FP&A TRENDS
Best Practice in Financial Planning and Analysis

2023

FP&A Trends Survey

Managing organizational value with smarter FP&A practices

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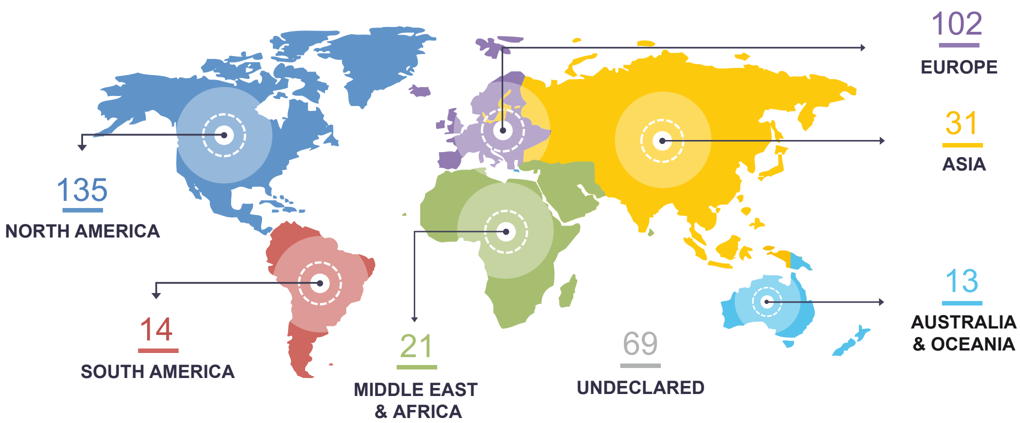
1. KEY FINDINGS

The primary objective of Financial Planning and Analysis (FP&A) is to wield substantial strategic influence over the way organizations make timely and well-informed decisions. Decisions that are executed efficiently and will create sustainable long-term success. Yet, this objective has become more challenging due to an increase in business uncertainty brought about by mass political and economic instability along with the ongoing rapid evolution of technology. Consequently, organizations must reassess their conventional planning practices and embrace new technology-supported methods that promote better outcomes.

Since 2017, the survey has gathered data directly from over 2,000 FP&A professionals around the globe. It observes, analyzes, and reports the dynamic trends and developments in FP&A. From this, we are able to extract valuable insights and provide actionable recommendations that can help propel the FP&A profession forward as well as empower practitioners to navigate the ever-changing business landscape effectively.

This year, responses were gathered from 385 finance practitioners, covering companies of all sizes, from all regions, and industries (figure 1).



JOB TITLE:	
CEO / CFO / CIO / CTO / CxO	13%
Vice President or Senior Vice President of Finance, or FP&A	10%
Director or Senior Director of Finance, or FP&A	34%
Finance Manager or Senior Finance Manager	25%
Analyst or Accountant	10%
Other	8%

TURNOVER:	
Less than $25M	15%
$25M - $100M	18%
$101M - $499M	18%
$500M - $999M	11%
$1B - $5B	20%
Greater than $5B	18%

Fig 1:
Survey demographic

The key findings, which combine data from both this year (2023) and past surveys, are:

- Data quality is a significant challenge. Only 20% of respondents (3% less than in 2022) have access to a single data source that is easy to analyze and whose classifications have been agreed. Additionally, 33% of respondents struggle with data that has multiple definitions and is difficult to consolidate.

- FP&A team time distribution has remained unchanged for three years. Around 45% of team time is spent on low-value activities such as data collection and validation, and only 34% is dedicated to generating insights and influencing action.

- Only 16% of organizations can run scenarios in less than one day, which represents a 4% drop from last year. Twenty percent of organizations still completely lack the ability to run scenarios (compared to 26% in 2022). Within the remaining 64% of organizations who can run scenarios, 26% take more than a week to complete the task.

- Forecasting processes are taking more time. Only 17% of organizations can produce a forecast in less than 2 business days (compared to 21% in 2022). The majority of organizations, 51%, take 5 days or more to complete a forecast.

- Over a quarter of respondents (26%) take more than 10 days to produce a forecast. While this represents a 9% improvement compared to 2022 (37%), this is still a concerning indicator. The speed of re-forecasting is a vital measure of agility and adaptability.

- Forecasting accuracy has remained consistent with 2022, 40% of organizations continue to report a high or good level of accuracy. However, this reflects a decline of 13% from two years ago (2021: 53%).

- The majority of respondents (79%) continue to base their planning and forecasting processes solely on the P&L. This is a major shortcoming in our current environment of uncertainty, where Cash Flow and capital planning are important factors for decision-making.

- When we asked about their stance on Extended Planning and Analysis (xP&A), 29% of teams had either fully embraced it or had started working with other departments to collaborate. Moreover, 13% were considering this journey.

- Analytical skills continue to be the most sought-after capabilities in FP&A, with 45% of organizations listing them as a requirement. However, there has also been a 17% rise in demand for business partnering skills (from 24% in 2022 to 41% in 2023).

- Team performance deteriorated slightly compared to last year. Only 15% (2022: 17%) of FP&A teams say they are either optimized to perform or already perform well, with only a few areas of improvement.

- Of all the FP&A departments, 46% last received investment more than 3 years ago and 23% over 5 years ago.

These trends indicate that there is still a lot that can be done to improve the value and impact of the FP&A department.

2. STRATEGIC INFLUENCE OF FP&A

FP&A, as defined by Gerhard Lohmann, former CFO at Swiss Re, is a crucial function that enables organizations to effectively manage their value. It encompasses five fundamental pillars that are integral to a value-adding FP&A function:

1. Understanding business value: FP&A identifies and comprehends the sources of value creation within the organization.

2. Describing through matrices and models: FP&A employs mathematical models and drivers to articulate how value is generated, allowing for accurate predictions.

3. Steering decisions: FP&A guides decision-making processes by developing alternative scenarios and looking at various potential futures.

4. Extracting insights and telling the story: FP&A gathers pertinent information from internal and external sources, crafts a compelling narrative that challenges perceptions, and illuminates the potential impacts of decisions on future goals.

5. Reporting to the market: FP&A communicates past performance, existing challenges, and optimal resource allocation strategies to stakeholders to ensure transparent and effective planning.

These pillars form the bedrock of value-driven FP&A and empower organizations to make informed decisions and maximize their overall value (figure 2).

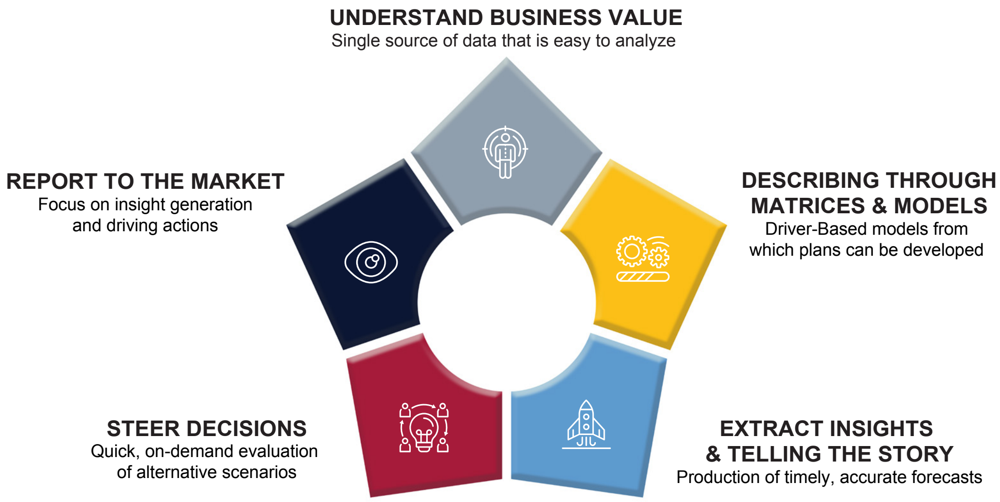


Fig 2:
The role of FP&A in managing organizational value

This view is endorsed by many of our International FP&A Board members, who go further by emphasizing the strategic and influential role of FP&A in driving organizational value. It's something that is achieved by going beyond the finance function and promoting a shared fact-based approach to planning, forecasting and, decision-making across the entire organization. This requires:

- A single source of internal/external data that is easy to analyze and from which the drivers of business value can be clearly identified and understood.

- Driver-Based models that describe how the business operates from which plans can be developed.

- Production of quick, realistic forecasts through which alternative scenarios can be evaluated on-demand.

- FP&A focus on the higher-value activities of insight generation and action driving. In other words, focus on FP&A storytelling with data.

This approach is enabled through a combination of modern technology solutions, smart processes, and skilled FP&A staff who are supported by investment in analytical transformation. Using the survey, we analyzed each of these areas, starting with FP&A teams and where they spend their time. Next, we looked at their ability to run scenarios, followed by the status of data quality, Driver-Based Planning systems, and forecast accuracy. We end our analyses by reviewing the technology systems in use, the potential for FP&A technology investment, and future priorities.

Through these investigations, we can assess where FP&A teams currently stand and the improvements that can be made to enhance organizational value.

3. FP&A TEAM

Team performance

Value-adding FP&A teams must be well-equipped and capable. However, a mere 15% (2% less than last year) claim to be optimized or performing well, leaving room for improvement (figure 3).

More than half of all organizations (51%) continue to struggle, burdened by excessive manual work. While this marks a 7% improvement from last year, it poses a challenge to FP&A's ability to support effective decision-making.

"Only 15% claim to be optimized or performing well, leaving room for improvement."

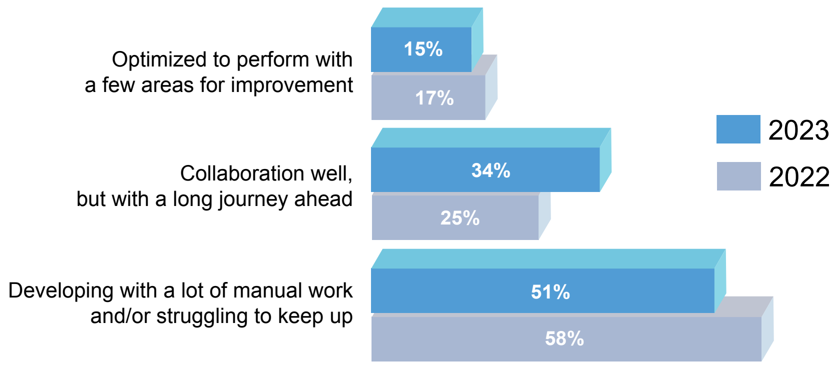


Fig. 3:
FP&A team performance

Where FP&A time is spent

The true essence of FP&A lies in its ability to tell compelling stories with data, generate insights, and empower the decision-making process. These activities are inherently value-adding. However, it is disheartening to witness a lack of improvement in this area.

When we examine where FP&A staff allocate their time, the state of FP&A becomes evident. Around 45% of their time is still consumed by low-value activities, like data collection and validation. While there has been a marginal improvement of 8% since 2019 (previously at 53%), it is far from a groundbreaking shift.

What is more concerning is that over the past five years, there has been little change in the allocation of time towards higher-value activities such as information generation, insight generation, and driving actions (figure 4). A mere 34% of FP&A time is dedicated to these value-adding endeavors of telling stories with data. This represents a meager 1% improvement since last year and a mere 8% improvement over the span of the last five years.

The stagnant state of FP&A's time allocation raises questions about its ability to realize its potential in delivering maximum value to organizations. It calls for a concerted effort to shift the focus towards activities that truly drive impactful outcomes and strategic decision-making.

"Over the past five years, there has been a little change in the allocation of time."

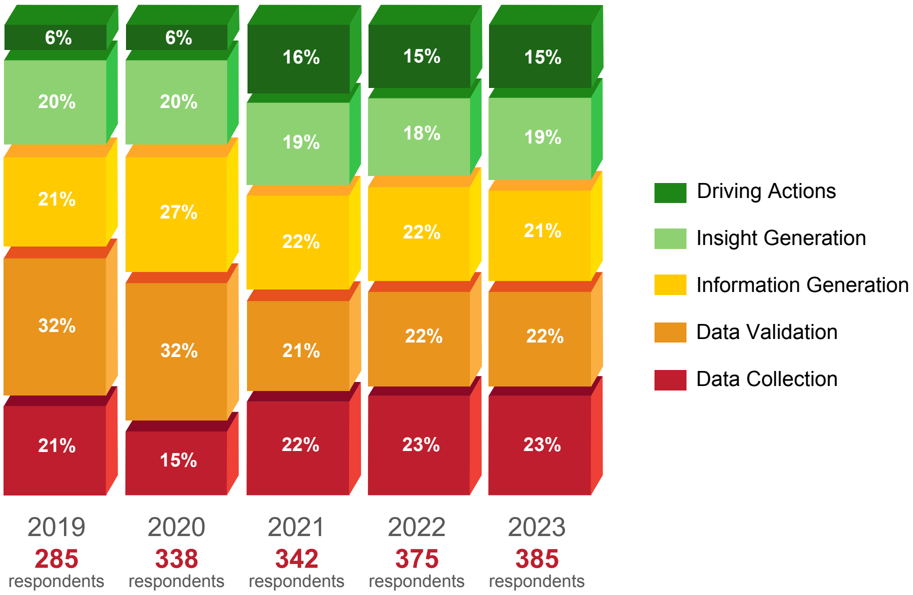


Fig. 4:
Where FP&A spends its time over the years

The current situation faced by FP&A teams is far from the desired state (figure 5). They anticipate that low-value activities should only consume 14% of their time, yet the reality is that these tasks account for a significant 45% of their time. On the other hand, they aspire to dedicate 56% of their time to high-value activities, such as generating insights and inspiring action. However, at present, they only manage to allocate 34% of their time to these critical endeavors.

"Low-value activities are consuming a significant 45% of FP&A's time, surpassing the desired of 14%."

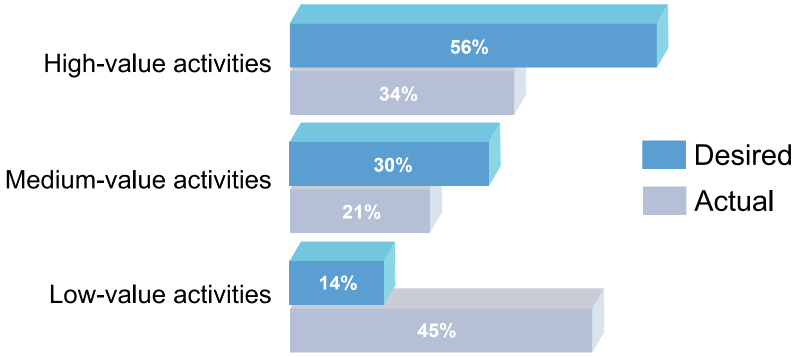


Fig. 5:
Comparison of desired vs actual time spent by FP&A

These findings clearly demonstrate the need for increased investment in technology solutions that facilitate dynamic models and flexible processes. By leveraging such tools, organizations can use the time currently spent on low-value activities to put towards high-value endeavors. Addressing this issue will be a crucial focus for us moving forward.

Most sought-after skill

As FP&A becomes more data-driven and influential in organization-wide decision-making, the significance of soft skills is rising. Analytical skills remain a top recruitment priority (45%) but there has been a downward trend over the past three years (-6%). Meanwhile, business partnering has experienced a remarkable increase, sought out by 41% of organizations this year vs only 16% in 2021 (figure 6).

This shift underscores a growing recognition of the value of collaboration and the need to bridge the gap between finance and other business functions. The FP&A landscape is evolving, placing greater emphasis on effective stakeholder partnerships. Consequently, one of the most sought-after skills for FP&A professionals is a combination of analytical excellence and strong interpersonal abilities. These skills are vital for driving value and supporting strategic decision-making in FP&A's dynamic and data-driven state.

"Analytical skills remain a top recruitment priority (45%)."

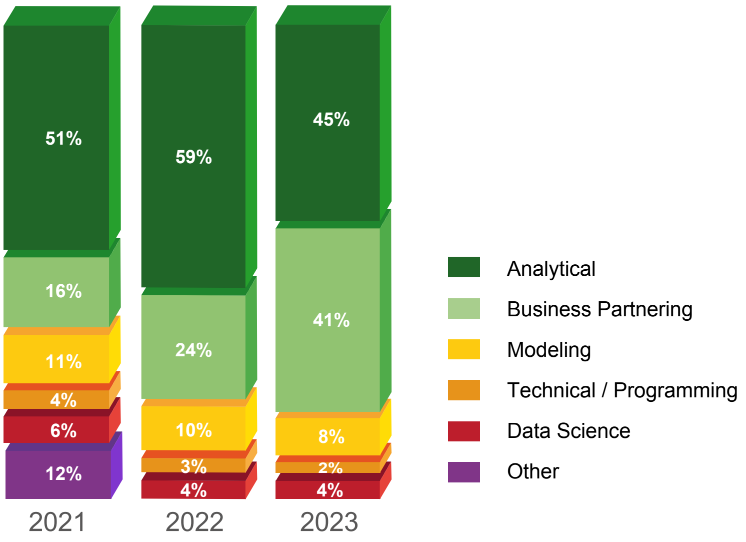


Fig. 6:
Most important FP&A skill

The rising importance of business partnering in FP&A aligns with the new thread of Extended Planning and Analysis (xP&A), which expands planning and forecasting beyond traditional finance boundaries. This highlights two key priorities for FP&A professionals:

1. Collaborating with internal and external stakeholders throughout the organization.

2. Supporting data-driven storytelling to challenge the status quo and transform operations.

These priorities emphasize the need for a holistic approach, integrating diverse insights. As FP&A professionals, we may wonder how modern technologies like Artificial Intelligence/ Machine Learning (AI/ML) and automation will impact our profession. However, it is important to recognize that storytelling with data will be a crucial skill differentiator for any FP&A professional in the future.

While AI/ML and automation bring value, they cannot replace the expertise and collaboration of human professionals.

Our survey revealed the following insights:

- 29% of respondents have already embraced or started their xP&A journey.

- 13% of respondents are considering embracing xP&A.

Business partnering plays a critical role in adopting a holistic approach to managing organizational value. By embracing business partnering and leveraging xP&A, FP&A professionals can effectively navigate complexity, harness diverse insights, and drive strategic decision-making that maximizes value.

4. SCENARIO MANAGEMENT

In today's fast-paced business environment, relying on traditional planning and forecasting methods, with only a fixed one-year timeframe, is no longer sufficient. The shrinking span of predictability poses a challenge for organizations that need to adapt to unpredictable changes. This is where Scenario Planning becomes essential, allowing organizations to develop and analyze multiple scenarios in order to gain insights into possible outcomes and their implications.

However, Scenario Planning is just the tip of the iceberg. Scenario Management takes a more comprehensive approach, creating a mindset and ecosystem that enables organizations to run scenarios on-demand, collaboratively, quickly, and seamlessly. It establishes an environment that supports scenario analysis, leverages technology, and fosters collaboration to integrate scenario insights into decision-making processes.

The significance of Scenario Management becomes overwhelmingly apparent when you consider that only a limited number of organizations can effectively forecast beyond a predictable timeframe. By embracing Scenario Management, managers gain the power to assess potential threats and opportunities, allowing them to develop strategic plans that can mitigate risks and capitalize on advantages.

Unfortunately, not all organizations are equipped to handle Scenario Management effectively. Only 16% of organizations can run scenarios in less than one day, marking a 4% drop from last year. Alarmingly, 20% are unable to run scenarios at all, while an additional 26% require over a week to complete scenario analysis (figure 7).

"Only 16% of organizations can run scenarios in less than one day, while 20% are unable to run scenarios at all."

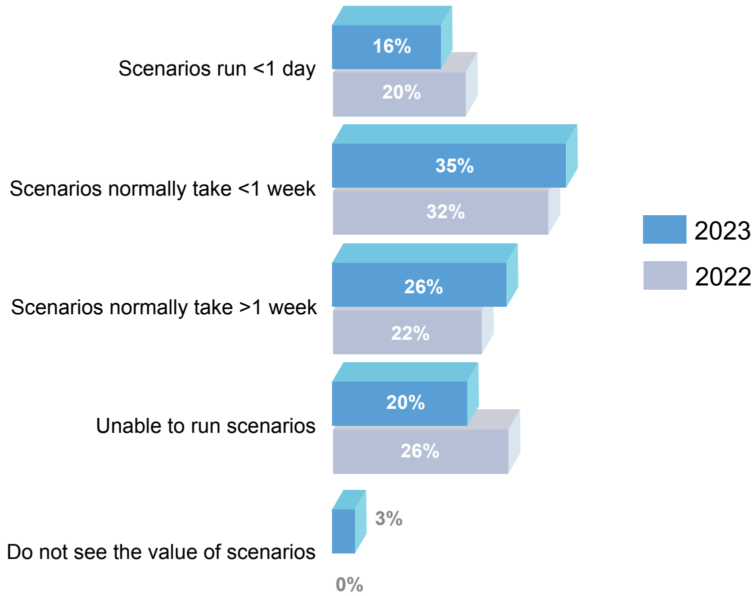


Fig. 7:
Ability to run scenarios

These statistics illustrate, that Scenario Management needs to be prioritized if it is to become a key tool for organizations to navigate uncertainties, make informed decisions, and stay ahead in a rapidly evolving business landscape.

5. DATA & FACT-BASED DECISION MAKING

The only dependable aspects in a world of uncertainty are facts. For FP&A these facts come in data from sourced both internally and externally. When analyzed, they can reveal trends and drivers of performance from which predictions and, therefore, decisions can be made. The survey shows that only 6% of organizations base every decision on data and a further 46% base a large proportion of their decisions on data (figure 8).

It is concerning to note the downward trend. In 2021, a significant percentage (58%) of organizations relied on data to drive a large proportion of their decisions. Fast forward to 2023, and this statistic has decreased to 46%, indicating a decline of 12%.

The number of organizations relying on a small or limited amount of data for decision-making increased from 7% to 16% (2021 vs 2023). This represents a substantial growth of over twofold, emphasizing a concerning shift towards decisions being made based on limited factual insights.

"Only 6% of organizations base every decision on data."

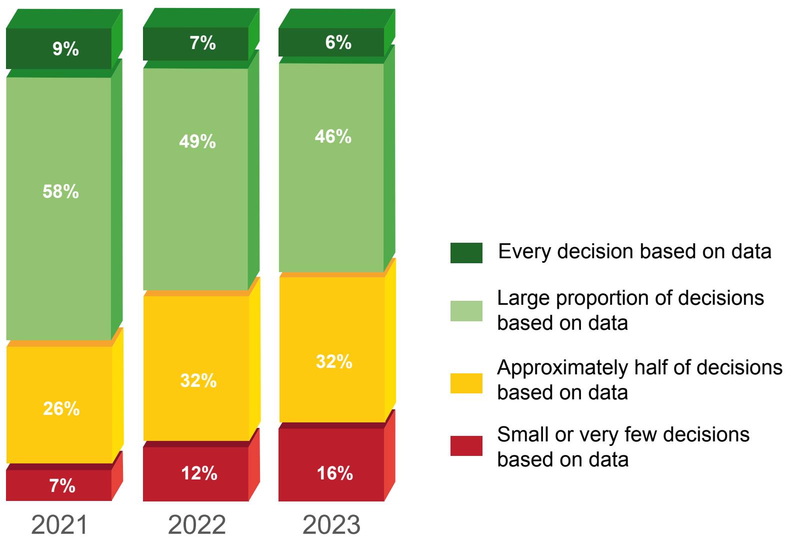


Fig 8.
Trends in data-based decision-making

There are several reasons why data-based decisions may face challenges. One of these reasons is the existence of incomplete, inaccurate, or untrustworthy data, as revealed in the survey findings. Without reliable data, it becomes difficult to make informed decisions as there is doubt whether they are based on factual information.

Additionally, in an environment characterized by uncertainty, historical data may not always provide an accurate representation of the future. As business models and drivers evolve, a reliance on only past performance will no longer suffice. This means new assumptions need to be formed, along with new strategies that are not solely based on historical data.

According to the survey, only 20% of organizations, down 3% versus last year, have access to a single data source with agreed definitions that can be analyzed easily. The majority (47%) of organizations have multiple data sources with an agreed taxonomy allowing for data consolidation after an acceptable level of FP&A effort. Nonetheless, a third of organizations continue to struggle with multiple data definitions that are challenging to consolidate and require a substantial amount of FP&A time and effort to validate (figure 9).

"Only 20% of organizations have access to a single data source ."

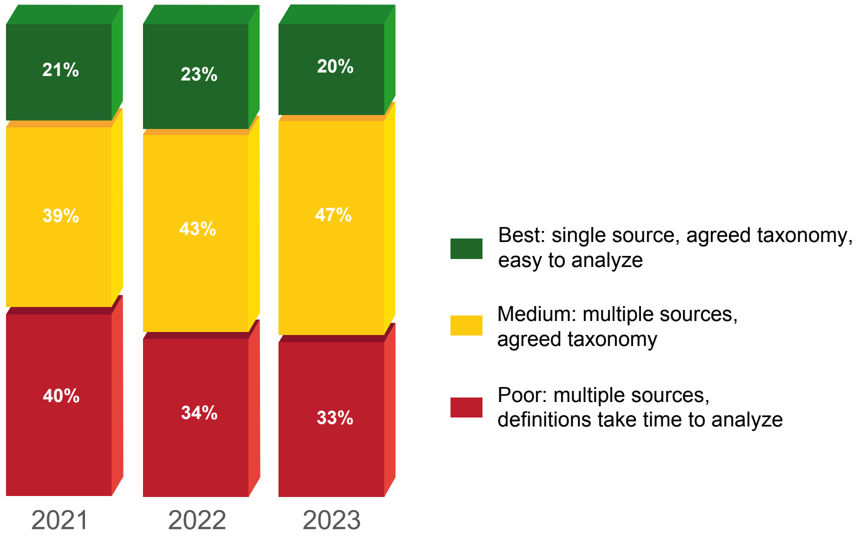


Fig. 9:
Status of data over the years

This view of poor data access is reinforced when survey respondents are asked about the biggest issues they face with the FP&A process (figure 10). Number one was the absence of a single source of data that everyone trusts (36%), followed by data being too complex (23%), and finally, inconsistencies in taxonomy (16%).

"The top challenge identified in the FP&A process is a lack of a trusted single data source (36%)."

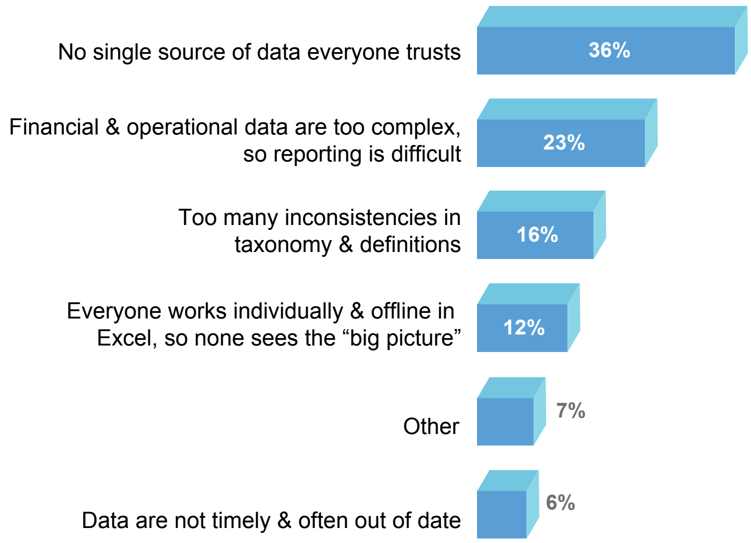


Fig. 10:
Biggest issues in FP&A processes

Data quality is something that should be high on FP&A's agenda. It affects not only the speed at which analysis can be performed but also where any FP&A team spends their time.

The resolution lies in establishing an agreement across the organization on data labels and labeling methods, along with the adoption of modern technology to allow for efficient data management and accessibility.

6. DRIVER-BASED PLANNING

Traditional planning methods rely on historical data, assumptions about future trends, and arbitrary targets. In contrast, Driver-Based Planning takes a more comprehensive approach by incorporating internal and external factors that are linked mathematically to create connected financial statements, including the Profit and Loss (P&L), Balance Sheet, and Cash Flow statement. This is also known as 3-Way modeling.

Drivers are defined as key metrics that have a proven impact on performance. They encompass both internal measures such as sales volumes and customer retention rates, as well as external factors such as inflation and competitor pricing, among others.

By utilizing connected Driver-Based models, organizations gain a deeper understanding of how changes in different areas of the company, and perhaps the external business environment, influence overall financial performance. These models also facilitate scenario evaluation, allowing decision-makers to assess the potential gains and risks associated with altering any business drivers.

Despite these benefits, our survey reveals a concerning trend. The adoption of Driver-Based models for budgeting or forecasting has declined by 10% over the past two years, with only 48% of organizations implementing them in 2023 (figure 11). Furthermore, it has become evident that the majority of these models are only partially Driver-Based.

"48% of organizations implemented driver-based models for budgeting or forecasting in 2023, marking a 10% decline from previous years."

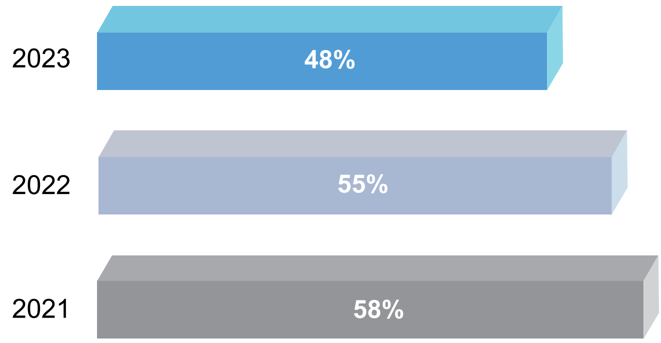


Fig. 11:
Use of Predictive or Driver-Based models for budgets and forecasts

Driver-Based models have the potential for accelerating the budget or forecast process. However, the majority of organizations in 2023 (54%) still take up to 3 months to produce an annual budget, with a further 31% taking longer. Only 8% of organizations can perform this task in less than one month (figure 12).

Interestingly, a new response that represents 7% of those we surveyed, say that they have adopted a process of continual budget adjustment, where the budget is updated and adjusted throughout the fiscal period. This allows organizations to adapt to changing circumstances, respond promptly to unforeseen events, and make informed decisions based on up-to-date information.

"7% of respondents say they have adopted a process of continual budget adjustment."

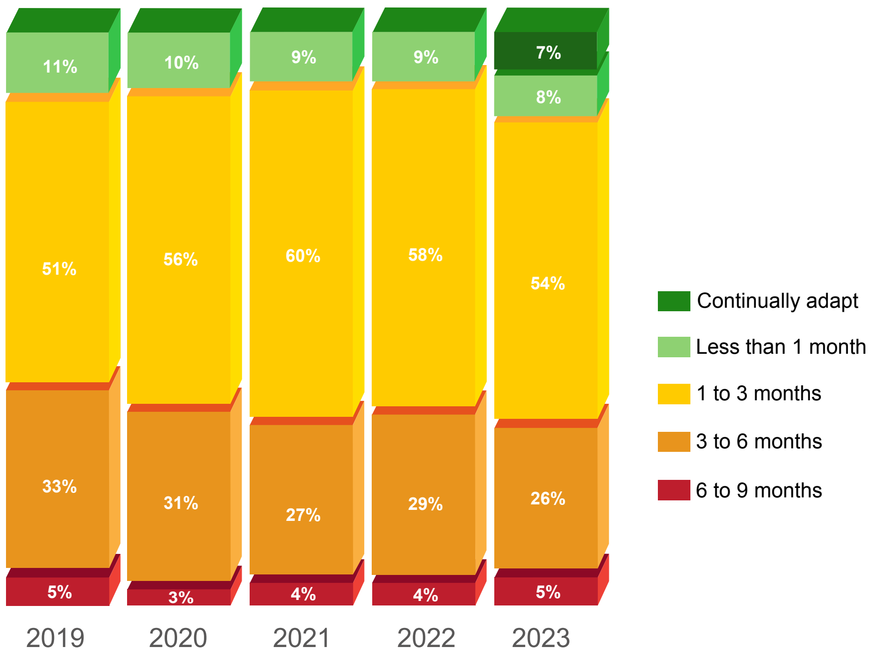


Fig. 12:
Time taken to produce the annual budget

In a dynamic business environment, continual budget adjustment is essential to maintain accuracy, flexibility, and strategic objective alignment. It enables organizations to optimize resource allocation, seize emerging opportunities, mitigate risks, and drive better financial performance. By embracing continual budget adjustment, organizations can navigate uncertainties, stay agile, and ensure their financial plans remain relevant in an ever-changing landscape.

When it comes to the undue length of time that it takes organizations to budget, we feel this is partly caused by forecast models that act as little more than adding-up machines. The other delays are potentially caused by protracted negotiations that take place. These are often political and have no basis in actually driving the business. The only intelligence built into models are simple rules that generate P&L values, for example, cost of sales where the sales figures are set as arbitrary targets. Consequently, no one can be sure that the budget produced is either realistic or achievable.

When we asked about the nature of the planning models used by organizations, only 5% were fully Driver-Based with a connected P&L, Balance Sheet, and Cash Flow statement (figure 13). Only 21% of all respondents plan and forecast all three statements in an integrated manner. Amazingly, 79% of respondents continue to base their FP&A processes solely on the P&L. This is a major shortcoming in an environment of uncertainty, where Cash Flow and capital planning are increasingly important considerations for any decision-making process.

"79% of respondents continue to base their FP&A processes solely on the P&L."

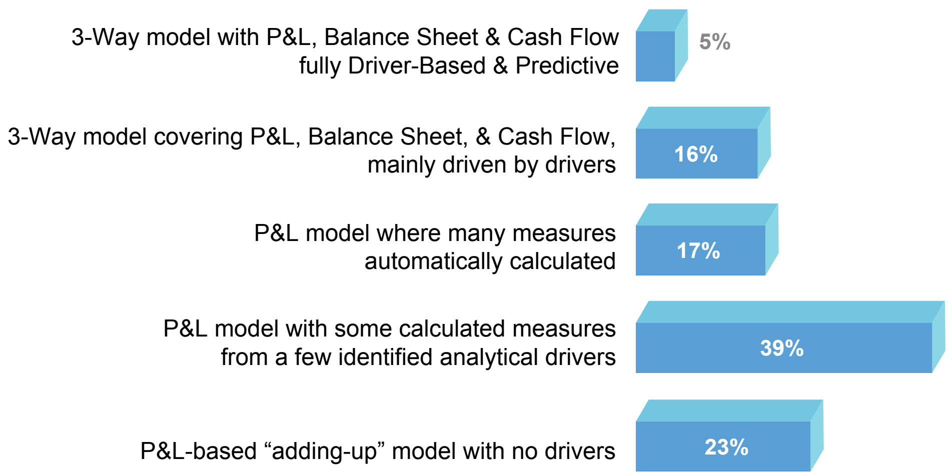


Fig. 13:
Description of the organization's planning models

Most models (39%) are P&L based, where just a few measures are calculated, and almost a quarter of all respondents (23%) approach planning and forecasting with models that are static, 'adding-up' machines focused on the P&L. This approach devalues FP&A's strategic value and does not give the true cost of a plan because of the absence of a connected Balance Sheet and Cash Flow.

This current state of Driver-Based models means there is much room for improvement. Although 48% of respondents (figure 11) said they used Driver-Based models, figure 13 shows that most of these are only partially Driver-Based. And even then, most models cannot produce a 3-Way view of the business.

It is only when organizations embrace a fully Driver-Based approach that planning becomes a faster, more dynamic activity that improves forecast accuracy and flexibility.

7. FORECAST ACCURACY

The connection between forecast accuracy and flexibility becomes evident in a changing environment. Accuracy denotes the extent to which predictions align with real outcomes, while flexibility is the capacity to adjust forecasts in response to evolving circumstances. In the current dynamic environment, flexibility becomes vital as it enables organizations to promptly seize emerging opportunities and manage risks. Nevertheless, striking a balance between accuracy and flexibility is imperative. While flexibility fosters agility, accuracy ensures sound decision-making. Therefore, organizations should aim for both to effectively navigate uncertainties.

As we covered in section 6, Driver-Based Planning underpins flexibility (agility). In this section we look at the accuracy of forecasts. If forecasts are unreliable, then so will be the decisions made upon them. Forecasting has become more complex over the years, in part because of the rapid pace of the ever-changing business landscape, and in part due to the nature and volume of data that requires analysis to reveal underlying trends.

Out of all respondents, 40% described their forecast accuracy as high or at a good level. This is a slight increase of 1% on last year but down 13% from 2 years ago (2021). Outside of this, 14% of respondents say their forecast accuracy is either poor or very poor (figure 14). This is an increase of 1% over the last two years.

There are several factors that we believe have contributed to the decline in forecast accuracy:

- Uncertainty in the business environment presents more obstacles to achieve an accurate forecast.
- Lack of quality data on which to identify performance drivers.
- Insufficient technology investments, coupled with an overreliance on Excel spreadsheets.

"40% of respondents are satisfied with their forecasts."

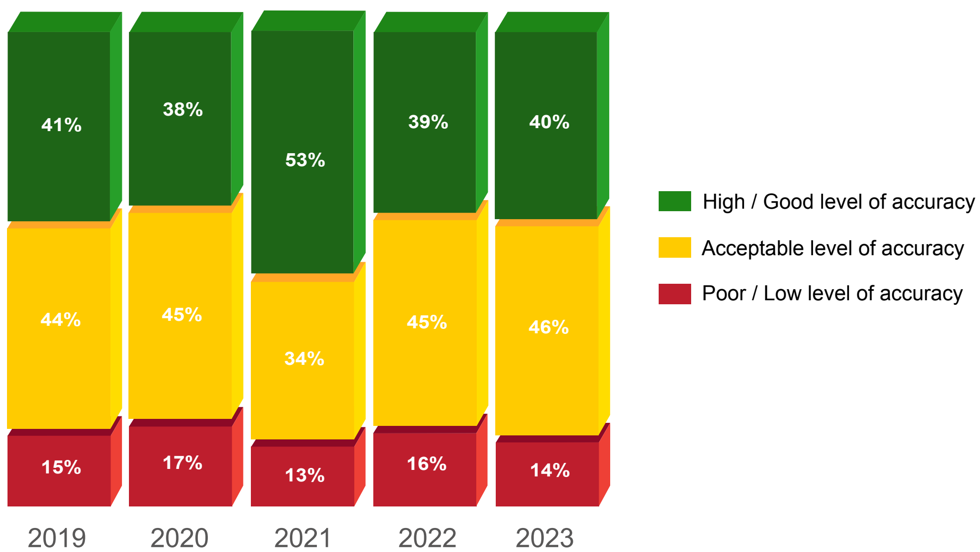


Fig. 14: Forecast satisfaction over the years

As figure 14 shows, not much has changed in 5 years. The quality of forecasting peaked in 2021, at the time of Covid when a lot of attention was being paid to forecasting and scenarios. However, forecast accuracy has since dropped. We have seen a 15% drop in high to good level forecast accuracy in the last two years since uncertainty has proceeded to get worst post-Covid.

In addition to accuracy, the speed and frequency at which a forecast is generated is also crucial. Having frequent forecasts that can be produced on-demand is crucial for decision-making in today's uncertain and changeable environment. In 2023, where uncertainty is one of the biggest challenges organizations face, only 4% were able to produce a forecast in less than 1 day and 13% could do this within 2 business days (figure 15).

"Only 4% are able to produce a forecast in less than 1 day."

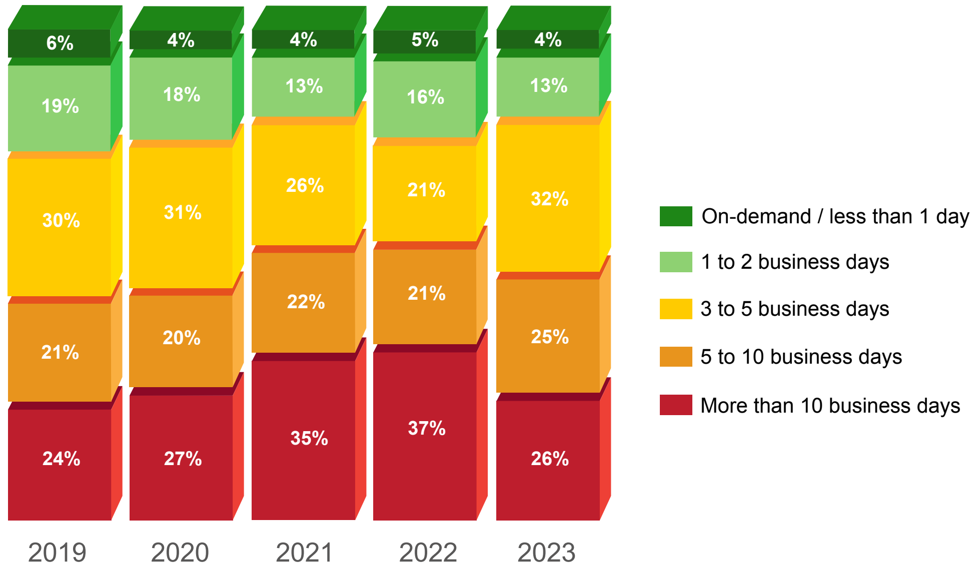


Fig. 15: Forecast duration over the years

Over a quarter of organizations (26%) take more than 10 days to produce a forecast. While there has been a 9% improvement compared to the previous year (37%), this is still a concerning indicator. The speed of re-forecasting is a vital measure of agility and adaptability. In the current business environment, organizations should aim for a timeframe of less than one day but ideally forecasts are run on-demand. In reality, only 17% of organizations can complete a forecast in less than 2 days, representing a 4% decrease on the previous year (21%). Moreover, the ability to re-forecast on-demand has decreased by 1% (from 5% to 4%).

These statistics highlight the need for organizations to enhance their forecasting processes and strive for faster, more responsive forecasting capabilities. This will require investment into technology, improvements in data quality, and exploration into alternative forecasting methods.

8. IMPACT OF TECHNOLOGY

The role of technology in FP&A is crucial for elevating the efficiency and effectiveness of planning processes whilst empowering organizations to achieve better outcomes.

Over the past few years, there has been a significant increase in data availability and an increase in the capabilities offered by analytical tools. Consequently, modern technology is able to better manage planning processes, uncover performance insights, make precise predictions, and position scenario analysis in a way to aid strategic decision-making. These systems depend on accurate and timely data, which are processed by advanced analytical tools. These tools possess intuitive presentation capabilities that allow users to interpret and communicate any results effectively.

For FP&A departments older technologies can significantly impair operations whilst modern systems can be the gateway to improved performance.

Planning applications

Planning applications are systems utilized by organizations to streamline the FP&A process. They encompass resource allocation, management of planning routines, and evaluation of alternative scenarios. In the realm of modern FP&A, these applications must not only support Driver-Based Planning but also provide access to advanced analytical tools. By leveraging such applications, organizations can enhance their planning capabilities, make informed decisions, and drive optimal performance.

From the survey we see that, while Excel remains the dominant planning tool for 52% of respondents, there has been an 8% decline since 2022. The use of modern planning platforms continues to grow, and they are now the equal second most used application among respondents, at 21% (figure 16).

"Excel remains the dominant planning tool for 52% of respondents."

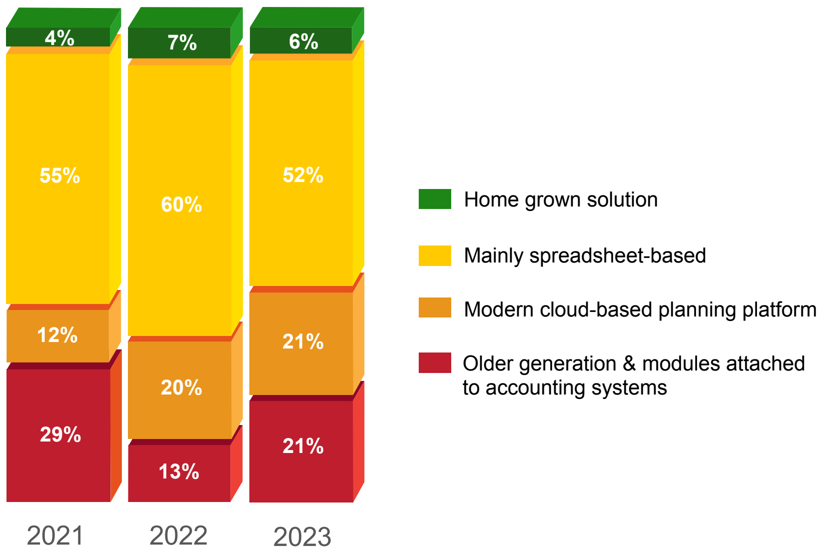


Fig. 16: Change in employed applications over the last 3 years

It is interesting to see growth in the use of older systems and such modules that are attached to accounting systems. We believe this is caused by the lack of investment in FP&A technology (see section 9) and the quick pace at which older systems become outdated due to increased technological developments.

As mentioned earlier, the use of older technology hampers any FP&A department. Where FP&A teams state they still have a lot of manual work, 70% are using spreadsheets or older consolidation systems for planning and analysis.

The data analysis also reveals compelling probabilities that underscore the value of technology in Scenario Management. Among the average audience, there is a 21% probability of using cloud technology, while only 16% have the capability to perform dynamic scenarios efficiently. However, among those capable of dynamic Scenario Management, there is a probability of 31% (almost one-third) of utilizing cloud-based technology. These probabilities provide strong evidence that adopting cloud-based platforms significantly enhances the quality and effectiveness of Scenario Management.

Predictive Analytics and AI/ML

Predictive Analytics (PA) and Artificial Intelligence (AI) in the form of Machine Learning (ML) have gained a lot of publicity. We know of many organizations that have greatly improved their forecast accuracy while reducing the time and effort to produce them by applying PA and ML.

Despite the availability of these tools (PA and ML) and their relatively low cost, the take up is still relatively low and has dropped over the past 3 years from 11% in 2021 to 7% in 2023 (figure 17).

"The adoption of PA/ML remains relatively low and has declined from to 7% in 2023."

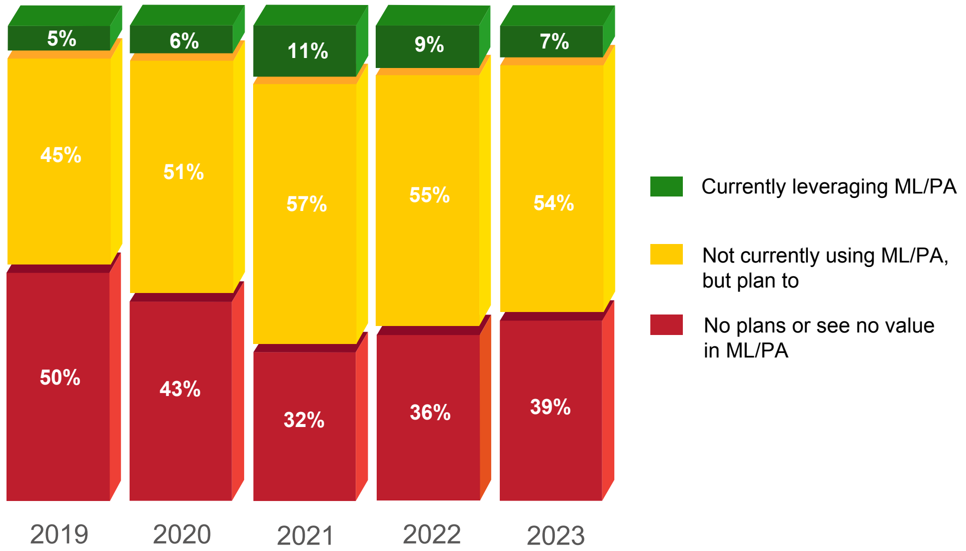


Fig. 17: Adoption of PA/ML tools over the years

However, over half of organizations (54%) plan to use PA/ML within the next year. On the other hand, 39% of organizations say they have no plans to use this emerging technology.

Here we see an interesting point of data. Over the years, the number of organizations planning to use AI/ML has been typically over 50%. Yet this statistic has not led to a conversion of actual users at the same rate. Factors could include a lack of investment, in either technology or people, or a realization that business models are changing too quickly, and historic data may not be able to guide the future.

9. INVESTMENT IN FP&A TECHNOLOGY

As shown above, the benefits that FP&A can bring are closely linked to its use of technology and the training that is received. Given the rapid pace of change in technology solutions, investment is required continuously. Yesterday's systems typically cannot identify drivers within large, diverse volumes of data, nor do they support agile planning or the running of multiple scenarios on-demand.

Out of all respondents, 34% said they had received investment over the past year, which is similar to previous years. However, this number needs to be nearer to 100%. The concerning statistic is that the 46% of respondents stated that they last received investment more than 3 years ago of which half had received investment over 5 years ago (figure 18).

"46% of respondents received their last investment over 3 years ago, with half of them receiving investment over 5 years ago."

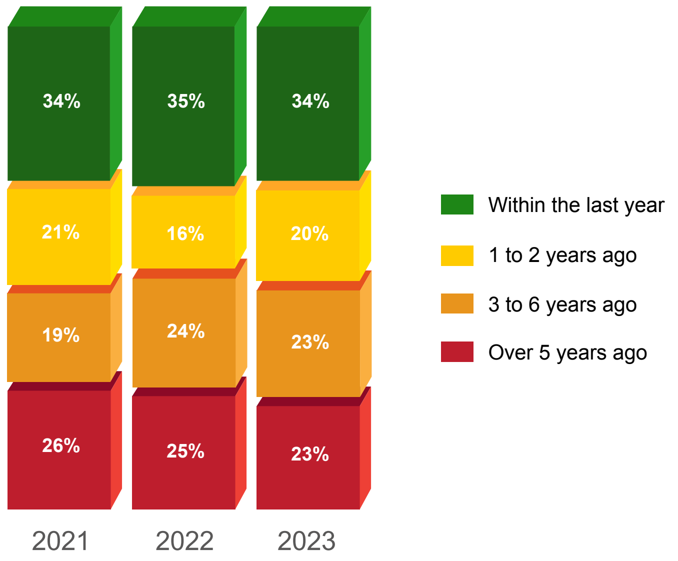


Fig. 18
Investment in FP&A over the past 3 years

When asked what the biggest obstacle to investment was, 30% of respondents cited the justification of the ROI over shorter-term investments in sales and marketing. Surprisingly, 24% said that FP&A was not seen to be a strategic investment area. These reasons are similar to those cited last year.

Out of other responses, a lack of IT resources was cited as an obstacle to investment by 21% (up 7% on last year). Conversely, 15% of teams said they do not require any further investment (figure 19).

"30% of respondents cited justifying ROI for short-term investments in sales and marketing as the main investment obstacle."

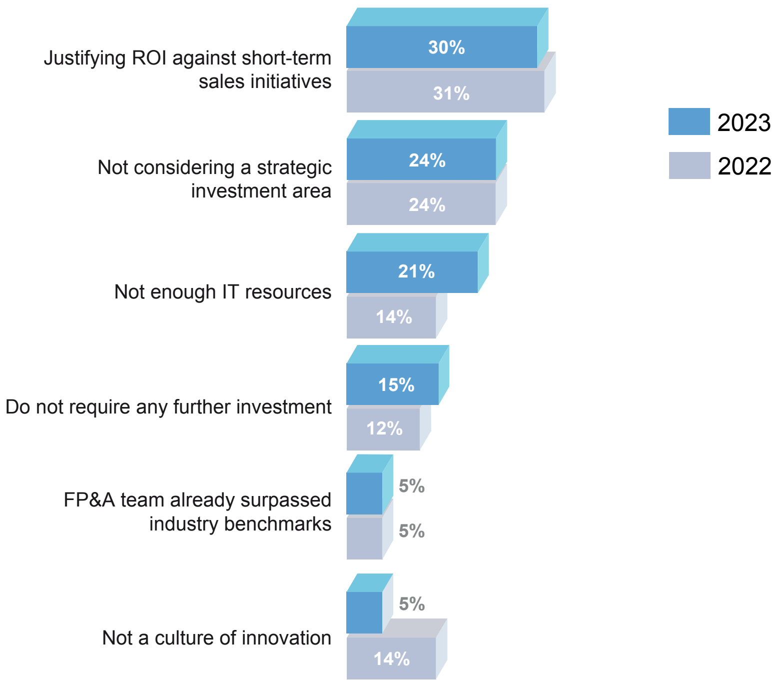


Fig. 19
Biggest obstacle facing FP&A Investment

In looking at future FP&A priorities, the highest priority is to enhance planning and forecasting by moving to a modern planning platform (24%). This has been the highest priority for the past 3 years, hence the increase in respondents now using them.

The next priority was improved cost insights and control measures at 20%, followed by a range of similar priorities that include FP&A resources, FP&A training, and the use of ML (figure 20).

"The highest priority is to enhance planning and forecasting by moving to a modern planning platform (24%)."

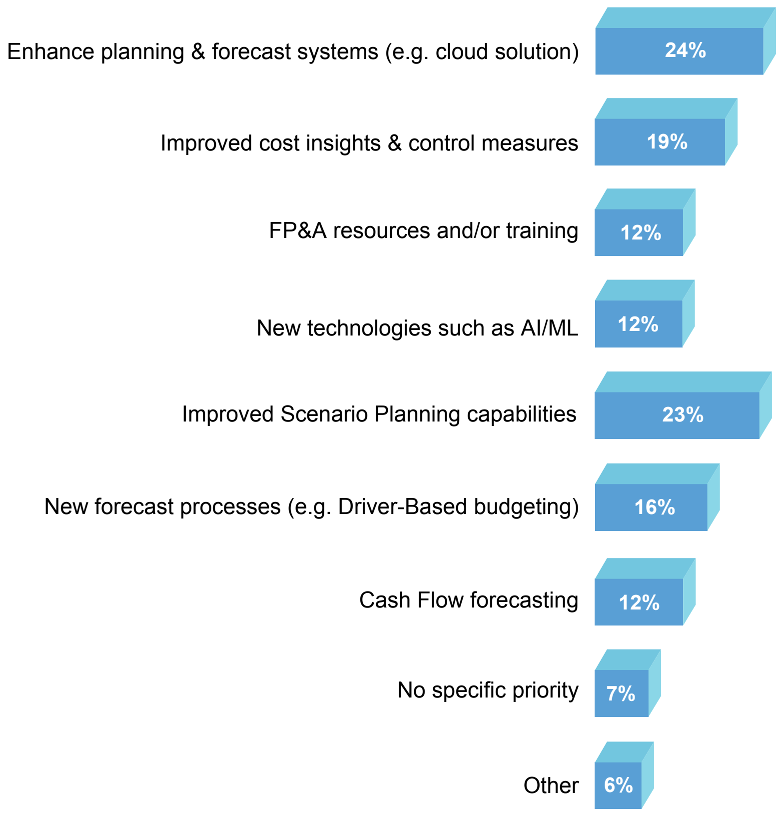


Fig. 20
The highest priorities for finance transformation

10. CONCLUSIONS

Managing organizational value must be the goal of every FP&A department. Who else is going to influence fact-based decision-making to achieve corporate objectives within the organization, or ensure plans and forecasts are based on the underlying drivers of performance? Without this focus, FP&A becomes just another reporting function that adds little or no real value to the organization and there is no one that will challenge decisions or resource allocation.

To manage value, FP&A must go beyond the finance function and promote an integrated, fact-based approach to planning, forecasting and decision-making. This requires:

- A single source of data, that has an agreed taxonomy, automated feeds and can be analyzed easily using Predictive Analytics. Around 80% of organizations have yet to achieve this.

- Models that are fully Driver-Based and can produce a 3-Way (P&L, Balance Sheet, and Cash Flow) view of the business. Still 79% of organizations have a lot of work to do to achieve this.

- Accurate forecasts based on drivers that can be produced in under a day. Almost 97% of organizations have yet to achieve this milestone.

- Scenarios that can be run on-demand yet 81% of organizations are lacking in this area.

- Planning systems based on a modern cloud-based platform. Spreadsheets and older generation consolidation systems need to be replaced in 73% of organizations.

- Investments that allow FP&A teams to spend less time on low-value activities and more time on high-value ones. All organizations need investment if they are to serve the organization well.

It will be interesting to see what progress, if any, will be made in these areas over the next year and whether FP&A has been able to work smarter in managing organizational value.

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ABOUT FP&A TRENDS GROUP

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

FP&A Trends Group enables continuous discussion, collaboration, and knowledge-sharing among finance practitioners from leading organizations. The organization is UK-based but highly international in nature, serving as a one-stop-shop for all things FP&A.

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