



Agent of Change: Modern Day FP&A Business Partnering

Authors:

Michael Coveney, Author and FP&A Thought Leader,
Larysa Melnychuk, CEO and Founder at FP&A Trends Group

Sponsored by

UNIT4

Contents:

1. The evolution of FP&A business partnering	2
2. Integrated strategic, business and operational plans	3
3. Digitisation	4
4. FP&A business partner attributes	7
5. FP&A skill structure	9
6. Moving to a mature FP&A Business Partner state	10
7. Summary	12

1 The evolution of FP&A business partnering

FP&A can no longer play a passive role in decision-making.

The role of the financial planning and analysis (FP&A) team as a business partner is something that has been evolving over many years. It is an evolution that has been shaped by prevailing business conditions and the challenges they have presented to management. In the past FP&A's primary focus was on historic analyses to provide business insights. It played a passive support role in planning and decision support. This may have been sufficient in the past, but in today's uncertain business climate where radical change can happen in a matter of weeks, this approach is far from adequate.

To start with, analysis of **the past is no longer a guide to the future**. Unforeseen events such as a global pandemic can render past trends obsolete. Similarly, supporting a planning regime that is unable to cope with the complexity of fast changing markets is also futile. **If FP&A is to continue being a valued business partner, its role and approach must change.**

We held conversations with leading organisations on how they deal with today's business environment and three themes came to light concerning FP&A's business partnering. These are summarized in Fig 1 under the areas of integrated plans, digitisation and partner attributes.

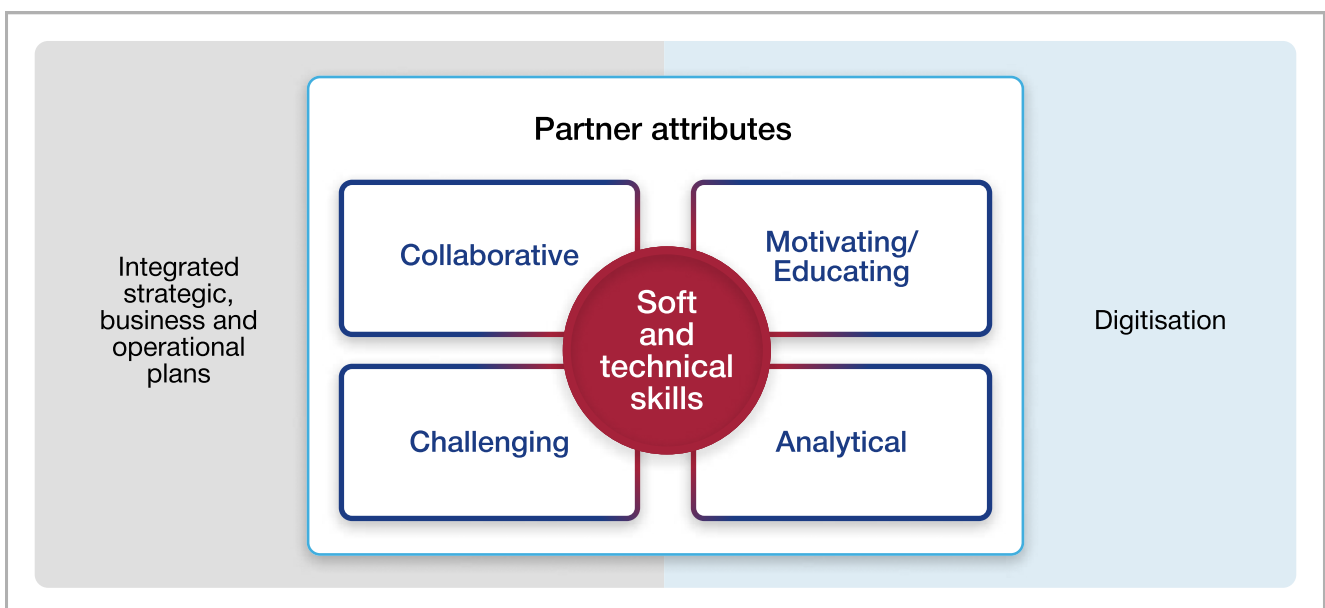


Fig 1: FP&A Business Partnering themes

In this paper we will explore these different areas to explain what they are, how they have benefited other organisations and the steps an organisation can take in making the transition.

2 Integrated strategic, business and operational plans

FP&A is the bridge between strategic, business & operational planning.

The first area of FP&A business partnering is in the adoption of integrated strategic, business and operational plans. Gartner, a global research and advisory firm, introduced the term xP&A (Extended Planning and Analysis) to cover this concept, which they predict will transform ‘...*financial and operational planning by providing a single platform with the integration and support needed for finance and business teams to collaborate.*’

This is nothing new as it is a trend we have seen over the past few years. However, we would extend this to say that **integration must also include strategic planning**. For the FP&A team, business partnering means going beyond their familiar finance domain and being involved in all types of organisational planning. It is a **cross-functional role** that combines both a top-down and a bottom-up approach (Fig 2).

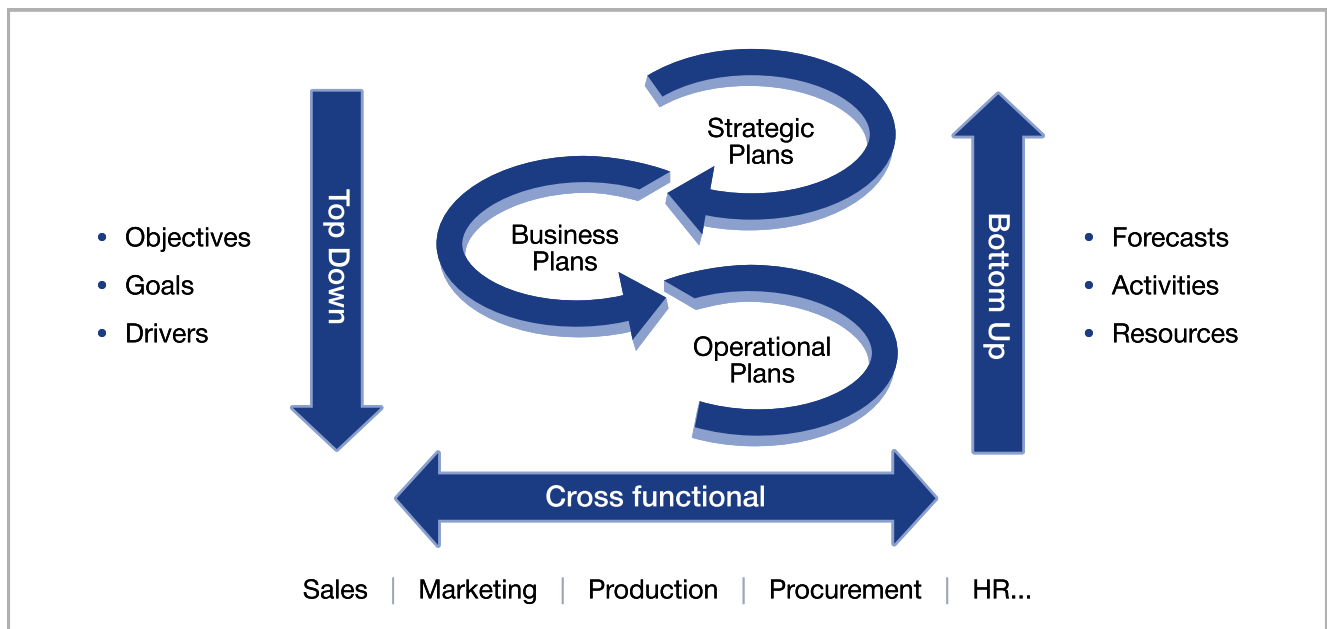


Fig 2: xP&A – combining strategic, business and operational planning into one plan

Today, it is quite common for an organisation to have three different plans: a strategic plan created for executives, a business plan created by finance and a range of detailed operational plans created by individual departments. Each has a different author, different objectives and a restricted circulation. Even if they were all freely available the differences in terminology, periodicity focus and level of detail prevents them from being connected.

This separation leads to assumption gaps where the link between resources required to and achieve corporate goals is completely lost. It is a planning environment that fosters the ‘strategy gap’ and no amount of coercion or encouragement is able to close it.

The move towards xP&A is a move that an **FP&A business partner must lead and champion** at an executive level. It is an approach that results in the creation of integrated strategic, business and operational plans that link day-to-day departmental decisions with corporate objectives. To do this the FP&A business partner needs **to act as the bridge between the strategy, corporate and operational teams**.

Integration is created through **business drivers** that have been cascaded from a corporate level to a departmental level that form the driver-based models used for planning, implemented on one platform. However, it is important to integrate business processes as well. The FP&A business partner has a huge role to play in this approach, including identifying the business drivers, creating the models, establishing a collaborative process and educating key stakeholders on the process.

Tanja Schlesinger, VP Business Intelligence OneSource at Deutsche Bahn Regio AG, found that by working closely with each operational team they were able to develop measuring systems that would reveal the best drivers for each part of the business. These were then used for local and corporate planning which resulted in faster, more accurate predictions. Also, a much better collaboration with the business as everyone uses “... the same tools, shares the same results and look at the same data.”

We found within our polls, conducted at our webinars on xP&A, that out of a total of 375 responses **only 24% of organisations have started moving towards integrated plans**. A further 41% are planning to start the move in the next couple of years. Yet, worryingly around 35% of responders do not see the need for integrated plans.

3 Digitisation

The second theme of FP&A business partnering comes under the banner of digitisation. Digitisation is the practice of **leveraging information through technology to improve** all kinds of business process. For FP&A this can include the automation of planning and reporting processes as well as the discovery of business insights that would otherwise be impossible to identify using spreadsheets and consolidation systems. It is **digitisation that makes integrated strategic, business and operational plans possible**. When FP&A is digitised, the attributes of an FP&A Business partner shown in figure 1 are enabled – collaborative, motivational, educational, challenging and analytical – assuming of course that FP&A have the skills required.

“At least 40% of all businesses will die in the next 10 years... if they don’t figure out how to change their entire company to accommodate new technologies.”

John Chambers
former CEO Cisco Systems

Ron Monteiro, Senior Director of Finance at Kruger Products believes that a key part business partnering is to provide **real-time, forward looking** business insights, to be **flexible** and to be able to **react quickly**. For this, the right technology that can immediately collect, analyse, communicate and assess multiple scenario impacts is essential. Technology must relieve FP&A staff of low value activities, such as data entry and validation, through automation and allow them to focus on the high-value tasks that directly support the business’ decision-making.

Similarly, Milan Bukumirovic, Managing Director Business Services UK, Ireland & Nordics at SWAROVSKI believes that if it hadn't been for digitisation, many businesses **would not have survived** 2020. Like most companies, the pandemic meant that people had to work remotely and yet the business support needed to stay the same. **Digitisation** became the **core enabler** for the day-to-day work.

The absence of the right technology (or relying on inappropriate technology) is a barrier to FP&A business partnering. In our annual worldwide 2020 FP&A Trends survey, we found that only 26% of FP&A time is spent on insight generation and action driving. However, the best-in-class organisations, who embrace digitisation, spend 80% of their time on these activities (Fig 3).

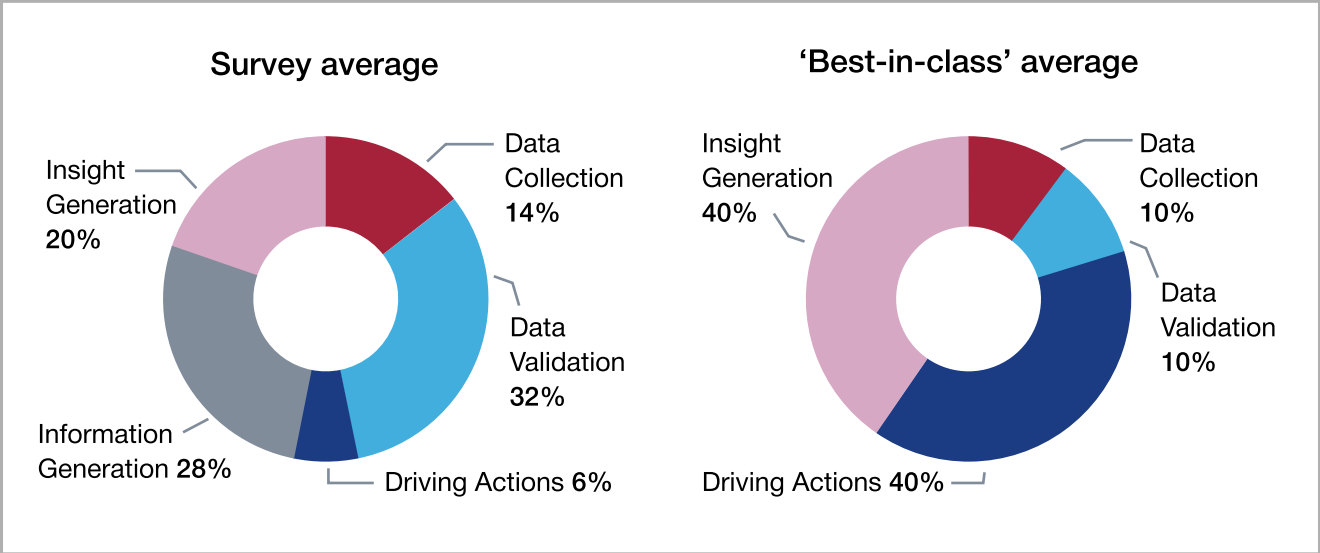


Fig 3: Comparison of average and best-in-class FP&A organisations on where they spend their time, 2020 FP&A Trends Survey

Digitisation brings significant benefits to an organisation, and in particular to FP&A as an effective business partner and strategic advisor.

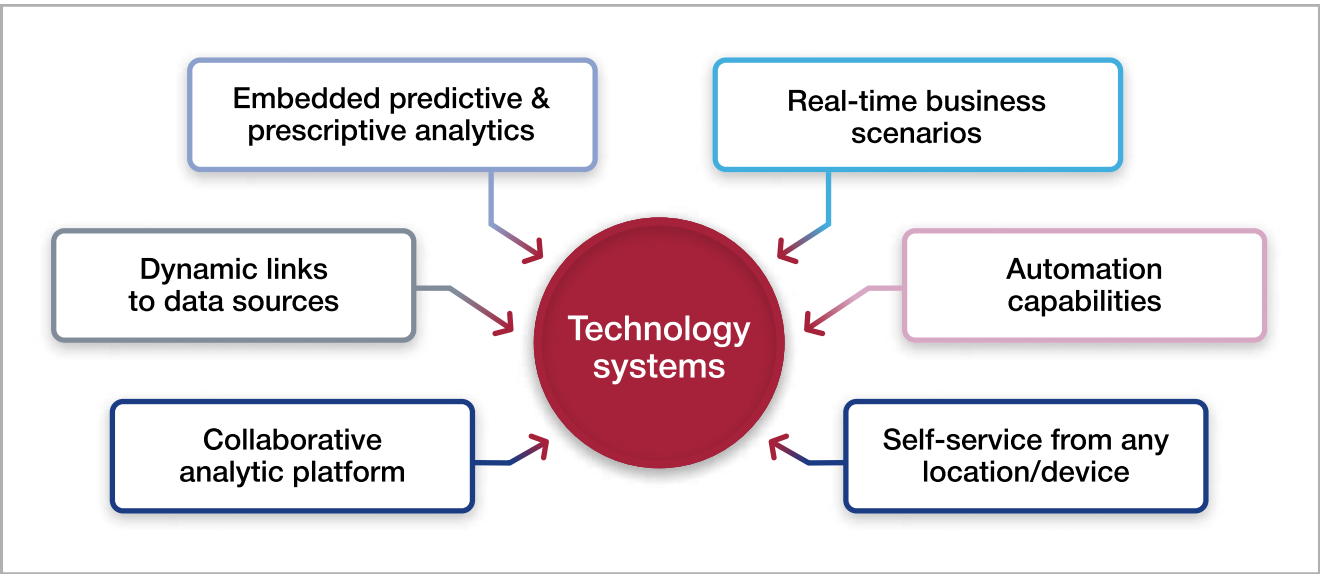


Fig 4: Key requirements of digital transformation

From a technology point of view, the following integrated capabilities are essential:

- A collaborative, analytic platform that supports the creation of linked, driver-based models.
- Dynamic links to underlying data sources that allow analysis in real-time.
- Embedded predictive and prescriptive analytics that utilise artificial intelligence (AI) or machine learning (ML) capabilities to uncover business drivers which can then be used to predict future outcomes.
- Support for real-time, forward looking business scenarios.
- Automation capabilities that eliminate low-value manual tasks such as data checking, data manipulation and writing reports.
- Self-service capabilities that allow end-users from any location and any device to create their own reports and analyses.

All of these capabilities should be **under the control of FP&A**, with little to no IT involvement. Fortunately, the new generation of cloud-based, analytic systems are able to meet these needs.

4

FP&A business partner attributes

The third area for a FP&A business partner's transformation surrounds the role itself and the way in which that role is carried out. Based on our research and conversations with hundreds of organisations around the globe, we have developed a maturity model that describes the different states of FP&A business partnering (Fig 5). This lists the attributes of leading state organisations and how they have evolved over time.

“When FP&A has the ability to communicate and sell their ideas, they become the most influential person in the room.”

Global FP&A Trends webinar

June 2020

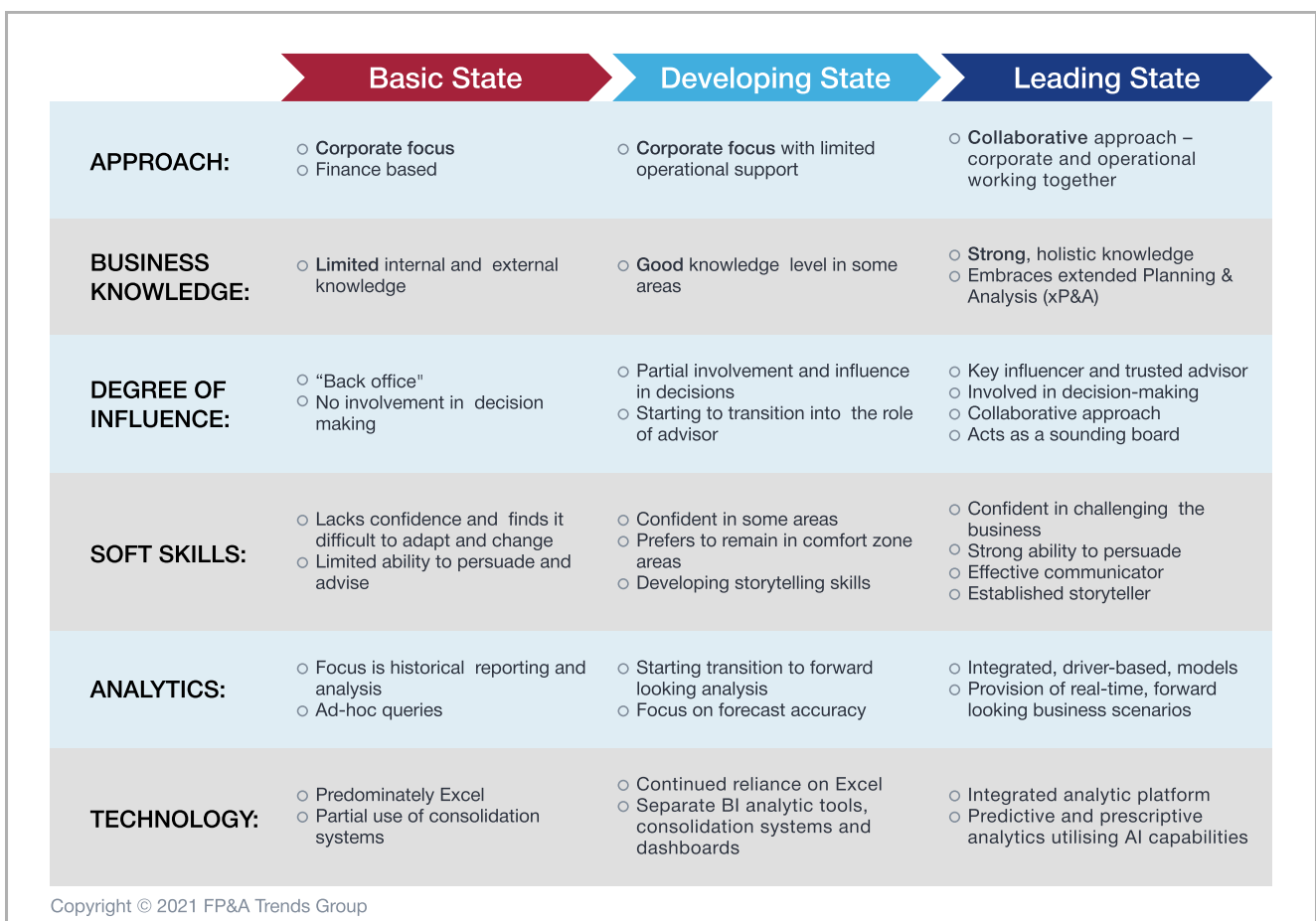


Fig 5: FP&A Business Partnering maturity model

The main characteristics of today's FP&A Business partner are:

Collaborative approach

Emma Martin, Commercial & Finance Director at Ogilvy, believes that business partnership is all about having a conversation with the business. That means going outside of finance and placing yourself within their business, understanding the work they do, the interactions they have with other

stakeholders and the challenges they face. By doing this FP&A are better placed to support the needs of the business and facilitate a dialogue between departments, whether that be strategic, corporate or operational.

Motivating and educational

For a partnership to work, all involved must respect those involved and believe that they have something to add. David Ogilvy, the founder of Ogilvy & Mather and known as the 'Father of Advertising' made the comment "If you want to be interesting, be interested." To engage with the organisation, you must be interested in them and develop a passion for what they do. The value of a business partner is in the **quality of the analysis performed, the insights generated and how they are presented** to each manager. That presentation should be both educational and motivational for the listener to inspire action. It is a personal approach that values their individual roles and helps them to be better at what they do.

Challenging

An FP&A business partner is not a passive role. It's one that **challenges the status quo**, which means questioning the drivers of the business, any assumptions made and the way in which business is conducted. In doing so, the business partner should supply alternative views for consideration that take into account the 'bigger picture' of what is trying to be achieved. In this way, FP&A can become a sounding board for new ideas that will break through cultural norms.

Analytical

FP&A business partners are analytical. They prefer to use facts and **see the future as a range of possible options**. They reject a gut-based, single view of the future and promote a collaborative, data-based approach to decision making. That data comes both from within the organisation and external sources. This is then analysed, correlated, combined with opinions and presented to the user as a concise story to enable a decision to be made.

Business partner skills

The final quality of a business partner are their interpersonal skills. In the next section we consider the technical skills required, but a business partner also requires a range of soft skills. These include communication listening, time management and empathy. It's important that **each partner develops their own personal brand**.

Henry Ward Beecher, an American social reformer and public speaker said that "A reputation for good judgement, for fair dealing, for truth and for rectitude, is itself a fortune." Business partners should be a point of reference for managers all over the enterprise in recognition that they act only in a way that is right and fair for the organisation. Partners adopt an approach that is **collaborative, analytical, challenging, educational and motivational**. This means they sometimes say no and may ask difficult questions, but it is always done with an air of respect in an effort to seek action that benefits the organisation.

5 FP&A skill structure

Bringing together the skills required for effective business partnering.

FP&A business partnering is not just about one person, but about how a range of technical skills are brought together to support organisational decision-making. Over the past few years, five key roles have been identified to be crucial to an FP&A team's ability to effectively partner an organisation. Within these five roles, are three technical skills that can be summarised as:

- **FP&A Architect** who has the ability to create integrated, driver-based models that are linked to appropriate internal and external data sources.
- **FP&A Analyst** who is good at analysing data which provides basis for tailored reports, analyses and dashboards that highlight trends and variances.
- **FP&A Data Scientist** who is skilled in using predictive technologies and AI / ML, therefore understands how to apply them to FP&A and uncover drivers and trends that can be used in planning models.

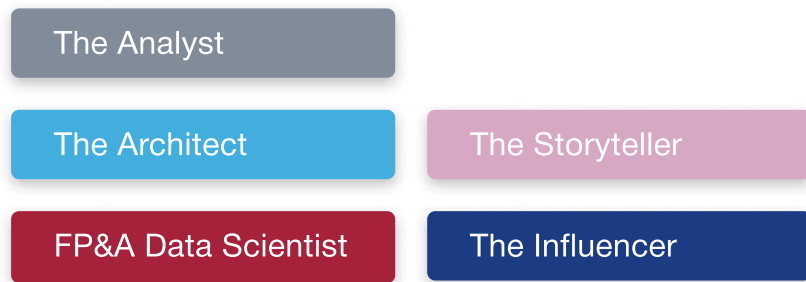
There are also two essential 'soft' skills that enable FP&A to have **influence without necessarily having the authority**.

- **FP&A Storyteller:** The ability to combine results from models built by architects and analysts and contextualize them in a straight-forward manner for decision makers.
- **FP&A Influencer:** The ability to work with senior executives and educate or direct the methodology or processes that will be adopted for enterprise-wide planning and decision-making.

The above roles are often seen as being discreet and assigned to particular individuals. However, this can produce bottlenecks if a particular role is in demand. For example, if the FP&A data scientist has too much work, then that can hold up the activities of the FP&A storyteller and influencer. A better way of managing these skills is to **make everyone a generalist** – i.e. all FP&A staff members know the basics of all the roles, however, some specialise in one particular discipline.

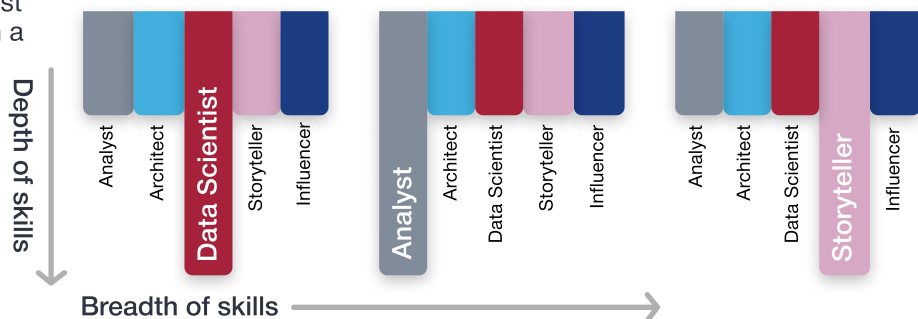
This type of structure is more commonly known as being T-shaped, demonstrated in Fig. 6. When looking at each member's skill set, the vertical bar on the letter T represents the depth of related skills and expertise in a single field, whereas the horizontal bar is the ability to understand what goes on in the other areas.

Skills Required within FP&A



Skills assigned to individuals within FP&A

Each person is a 'generalist' but with deep expertise in a particular area



Source: Adapted from Mark Gandy

Fig 6: The T-shaped FP&A department

6 Moving to a mature FP&A Business Partner state

Changing the nature of business partnering to one of being an agent of change.

The FP&A business partnering maturity model shown earlier (Fig. 5) provides a high-level overview of what FP&A business partnering needs to become. However, in recent polls we conducted with 236 responses, **only 7% of FP&A departments felt they were at the leading state**, with 26% still at the basic state.

When asked about the areas FP&A need to develop in order to be a better partner, there was a fairly even spread of responses as shown on Fig 7.

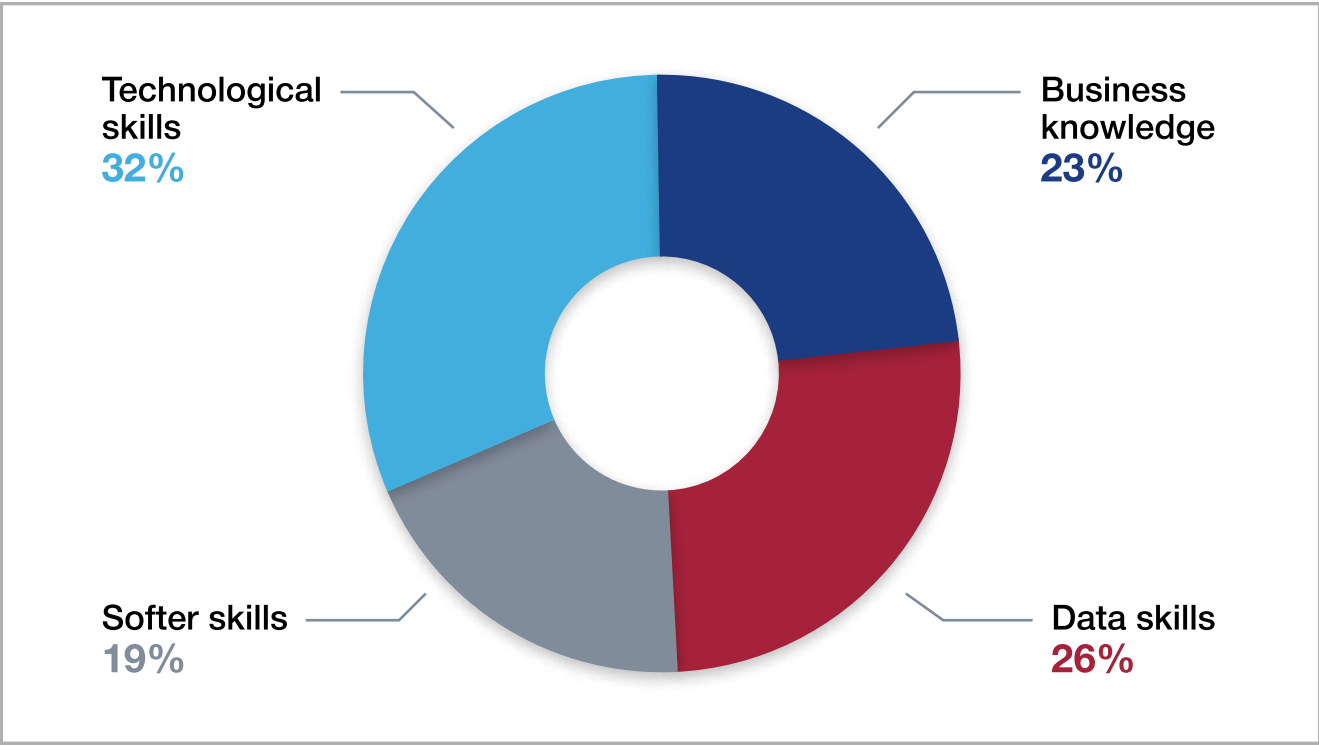


Fig 7: FP&A skills that need to be developed

With the above in mind, there a number of actions that can be taken that will help FP&A become an agent for change within an organisation (see Fig 8).

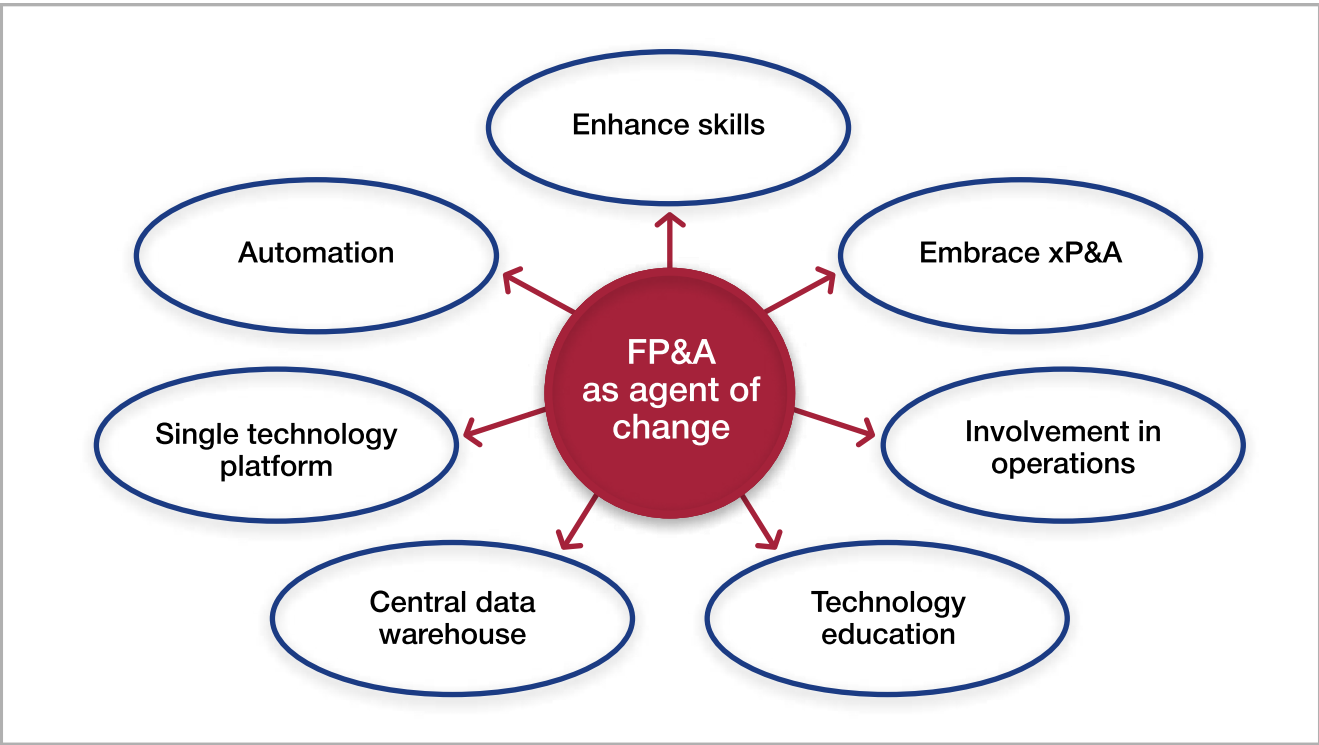


Fig 8: FP&A business partner transformation

- **Enhance skills:** Look at the skills within your FP&A department and see how they relate to the skills that are essential in delivering value to the organisation, outlined in Fig 6. Make a plan to train or recruit staff to cover the competencies that your FP&A team are missing.
- **Embrace xP&A:** Seek senior management support for xP&A – the integration of strategic business and operational plans – where there is **only one agreed plan** against which the organisation manages performance.
- **Involvement in operations:** The more FP&A understands the business and its operations, the better it can support and partner with them. Spend time with operational management to **uncover drivers and develop support systems** that will link their operation with business and strategic plans.
- **Technology education:** Technologies are always developing, particularly those that utilize AI and ML capabilities. Spend time with software vendors to see what is available for planning and analysis and understand how it could be used throughout the organisation. **Educate operational managers** in the latest predictive technologies and propose solutions that will transform decision-making.
- **Central data warehouse:** Many organisations have set up a central data warehouse containing both internal and external data, along with a common dictionary of definitions. The governance of this warehouse is centrally controlled which eliminates duplicate effort in assembling the data and **helps to ensure its integrity** so that everyone is using the same version of the truth.
- **Single platform:** If you have not done so already, start the move towards having a common analytics platform on which plans and analyses are performed. This platform should be available to all managers so that as models are developed and drivers are uncovered, the techniques used can be shared easily.
- **Automate processes:** By using the right technologies, much of the time spent by FP&A on low value activities can be eliminated. This will then free up FP&A time to work with the business on key partner activities including insight generation and action driving.

6 Summary

FP&A business partnering is different from traditional finance business partnering. Finance business partners are typically accountants who work closely with a particular business unit. Their role is to provide real time support and analysis and to add value that will assist decision making. In effect, they are the interface or translator between finance and operations.

FP&A business partnering is different in that it is concerned with driving the integration of strategic, business and operational planning processes in order to influence the way decisions are made throughout the organisation. By implication this means going outside of finance and embracing extended planning and analysis (xP&A) and digitisation in order to challenge business decisions and act as an agent of change for the business.



Michael Coveney

Michael Coveney has over 40 years of experience in designing and implementing software solutions that combine 'best management practices' with technology to improve the efficiency and effectiveness of planning, budgeting, forecasting and reporting processes.

He has conducted senior management workshops with leading organizations around the world and led courses for the American Management Association and Antwerp Management School on the topic of Corporate Performance Management.

His energetic style and extensive experience led him to become a regular speaker at many international events and the author of many articles and books. His latest, 'Budgeting, Planning and Forecasting in Uncertain Times' is published by John Wiley & Sons. In recent years he has focused on the role of IT within FP&A departments.



Larysa Melnychuk

Larysa is a passionate Financial Planning & Analysis (FP&A) professional and influencer who has held senior FP&A roles at leading organizations before setting up the International FP&A Board in 2013. In the last three years, she successfully expanded the Board into 27 chapters in 16 countries across 4 continents.

Larysa is also the founder and CEO at [FP&A Trends Group](#), the leading online resource for FP&A professionals. She chairs the [Global AI/ML FP&A Committee](#) and runs a number of high-profile initiatives in the area of modern financial analytics.

Larysa holds a Master of Science degree in physics of materials and is a qualified chartered management accountant (CIMA), chartered global management accountant (CGMA) and is a holder of an FP&A certification. She is also a member of the exam content writing team for the Association of Finance Professionals (AFP) FP&A certification.

If you have any questions or comments, please feel free to contact us via email info@fpa-trends.com.

FP&A Trends White Papers are produced by FP&A Trends Group. Their main purpose is to identify and share the latest developments and the best practices in financial planning and analysis (FP&A).

This White Paper is the copyright of FP&A Trends Group and is not to be used in publications unless authorized by FP&A Trends Group.