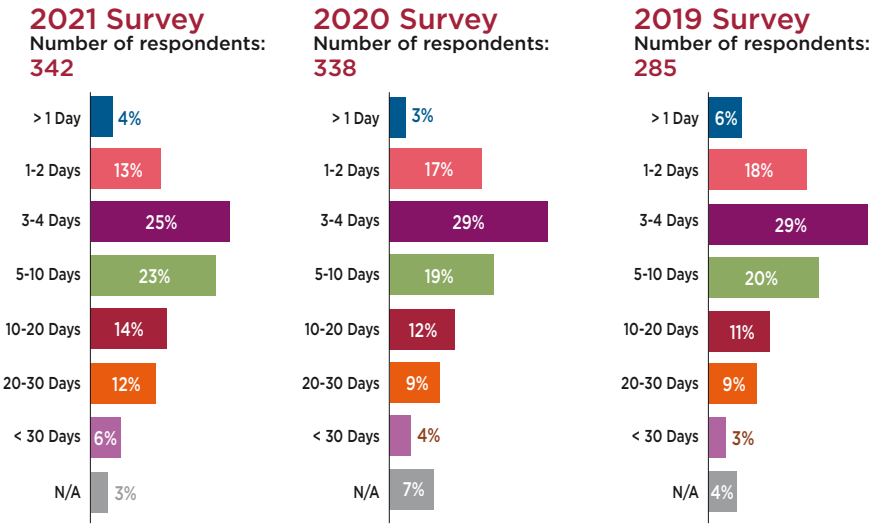
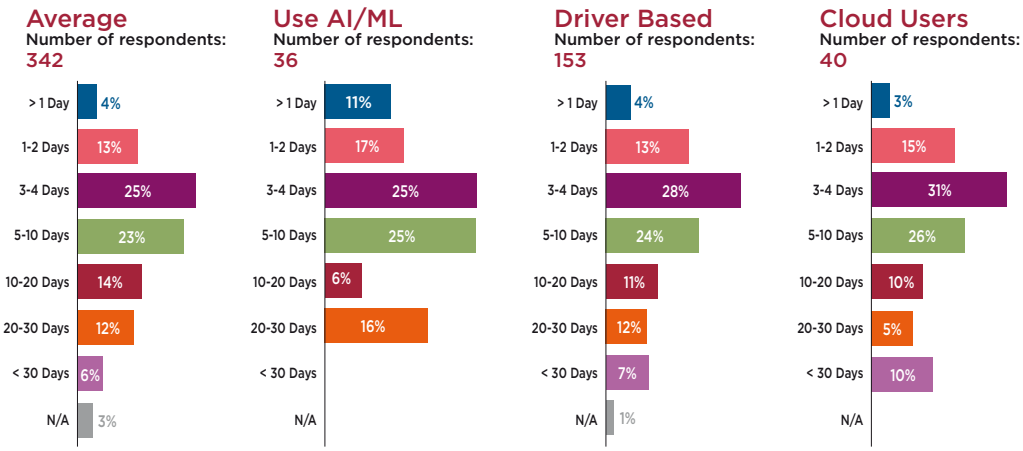


Fig 8.
Length of time to create a forecast

Our view is that organizations wanted to make sure that their forecasts were accurate because of the pandemic. Before they could rely on a simple extrapolation, but with a significant change in the economy, extrapolation was no longer reliable, therefore more time was needed to reassess potential performance.

For those using newer technological approaches in 2021, the time to forecast improved (Fig. 9). In fact, 11% of organizations using AI/ML were able to create a forecast in less than a day, a timeline that only 4% of average organizations could deliver.



2021 Survey results

Fig. 9:
Time taken to create a forecast split by technology adoption

5.3 FORECAST ACCURACY

51% of organizations consider their forecasts to be 'good' or 'great'.

Accuracy is paramount when it comes to forecasting as it has the potential to completely change the future of a company. When we look at how satisfied organizations are with their predictions, we see that there has been a large improvement over the past 2 years (Fig. 10). In the latest survey 51% of organizations think their forecasts are 'good' or 'great', compared to 37% in 2020 and 41% in 2019. This is quite reassuring given the level of disruption throughout the year.

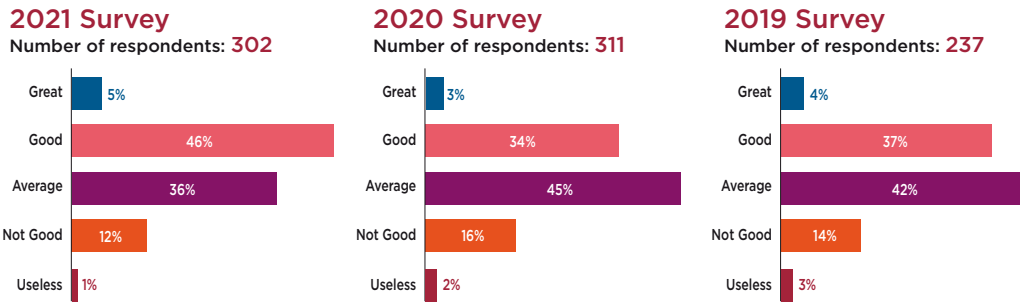


Fig. 10: Forecast accuracy over time

However, when we look at those using new technologies, the improvement in accuracy is even greater.

	Average Company	Use of AI/ML	Driver-based	Cloud
Forecast considered as 'Great'	**6%**	**19%** *+13%*	**10%** *+4%*	**18%** *+12%*
Forecast considered as 'Good'	**47%**	**64%** *+17%*	**52%** *+5%*	**55%** *+8%*
TOTAL	**53%**	**83%** *+30%*	**62%** *+9%*	**73%** *+20%*

Table 2: Forecast accuracy depending on the technology

6. FP&A TECHNOLOGY ISSUES: FIVE MAIN ISSUES

As we have seen from the previous sections, technology is a key enabler of FP&A activities. It's essential for collaboration across the organization, the analysis of large volumes of data, and in predicting the future based on trends and drivers. There is a direct link between technology and FP&A being able to predict accurately and spend time on high-value activities.

Recent developments in Predictive Analytics such as AI/ML, can improve the impact FP&A has on the organization. But it does require investment in systems to ensure they are kept up to date. The survey showed there is much to do in this area.

"Information technology and business are becoming inextricably interwoven."

Bill Gates,

Microsoft founder and former CEO

Only 7% of companies are happy with their current technology.

Although this was an improvement from last year (+3%), it means FP&A are hampered in their ability to perform their role effectively. This could be the reason why such a high amount of FP&A time is spent on low-value activities that could be reduced or eliminated through the use of the right technologies.

47% of organizations have integrated planning systems.

By integration we mean the ability of planning systems to import data from supporting systems without user involvement. It also relates to an organization's ability to plan across the entire business and the interdependencies between top-down and bottom-up planning processes. Without integration, FP&A are involved in the time-consuming activities of extracting data, reformatting data and loading and connecting data to the appropriate planning and analysis system. These combined tasks do not only take time but are prone to error and create the risk that management use out-of-date information.

“Scenario planning is a key element in assessing the impact of change and in running business simulations.”

Only 42% of organizations say their systems are flexible enough to support scenario planning.

Scenario planning is a key element in assessing the impact of change and in running business simulations. It is essential during times of high uncertainty, that organizations are able to run scenarios in real-time, collaboratively and across different levels of the organization. Without scenario analysis, organizations will find it hard to anticipate multiple futures or prepare sufficient responses ahead of time.

31% of companies use spreadsheets in 100% of the planning process, with a further 43% at 75%.

Spreadsheets still dominate the planning process and are used on average 74% of the time. This is often done in recognition that existing systems have issues or gaps in functionality for which spreadsheets act like a band-aid. However, the use of spreadsheets come with a multitude of problems, such as no single version of the truth. Of the organizations using a spreadsheet 20% report that a lot of data is ‘off-line’ and therefore no one sees the ‘big picture’.

48% of companies still adopt ‘last year + x%’ when setting budgets.

Given the year we have just experienced this was a surprise, since past trends in a time of disruption provide little guidance on what may happen in the future. Our interpretation is that this is an issue due to the technology used that does not allow for a better, more realistic planning method.

7. AGILE PLANNING: THE BENEFITS OF TECHNOLOGY

“Plans are worthless, but planning is everything.”

Dwight D. Eisenhower,

U.S. Army General

Agile planning is basically the speed and flexibility in which organizations can make adjustments to what it wants to achieve. For FP&A in today’s business climate this means conducting planning and forecasting on-demand and in almost real-time. To ensure speed and accuracy, agile planning makes use of the latest advanced analytical capabilities and techniques.

We have already mentioned some of the benefits of the newer technologies, here we will explain them in regards to agile planning.

7.1 DRIVER-BASED MODELLING

45% of organizations use driver-based models.

63% of organizations use rolling forecasts.

Driver-based modelling is a key requirement of an agile planning approach. Models are built by defining the mathematical relationships that exist between activities that drive sales and costs. Activities that are both internal and external to the organization. Once created, they can be used to make predictions about the future, just by altering a few business driver values. This allows organizations to react quickly to events. They can make plans to either mitigate or take advantage of new business situations. From the survey, driver-based modelling is now used in 45% or organizations. That’s a 13% increase from 32% in 2020 and a 9% increase from 36% in 2019.

Alongside driver-based planning are rolling forecasts. These saw a big usage increase of 20% in 2021 from 43% in 2020 (2019: 48%). Rolling forecasts help planning become a continuous exercise rather than an annual activity.

Although driver-based modelling frees up an additional 4% of time for FP&A to perform high-value activities, reduces forecast times by 3% and improves forecast accuracy by an additional 9%, the biggest benefit comes when combined with AI/ML.

7.2 THE IMPACT OF USING AI/ML

“AI/ML work best at a detailed level where they can take into account influences that would otherwise go unnoticed.”

11% of organizations make use of AI/ML and 57% of organizations are planning to use it in the next few years.

AI/ML are advanced statistical techniques that can uncover business drivers and trends that can be used to make predictions about the future. The survey showed that there was a 5% increase in the use of AI/ML from last year, with the majority of organizations making plans for its use in the future. However, 29% of organizations have no plans to leverage AI/ML and 3% see no value in it at all.

The case for using AI/ML is compelling.

Forecasts are accurate 83% of the time compared to an average of around 50%.

AI/ML work best at a detailed level where they can take into account influences that would otherwise go unnoticed. This results in far better forecasts.

9% improvement in time spent on high value activities.

The amount of time spent on high value activities increased to 30% from an average of 22% in organizations using AI/ML. That’s because its use automates many of the processes traditionally used to predict the future, thereby releasing FP&A time.

Use of data in driving decision-making was better by 25% (from 64% to 89%).

As a result of forecast accuracy, managers take note of results and use them when planning.

Europe is leading in the adoption of AI/ML, with an average of 8.5% adoption over the last 3 years, followed by North America at 7.0%, and Asia at 6%. It seems strange that with such obvious improvements in earnings, ROI continues to be the biggest obstacle to gaining investment in FP&A.

7.3 SCENARIO PLANNING

“When coupled with driver-based planning, scenarios can quickly assess changes to multiple drivers to get a sense of the possible futures that may lie ahead.”

51% of organizations conduct scenario analyses.

This was a big increase of 19% where last year the percentage of organizations that conducted scenario analyses was at 32%. Scenario planning greatly helps organizations manage future uncertainty. **It is fast becoming the ‘new normal’ of planning** and is probably the most important FP&A process at this time. When coupled with driver-based planning, scenarios can quickly assess changes to multiple drivers to get a sense of the possible futures that may lie ahead. The combination also helps to bridge the gap between strategy and execution by allowing adjustments, and the introduction of new strategic initiatives that will help realign organizational goals.

7.4 THE IMPACT OF CLOUD SOLUTIONS

12% of organizations use a cloud solution.

There was an increase of 4% over last year of organizations that were implementing a cloud solution. North American is leading the way in cloud adoption with 18.1% of respondents stating they use a cloud solution, followed by Europe at 9.3% and Asia at 6.8%. Organizations that use cloud solutions experience a number of benefits that are greater than users of other systems. From our survey this includes:

- **Improvement in FP&A time distribution.** Every year we see companies that use cloud solutions consistently spend more time on high value activities such as Insight generation and action driving (+3% in 2021, +10% in 2020, +1% in 2019). This increase also correlates to a reduction of time spent on low value activities such as data collection and validation (-6% 2021; -19% 2020 and -6% 2019).

- **Improved data driven decision making.** As with organizations that use AI/ML, the use of cloud systems has enabled organizations to increase the level of decisions driven by data, with an increase of 6% in 2021 and 14% in 2020.
- **More accurate forecasts.** Around 73% of cloud users (2020: 52%) say that their forecasts are considered to be great or good, compared to 53% of organizations that employ other systems.
- **Faster forecasts.** Of cloud users 49% can produce a forecast is less than 4 days, which is higher than the average organization using other systems, where only 42% can produce a forecast in less than 4 days.
- **Increased adoption of driver-based planning.** 70% of cloud users make use of driver-based models, whereas organizations that employ other systems, this average is much lower at 41%, a difference of 29%. As mentioned earlier, driver-based models are key for agile planning.
- **Scenario management.** Scenario modelling is employed by 73% of cloud users but is only employed by 48% of organizations that utilize other systems. We believe this is due to the nature of modern cloud systems that already have scenario capabilities built into the solution.
- **Less dependence on Excel.** The percentage that cloud users depend on Excel dropped from 74% to 43%. Again, we believe this is due to better planning capabilities, since in a cloud solution everyone connects to a central on-line database. This eliminates the need to have intermediate files.

Of course, these differences could be driven by other factors, such as the implementation of a new system forcing the redevelopment of models. However, from our experience, cloud users are in a far better position to adapt to ever-changing business conditions. This is as a result of the modern planning capabilities, the extremely fast processing times, and the wide, easy access they provide to users.

8. PLANNING FOR RECOVERY: FP&A TRANSFORMATION

As the impact of Covid-19 recedes (or at least we all hope it will), organizations have started to make plans for recovery. In the survey we asked which areas would be a priority for FP&A in the year to come, the obstacles they foresee, and the changes they would like to put in place.

“Planning is bringing the future into the present so you can do something about it.”

Alan Lakein,

American author on time management

8.1 PRIORITY AREAS

Profitability management continues to be a priority into 2021, with companies focusing on product profitability (60%) and customer profitability (49%). Closely related to this is the desire to provide cost and profitability analysis for management and stakeholders (39%). The final priority is the need to support critical investment and divestment decisions (21%).

8.2 INVESTMENTS IN FP&A TRANSFORMATION

When asked about the reasons for any investments in FP&A, two areas stood out above the others (Fig. 11).

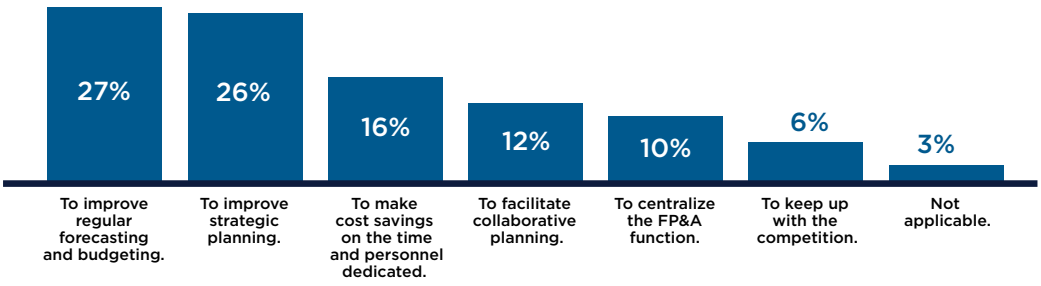


Fig. 11: Prioritization of investment in FP&A – all respondents

27% of organizations would like to see improvement in their regular budgeting and forecasting systems.

This is probably because 63% of organizations believe their systems are not flexible enough to support scenario modelling and cannot accurately support changes within the business. The percentage of organizations looking for improvement in this area drops to 15% for those already using a cloud solution.

26% of organizations want to improve strategic planning.

As xP&A becomes established, it is vital to incorporate strategy closely into the planning process. In the past strategy often sat outside the domain of FP&A but as the role of FP&A widens all planning areas need to be integrated.

8.3 INVESTMENT IN PEOPLE

Over the years we have seen a change in the skill set required of FP&A staff. In 2021, when asked about hiring staff (Fig. 12), respondents said the most important skill required by FP&A was analytical expertise (55%). This is a clear sign that data analysis– the interpretation of what data means for the business – is an essential role.

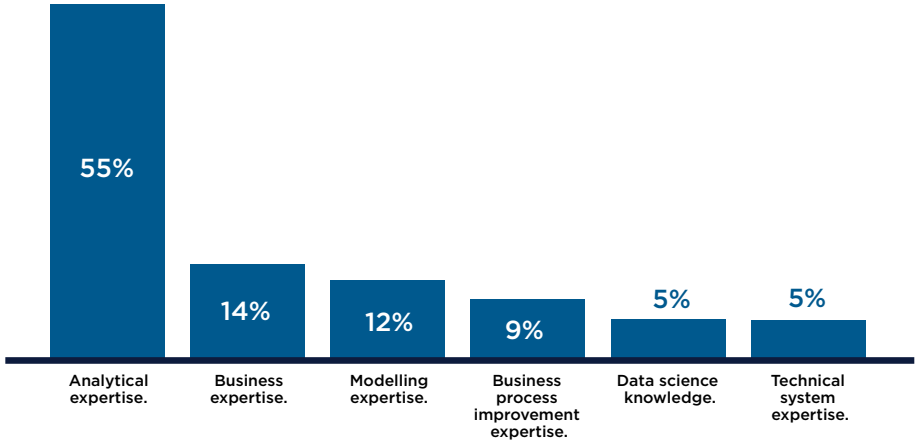


Fig. 12:
The skills required by new FP&A hires – all respondents

2021 results
(274 responses)

8.4 BIGGEST CONCERNS

There are many obstacles that FP&A need to overcome if they are to support management during these times. The biggest is justifying FP&A investment (Fig. 13).

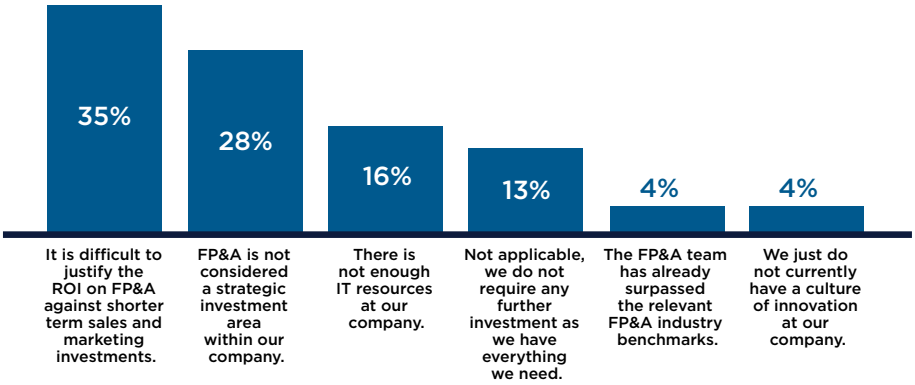


Fig. 13:
Obstacles that prevent investment in systems

Of our respondents, 35% find that short-term sales and marketing initiatives are often given priority over their FP&A investment needs.

As we have seen, the adoption of cloud solutions and AI/ML technology can be a game changer for FP&A. However, only 15% of organizations implement modern technology whenever they can, whereas 61% are aware of technology but implement it only on occasion. When asked about spending money on FP&A systems, 26% of organizations say that their last investment in FP&A was over 5 years ago and 34% say an investment was made within the last year. This means that the majority of organizations are unable to take advantage of the benefits the latest technologies offer.

8.5 FP&A TRANSFORMATION

To cope with an ever-changing business environment FP&A is required to continually reinvent itself to meet the needs of the business. When asked about transformation projects within FP&A, only **20% of respondents reported that there was a culture of continued improvement and innovation**. A further 34% said that they were either too busy to innovate, or despite multiple conversations about change, there would be no action.

9. CONCLUSIONS: SIX RECOMMENDATIONS

“The secret of getting ahead is getting started.”

Mark Twain,

American author

Never before has there been a more urgent need for FP&A to increase the value it brings to the organization is serves. Unfortunately, only 12.5% of organizations are able to spend more than 40% of their time on high-value activities, which is down from 14% in 2020.

As with previous surveys, FP&A is hampered by low value activities, activities that could be significantly reduced or eradicated by implementing suitable technology. However, investment is hard to attain, despite the reality that it would transform organizational decision-making.

Freeing up time has a direct impact on FP&A as a business partner. Those that do it by utilizing modern technology are rewarded with a fast, accurate, agile planning process that can deal with uncertainty.

As a next step, we would urge organizations to:

- **Investigate why FP&A spends time on low value activities** and propose ways in which these activities can be eliminated or reduced.
- **Investigate the use of AI/ML techniques** to both uncover key business drivers and improve forecast accuracy.
- **Consider moving to a cloud solution** if planning is dependent on Excel or the organization is looking to replace an outdated planning system. Set up a small prototype system to ensure it will meet the requirements of agile planning.
- **Immediately start with scenario planning if not already in place,** to investigate the consequences of multiple futures.
- **Invest in data visualization** and give your executives access to real-time business performance.
- **Start a conversation with other managers** on how FP&A could better serve the organization. Use this survey results to justify change.

As the Mark Twain quote at the start of this section says, we strongly recommend that you start today!

ABOUT FP&A TRENDS SURVEY

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

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James Myers, CEO, FP&A Strategy Consulting

Michael Coveney, Head of Research, FP&A Trends Group

Our mission is to provide insight into the changing role of modern FP&A and how technology supports this evolution.