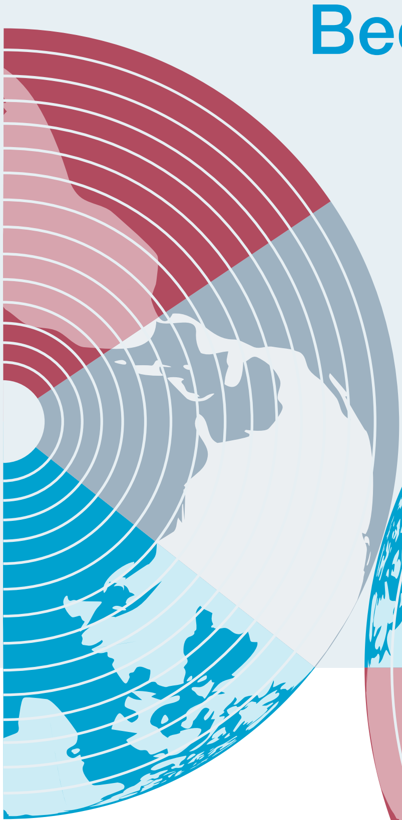
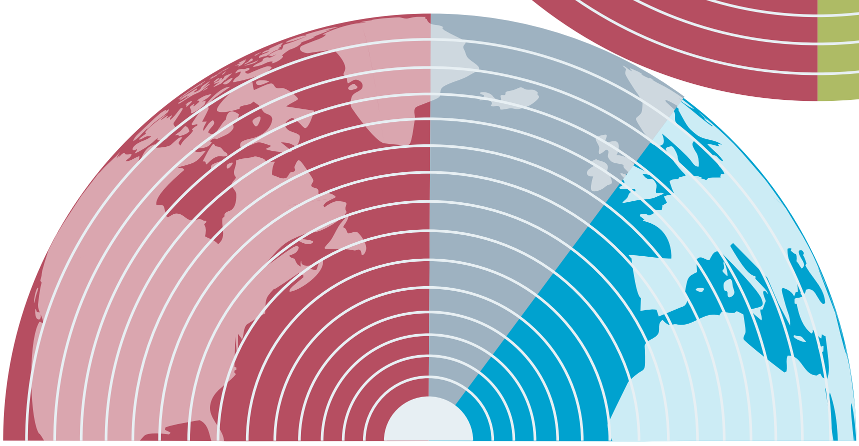
FP&A Trends
Best Practice in Financial Planning and Analysis

FP&A Strategy Consulting

FP&A Trends Survey 2020

Becoming an Intelligent Enterprise





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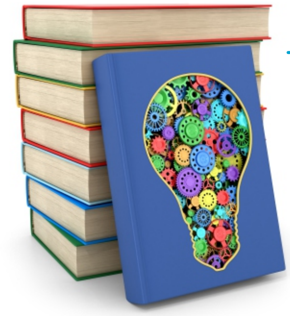


"In the middle of every difficulty lies opportunity."

Albert Einstein

2020 has been the most difficult year in modern history. Its uncertainty has incredibly impacted every human on the planet. The challenges created time compression for many professionals, to say the least. Yet, in the backdrop of the COVID-19 epidemic, Finance professionals still found the time to complete our technology and trends survey. Amid personal circumstances, radical changes in working environment, emergency cash flow reallocations and the new requirement for multiple scenarios, FP&A professionals silently endured.

In this year of global uncertainty and on-the-fly critical decision making, FP&A professionals have had an unrivalled opportunity to institute change. We focused our attention on the changing role of FP&A into a strategic partner and how technology can support this evolution this year, fortunately, a great and relevant choice. The survey continues to grow, now in its 3rd year, drawing insights from 338 participants (944 since 2017) people who are engaged in the finance function across a diverse set of industries around the globe including North America (128 - 2020); Europe (123 - 2020); Asia(43 - 2020); MEA (23), South America (16) and undisclosed (5).

Our sponsor, SAP, made this research possible. We thank them and all those who invested their valuable time to participate in the survey. This whitepaper would not be possible without all your support and the candid answers from survey participants!

As Einstein said, **"In the middle of every difficulty lies opportunity."** This survey we believe offers hope, insight, and a much-needed reality check on where FP&A is today. It also forecasts what needs to happen for FP&A teams to develop their best practices from theory into reality.

FP&A Trends Survey is an independent research team of thought leaders:
Larysa Melnychuk, CEO, **FP&A Trends Group**
James Myers, **CEO, FP&A Strategy Consulting**
With special thanks to Michael Coveney, Roger Sanford and SAP.

Introduction

FP&A's role must be at the forefront of creating business plans that guide and support organisational decision-making. To do this effectively, adopt suitable management practices, be equipped with modern planning tools, have the right skill sets and make use of them. This requires management support to break through traditional planning mindsets. The current crisis only goes to emphasise how vital these things are and the opportunity presented.

As 2020 unfolded, the critical need for cash flow forecasting and scenario analysis became the core responsibility of FP&A. Those teams with the right tools (having made the right level investment in tools) and transformation, found themselves able to cope with the '*unknown unknowns*'. They took advantage of the opportunity, empowering their groups into the leadership circle.

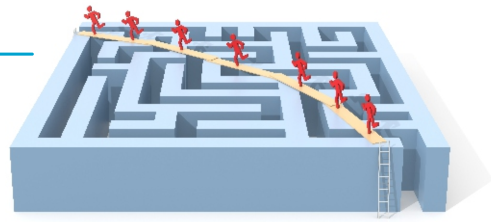
However, those unprepared, their 2.8 months spent on creating plans and budgets for this year, have seen much of those efforts become redundant within a matter of weeks as they try to cope with business going forward as anything but 'usual'. Our annual FP&A Trends Survey is an attempt at capturing the state of FP&A from those involved in leading those functions and how well suited they believe their departments were to the task at hand.

Like last year, the survey focused on how departments are impacting their organisations and their use of technology. What is interesting is that the results appear to be fairly consistent between geographies and activities, and so the survey looks at what was generally being achieved.

This year we have sought to highlight those organisations who are **'best in class'** in terms of FP&A performance, and how that compares with the average organisation. Each year the survey reveals some interesting trends, which for 2020 are:

- Too much time (42%) spent on low-value activities prevent most FP&A departments from being a true strategic advisor. For **best in class** organisations, this drops to 19%.
- On average, only 26% of the time is spent on driving actions and insight generation. For **best in class** organisations, this increases to 80%.
- 64% of organisations understand the value of Business Partnering compared to 100% of **best in class** organisations.
- 56% of organisations base all or a large proportion of their decisions on data. This increases to 80% for **best in class** organisations.
- 35% of organisations provide their c-suite with access to real-time business performance compared to 90% for **best in class** organisations.
- 17% of organisations have integrated their ERP with their planning tool compared with 60% of **best in class**, companies.
- **Best in class** companies produce more accurate forecasts compared to the average (63% vs. 38%), and in less time (2 vs. 8 days).
- Only 35% of organisations can access real-time data to support fact-based decision making.
- Cloud solutions are driving down dependency on spreadsheets (73% to 47%) while increasing productivity by 40%.

Value-adding FP&A



Too much time (42%) spent on low-value activities prevent most FP&A departments from being a true strategic advisor.

One of the recurring concerns expressed by FP&A is that they do not have enough time to act and think more strategically. More time would not only enhance the value of what they do but would also enable them to become a better business partner. It's a situation that is far removed from where they want to be.

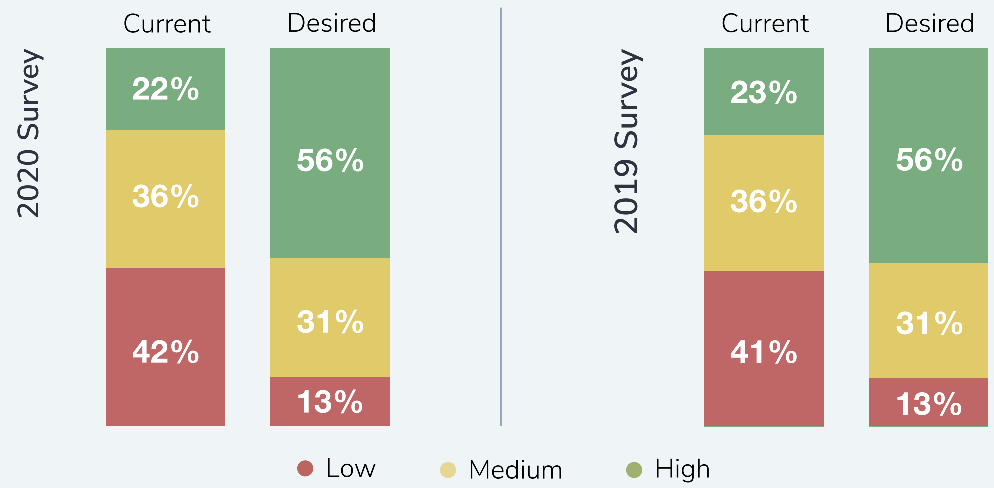
The overall use of FP&A's time remains a big concern. For the third year running our survey shows that this has not improved. In fact, within some teams, the gap between what they do and where they want to be has worsened. Last year, the time spent on high-value activities was 23%. This year, at 22%, is not significantly different. This has a direct impact on the effectiveness of the finance department and the company as a whole since FP&A teams do not have sufficient time to spend on the things that really matter. For example, the ability to conduct scenario analyses and in business partnering, both of which are essential activities in responding to the current economic crisis.

If time is spent mainly on low-value activities, then it's easy for businesses to come to the wrong conclusions concerning goals such as profitability. Without knowing what drives the business, then organisations can embark on cost-cutting exercises that will harm future areas of growth. These areas only become apparent when FP&A have time to generate insights from the data, they collect by looking at what trends are going on at a detailed level, and how different organisational activities correlate with external events.

If FP&A do not have the time or the tools for these types of analyses, then who else is going to steer the organisation? The result will be lost opportunities that directly impact the bottom line.

The answer is not necessarily to add more staff who, for the average company, will end up being consumed by the same operational inefficiencies. Instead, the answer lies in becoming a more **Intelligent Enterprise**. This term represents an organisation where data is seamlessly transformed into insight, where processes are automated, and where innovation allows the workforce to focus on higher-value outcomes.

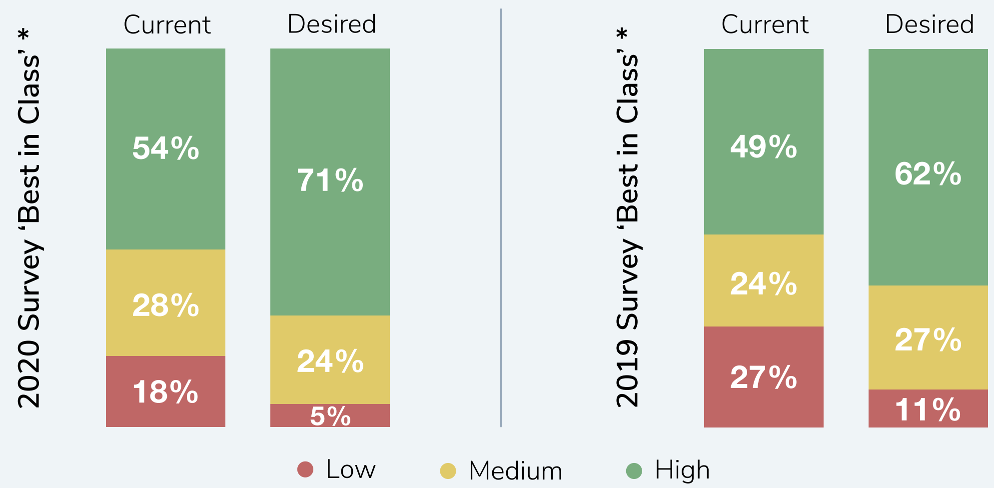
Fig 1. The value of activities where FP&A spends its time (Current vs Desired state): All surveyed companies



Best in class

The good news, however, is that there are FP&A departments that have bucked the trend. We refer to them as **best in class**. These FP&A professionals spend above average time on high-value activities and work for companies that are leaders in planning and analytics. Throughout this paper, we will review what these teams are doing differently and how they may be applied to your own company.

Fig 2. The value of activities where FP&A spends its time (Current vs Desired state): 'Best in class' companies



* Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly / quarterly forecast, less than 3 months on their budget / strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.

Find time to act

Best in class FP&A teams only spend 20% of their time on data collection and validation, compared to 45% for the average company.

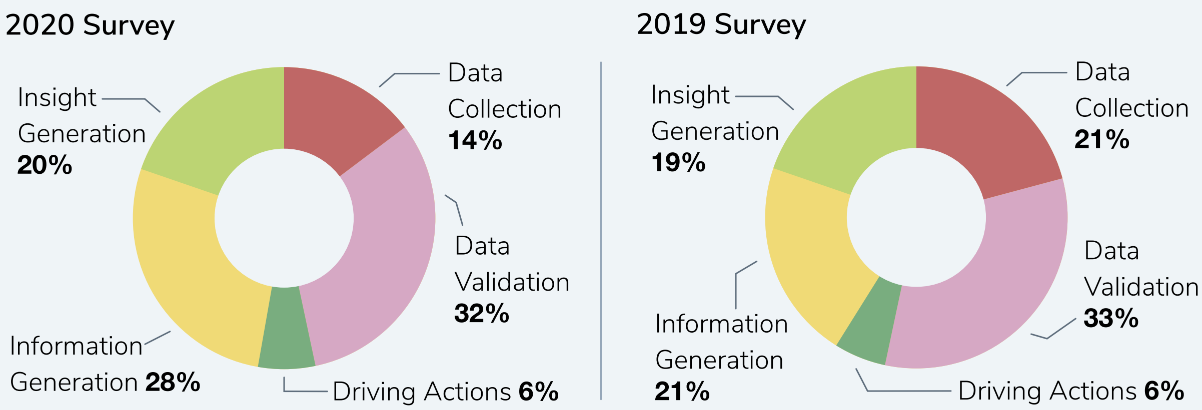
The main mission of the FP&A department is to enhance the corporate decision-making process. This involves managing the planning, forecasting and reporting processes of the organisation while producing analyses and insights that can drive change. Modern FP&A is strategic and influential. Often its jurisdiction goes beyond finance to the whole organisation where FP&A play the following two roles:

1. **The Business Partner** that provides accurate, up-to-date insight and predictions which contribute to the creation of forecasts that allow informed decisions to be made.
2. **The Strategic Advisor** generates scenarios and explores alternative views of the future to drive change.

If these roles are to be effective, FP&A must focus its efforts on high-value tasks. As we have seen, this is a challenge for the majority of companies. FP&A departments do not have enough time to create better analysis from their data, to think more strategically, to enhance the value of what they do or to drive analytical transformation within their organisations.

Our survey shows that 46% of FP&A's time is spent on the low-value activities of data collection and validation, rather than tasks that will generate insights and drive action. Although this is a significant improvement from 2019 (54%), the time saved has been focused on information generation, which has increased to 28% in 2020 compared to 21% in 2019. In reality, there has been little change in the time spent on insight generation and driving actions between 2019 and 2020, around 26% in both years.

Fig 3. Comparison of analytic time distribution: 2020 vs 2019 (All surveyed companies)



Interestingly, there has been a significant improvement in data collection practices. The time spent on this activity has decreased from 21% last year to 14% this year. However, over the past 3 years, data validation tasks have consistently consumed one-third of FP&A's time.

One reason could be that there is more data available today, and although the collection processes have improved, the amount of time required to validate is higher. This could point towards other, likely technology, related issues.

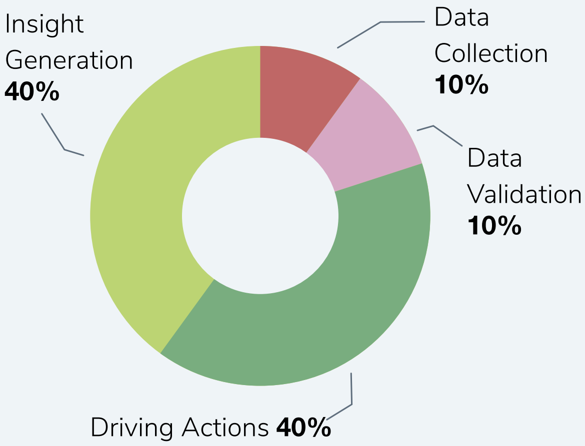
The survey shows that dedicated time has only increased in the category of information generation, from 21% last year to 28% this year. This is a positive sign, but more time is needed to transform insight into action.

In meeting the challenges of today's business environment, there is an urgent need to eliminate low-value activities and to develop a more **Intelligent FP&A** department with trained, proactive and analytical staff who have access to high-quality data and systems.

Best in class

Best in class organisations have used their time more effectively and efficiently in comparison to an average company:

Fig 4. Distribution of analytic time for best in class organisations (2020 Survey)



- Only 20% of their time is spent on data-related issues compared to 47% overall for all respondents.
- 80% of their time is spent on driving actions and insight generation compared to only 26% at a total level.

As a consequence, **best in class** organisations have a significant advantage. Their FP&A is placed in an ideal position to be both an effective business partner and strategic advisor.

Collaborate and partner with the business

Although organisations understand the value of business partnering, only 35% can access real-time data to support fact-based decision making.

Collaborative enterprise planning and FP&A business partnering go hand-in-hand. Both of them have soft and analytical sides, where modern technology is a big enabler.

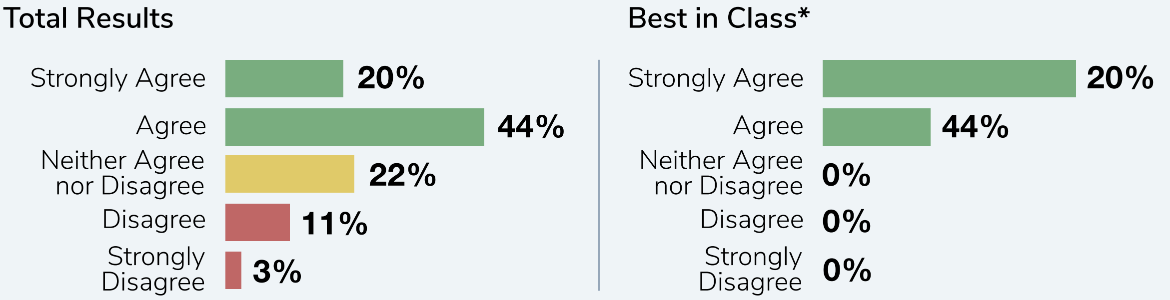
Business partnering involves collaboration, where two parties work together to produce a result. In the context of FP&A, this involves:

- Provision of real-time insight and foresight supported by data.
- Advice that adds value and assists in the decision-making process.
- The assessment of potential scenarios to allocate resources and direct actions.
- Current information on the organisation's level of performance.

The amount of time FP&A has available to spend on high-value activities directly impacts their ability to be a business partner.

The survey shows that on average 64% of respondents say their company understands the value of business partnering in driving company success. This is down from 72% last year. The decline is probably driven by the expected level of business partnering that is not being delivered. However, for our **best in class** organisations, all respondents either agree or strongly agree that their company understands the value of business partnering. This is a clear indication that less time spent on low-value activities allows more time to be spent on business partnering, collaborative planning and the value it generates.

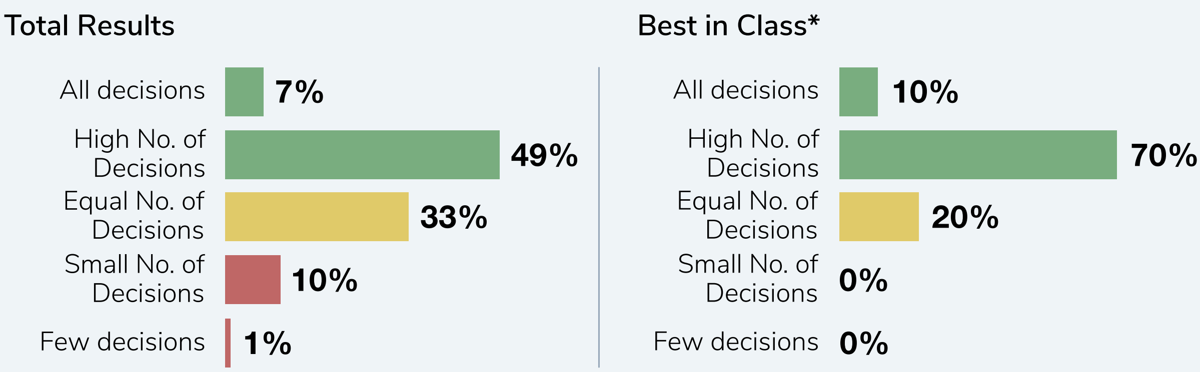
Fig 5. My company understands the value of business partnering



* Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly / quarterly forecast, less than 3 months on their budget / strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.

To be a good business partner, the FP&A team need to have access to the appropriate tools and skills to provide the right data, at the right time, to the appropriate management level. The survey shows that only 7% of organisations base all of their decisions on data while a further 49% base a large proportion of their decisions on data. For our **best in class** companies this comparative is 80%, showing they have a tendency to make more decisions based on data.

Fig 6. How often does my company use data during decision making?



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The survey also shows that only 24% of organisations provide everyone with relevant access to data. If not based on data, then how can they make informed decisions?

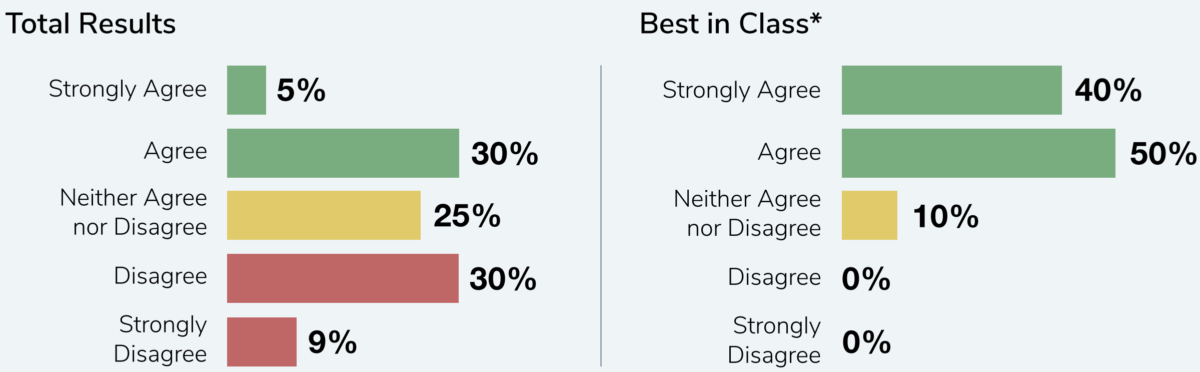
So much more is expected of FP&A than it was 10 years ago, especially in a business partner role. Part of this is down to the advances in technology that have allowed for greater things to be done than in the past. The other part is a direct result of the growing need for someone to challenge an organisation's practices and performance. FP&A should not only be seen as the gatekeepers of knowledge but should ensure their insights are accessible and understood by the organisation.

By providing access to data, within a consistent organisational planning model through approved management processes, gives FP&A the time to be more strategic and influential. It reduces the reporting burden by allowing users to self-service, encourages collaborative planning where business drivers are easily understood by all, and ensures consistency throughout the organisation.

Ultimately the FP&A department needs to take ownership of the quality of the insights it presents. However, if these insights are made accessible, in a structured way, for example through a visualisation or analytics tool, data issues will be identified earlier and can be corrected online at its source.

If one of the key objectives of a business partner is to keep key stakeholders informed on current performance, then ensuring data and insights are accessible would be considered **best in class**. When we look at the results of our survey, we see that in 90% of our **best in class** organisations the c-suite have access to real-time business performance. For the total group, this number is 35%, which is less than half of the comparative for **best in class**. Making these data widely accessible will enable stakeholders to respond quicker and make better decisions.

Fig 7. Does the c-suite have access to a real-time view of business performance?



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Freeing up FP&A time to dedicate to business partnering and collaborative planning is a great step forward, but not the only thing a company can do to enhance their FP&A function.

Integrated FP&A

Best in class companies can drive more accurate forecasts (63% vs. 38%) in less time (2 vs. 8 days).

Coping in today's volatile business environment requires an agile and adaptable planning process that can quickly respond to change. It should operate through the different levels of the organisation as a single system and it should integrate strategic, business and operational planning. In other words, it needs to harmonise not only vertical processes, top-down and bottom-up, but also across horizontal business units, through one process and system.

This integration is achieved through driver-based planning. Here, key business drivers are cascaded down throughout the organisation using a single common planning platform where all processes are combined seamlessly. Integrated FP&A goes further in that it also requires cultural and organisational integration as well.

The impact of integrated FP&A becomes apparent when looking at current FP&A process cycle times and the quality of its forecasts. These are significant key performance indicators that can help inform the level of FP&A integration and its aptitude.

Budgeting and planning cycle times

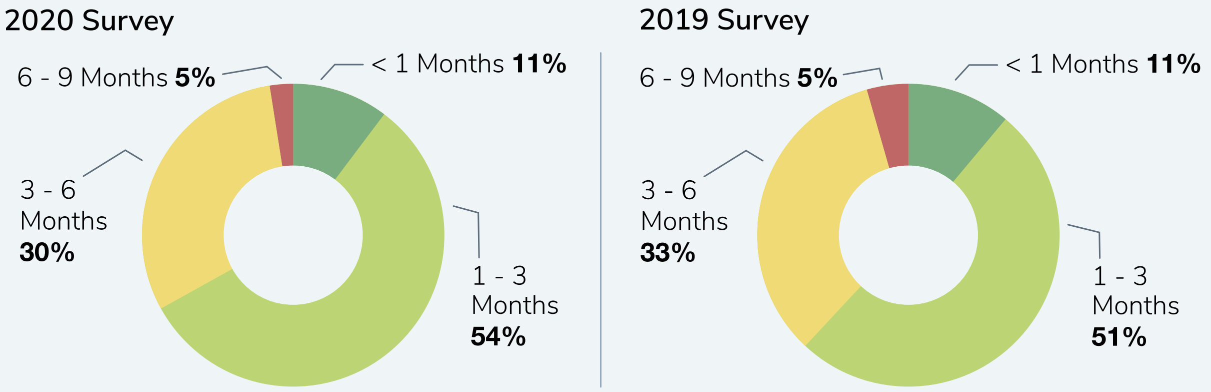
When it comes to budgeting, the survey reveals the following insights:

- Overall the time to set a budget has improved - 65% of organisations take less than 1 month compared to 61% last year.
- Over the last 3 survey years, the percentage of organisations that spend more than 6 months on their annual plan has decreased from 6% (2017) to 2% (2020).
- The majority (54%) of respondents spend between 1 and 3 months budgeting, which is a great improvement on 5-10 years ago when it was typical for organisations to spend 5 to 6 months on their annual budgeting and planning process.
- The weighted average duration for budgeting is 2.8 months in 2020.

However, the **best in class** organisations, in other words, those with a more integrated approach, did far better:

- One third (34%) managed to finalise the budget in less than 1 month and not one organisation spent more than 3 months on the process.
- The weighted average duration for their budgeting and planning is 1.5 months which is almost half the time spent by the average organisation (2.8 months).

Fig 8. Budgeting cycle times



Time is taken to produce a forecast

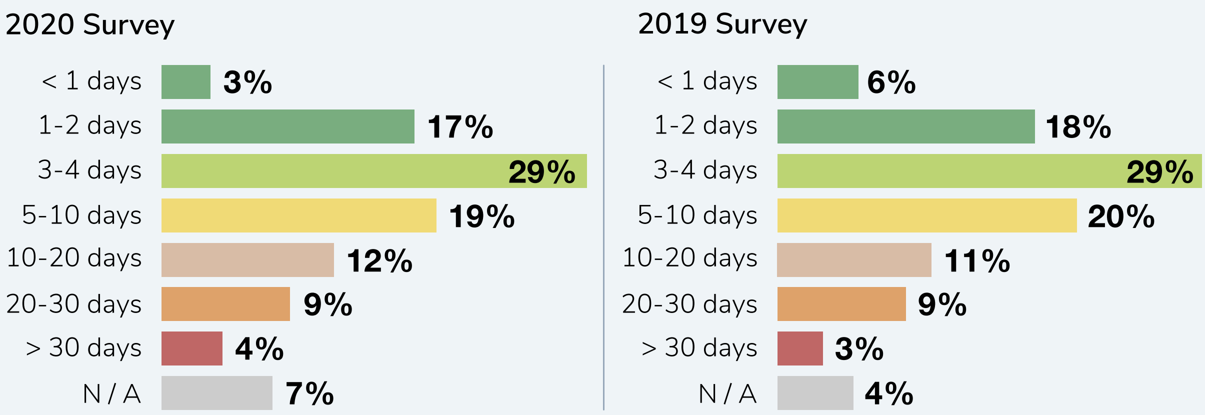
Forecasting is a key process whose effectiveness is connected to the time it takes and its accuracy. In terms of time spent, the survey shows that 44% of organisations continue to spend more than 4 days to produce a forecast, while around 25% spend 10 or more days.

Interestingly, only 20% can produce a forecast in less than 2 days compared to 24% last year. This finding is an indicator of high inefficiencies. In the current market, organisations cannot afford to spend so much valuable time on forecasting. Ideally, organisations should be able to generate a forecast in real-time or definitely in less than one day.

So why does it take so long? Despite the availability of suitable technology, that can dramatically improve these times, very few organisations have implemented them.

Fortunately, this is not the case with the **best in class** organisations who have made that investment in FP&A integration. By contrast, their forecasting process is less than 4 days overall which on a weighted average basis amounts to only 2 days. In fact, 18% of these organisations can produce a forecast in only 1 day. This is the power of FP&A integration.

Fig 9. Time taken to produce a forecast

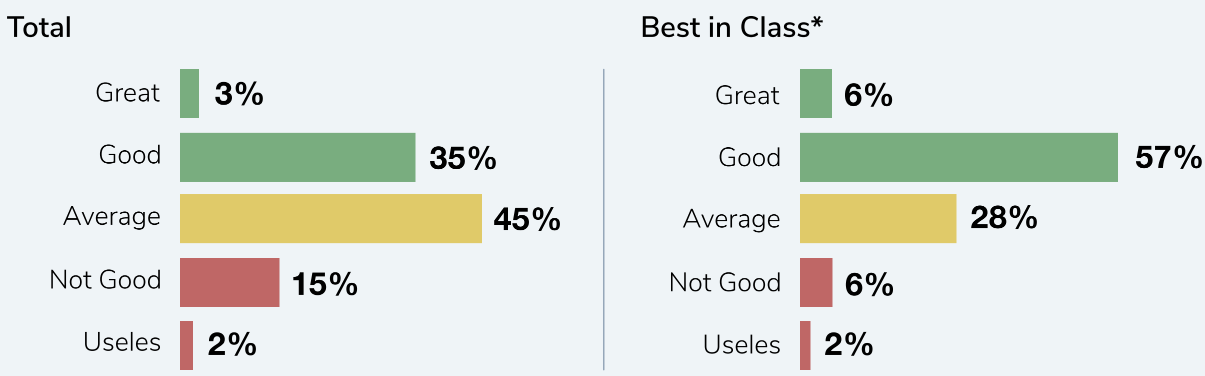


Forecast accuracy

Just as important as speed is the accuracy of any forecast. After all, what is the point of producing unreliable predictions quickly?

Here we find the impact of integrated and intelligent FP&A to be just as profound. **Best in class** companies take, on average, less time than anyone else to create their forecasts. At the same time, they are more accurate when they use a predictive and driver-based solution. Around 63% of best in class organisations believe their forecasts are good or great, where only 38% of all companies think this same.

Fig 10. Forecast accuracy



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By integrating internal and external data into driver-based and predictive planning, organisations can substantially reduce the time they take to create budgets and forecasts, while simultaneously increasing their accuracy.

A simple extrapolation of data into the future can provide a baseline that planners can adjust, rather than starting each forecast from scratch or using prior-year results (27% of companies). This helps to standardise the process and makes it less reliant on subjective opinions such as gut feelings and game-playing.

Even at times of great change, like with COVID-19 where historical data become less relevant, driver-based methods can still be applied. Their analytical approach helps the business scan scenarios quickly and easily by changing driver-based assumptions, to generate a range of likely outcomes that feed into the decision-making process. As a result, Intelligent enterprises are much more agile and adaptable in responding, quite often in real-time, to unfolding events.

FP&A Technology

Technology in FP&A is lagging behind with only 17% of companies claiming their planning solution is fully integrated with their enterprise resource planning (ERP).

Technology is a key enabler within FP&A. The volume, variety and frequency of data available today are such that only a technological solution can sift through it and extract insightful analyses. Yet it needs to be the right technology. Solutions that were in use 10 years ago are unlikely to be able to support the time demands and complexity of today's business environment.

The rate of technological sophistication is increasing year on year to the extent that this year's new features are soon made obsolete by other developments, all of which promise to transform the capabilities of what FP&A can offer. It is an area that is constantly improving and should not be ignored. Unfortunately, that is not where many organisations find themselves today.

Here are some of the survey's findings that illustrate this point:

- Over a quarter of respondents have planning technologies that are over 5 years old.
- 56% of all respondents upgraded their FP&A systems over the last two years, including 38% that had upgraded in the previous year.

It is not surprising therefore to find that less than 20% of all organisations embrace modern technology wherever possible. In comparison, **best in class** organisations are 1.5 times more likely to have the latest technology. For this group:

- 79% upgraded their FP&A systems over the last two years, including 58% that had upgraded their system in the previous year.

The lack of investment in FP&A technology systems can have severe consequences on the organisation as a whole.

Integration of Systems

The majority (87%) of organisations believe that integrating their planning tool in real-time with their ERP would allow them to make faster decisions. There is a good reason for this belief. Not only does an ERP provide a single system of record, but by having it integrated, there is no time-lag in extracting insights or in using the information in revising plans. Similarly, when queries are raised there is no delay in providing answers or in checking that the data was transferred correctly. So not only does integration enable faster decisions, it does so with fewer chances for errors to creep in.

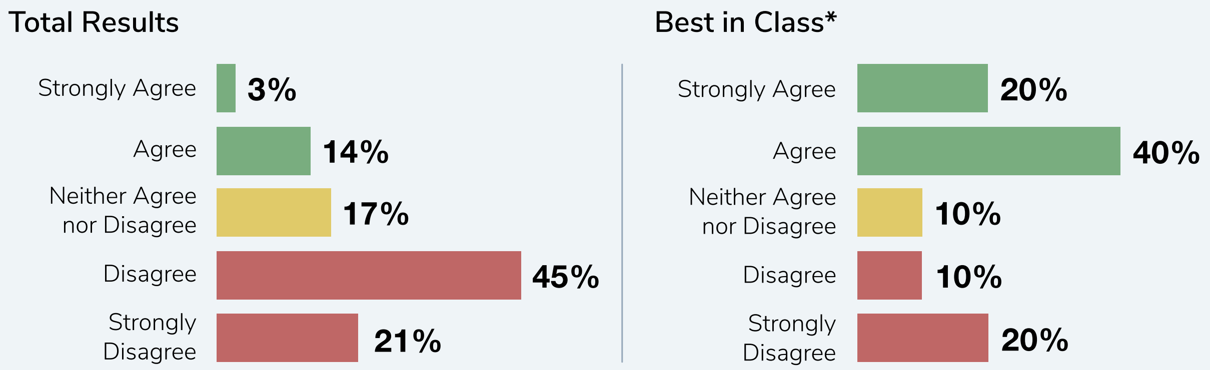
Unfortunately, the survey shows that only 17% have achieved this level of integration, compared with 60% of **best in class**, companies.

Non-integrated systems mean that users spend time searching and then gathering data, which may then be out of date. Similarly, if organisations have to wait until the end of month close before data can be transferred (which could be a further 5 days), then some of the data is possibly too late for any recommendations to be made.

Today's economy requires organisations to eliminate delays, so they can provide immediate guidance and decisions.

Integrated systems, by contrast, eliminate the need to duplicate effort and copy data. The two tasks that consume a lot of FP&A time and provide an opportunity for errors to creep in undetected.

Fig 11. My ERP is completely integrated with my planning tool



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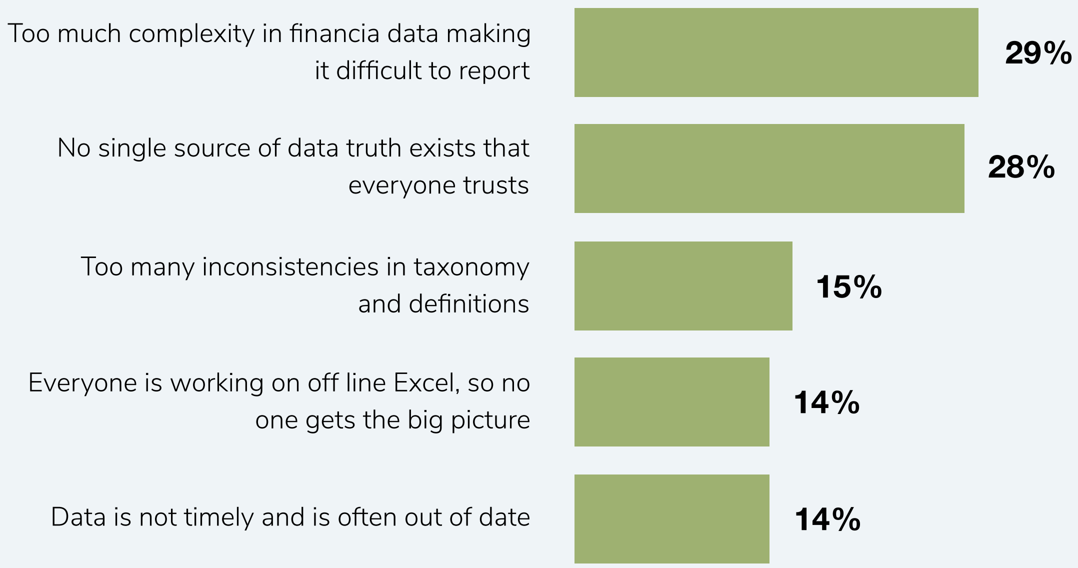
Access to data

Data access, as we found, is a challenge that technology can go a long way to overcome. When asked, what the most challenging issue with data is, the two leading answers were: "Finance data is too complex" and "There is no single source of truth". These answers were consistent across all companies including **best in class**.

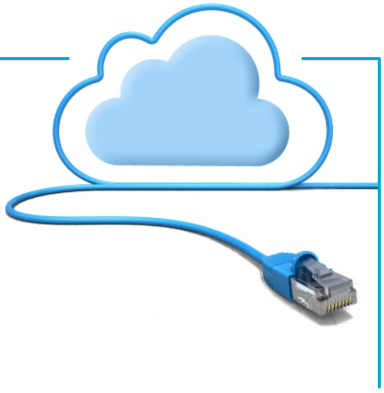
Providing a single source of truth that can be trusted, should be the focus of every organisation. It is something that is achievable in the short term and will reduce the time spent on data collection and validation, thereby freeing up time to focus on valuable high-level activities.

By not having a single source, builds a planning platform where data is incomplete, out of date, not understood or inconsistent, and whose results will be unreliable and unfit for purpose.

Fig 12. Most challenging issues in FP&A



Cloud - The new frontier



Cloud solutions are driving down dependency on spreadsheets (73% to 47%) while increasing productivity by 40%.

Excel vs. Cloud

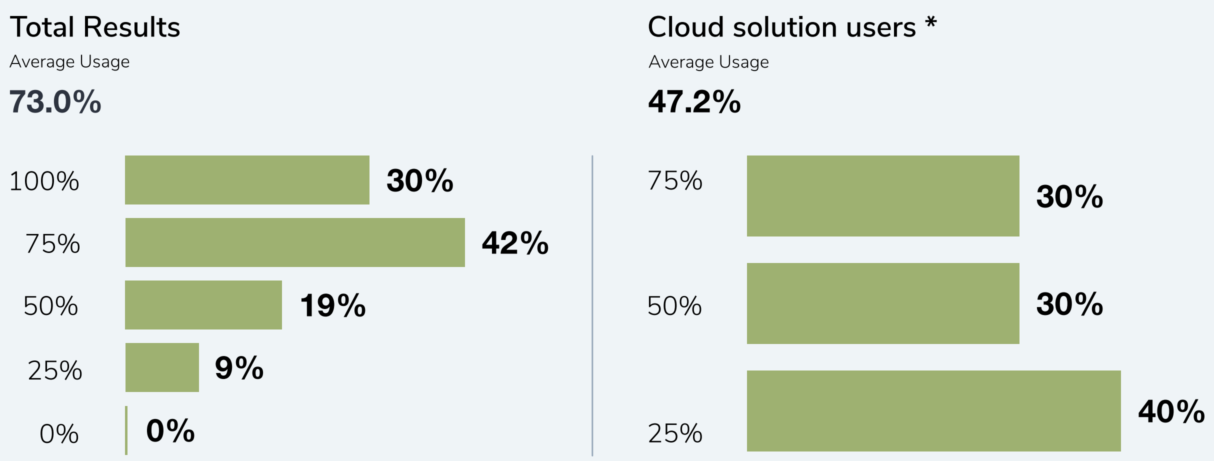
In the world of high-tech and innovation, Excel is still considered the primary budgeting and planning technology by 50% of companies.

The reasons that Excel has not lost its grip on the planning and budgeting process is because it is:

- Accessible: easy to use and training on any problem is easy to find.
- Available: already on most computers with no requirement to request budget approval.
- Adaptable: easy to change and does not require IT support.

In our survey, we discovered that companies use spreadsheets 73% of the time during planning and forecasting. This is an increase of one point from last year. We then isolated the companies that employ the cloud as their primary planning solution and found that they only use Excel 47% of the time.

Fig 13. Excel usage during the planning process



** Cloud solution users are defined as companies that use a cloud solution as their primary solution for forecasting and budgeting*

In our experience, higher Excel usage comes when systems fall short, in either their analytic or reporting capabilities or when there is a high reliance on IT for implemented systems. It also happens when systems are difficult to use, particularly during the set-up process for a driver-based model where drivers need to be adjusted for developing scenarios. In all these cases, Excel is used as a bridge to cover the gap.

Reducing dependence on spreadsheets

One of the most challenging issues with planning and analytics identified in the survey was the use of spreadsheets that prevent everyone from seeing the whole picture. Spreadsheets also impact the reporting process. If a change is made either to the models themselves or the reports, then 75% of respondents admit to manually checking the results which is another drain on their time.

The good news is that cloud-based systems are starting to change this. Firstly, cloud solutions are becoming easier to set up and use. They do not require as much IT support as traditional planning solutions and they have the added benefit that once created they are easily deployable across the enterprise. Changes can still be made which are then instantly available for use. Secondly, cloud solutions have good reporting capabilities that work directly from the underlying models. Any changes are automatically reflected in the reports saving time and eliminating undetected errors.

Nonetheless, cloud solutions by themselves do not improve forecast accuracy. However, their flexibility and speed of change, allows organisations to adopt more agile planning methodologies. This, in turn, creates an environment that fully supports crowdsource plans with enterprise-wide engagement.

Cloud solutions have the potential to increase the productivity of your FP&A team by 40%

Cloud-based solutions are a huge trend. They are applicable to companies that are looking for the flexibility of Excel with a scalable solution that provides the required level of security across the whole organisation. Another important benefit of modern cloud solutions is that they are user-friendly. The FP&A teams that deploy them are self-serving and are not dependent on IT. This is a huge time-saver for FP&A departments.

In our experience, companies are making the switch to cloud-based solutions because they provide:

- An opportunity for real-time modelling collaborations across the company.
- A platform that allows for scenario planning.
- A single source of the truth.
- Time savings since they are self-serving and require low dependence on IT.

In our survey, only 8% of organisations have adopted the cloud for planning and forecasting. If we look at our **'best in class'** companies, this number increases to 13%. Although the number of companies using the cloud is low, we are already seeing a positive impact across some of our key metrics.

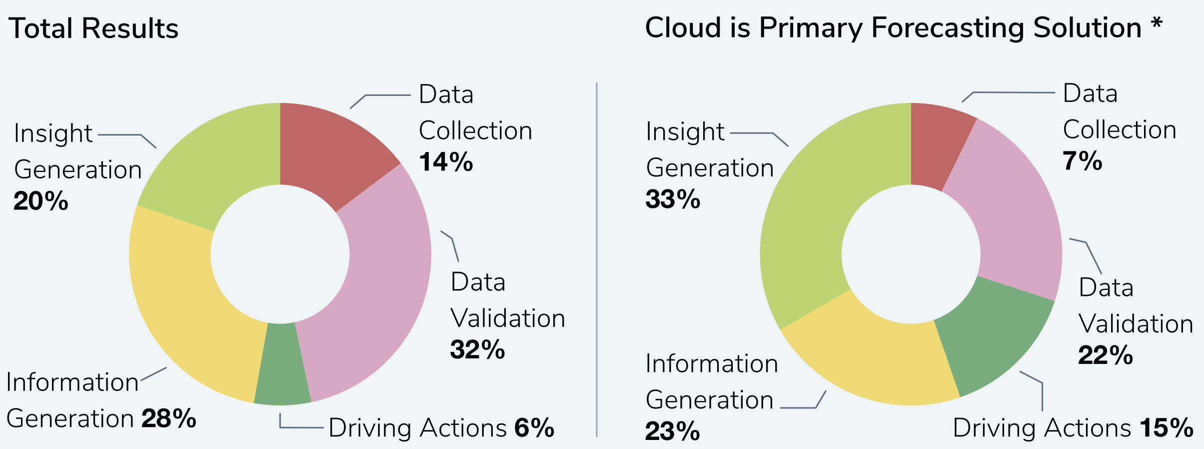
If we look at the time spent on high-value activities, we see that this increases from 22% to 31% for organisations that deploy cloud solutions. If we assume that most strategic value is generated through high-value activities, then productivity increases by 40% in a cloud organisation. This is because 9% of low-value task time is converted to high-value activities.

Faster processes

The survey demonstrates that organisations who employ cloud solutions tend to have faster processes. Part of the reason for this is those cloud solutions have a central database to which everyone can connect. They are easy to access and data entered is immediately available for analysis. This eliminates the need to copy and consolidate data. They are also scalable and responsive solutions since everyone is using the same platform. These capabilities can dramatically cut down or eliminate the low-value activities, such as data collection and validation, that so often afflict FP&A.

We see that time spent on data collection and validation decreases for cloud users from 46% to 29%. This leads to better results because the time spent on insight generation and driving action can increase, from 20% to 33% and 6% to 15% respectively.

Fig 14. Where FP&A time is spent on analytics

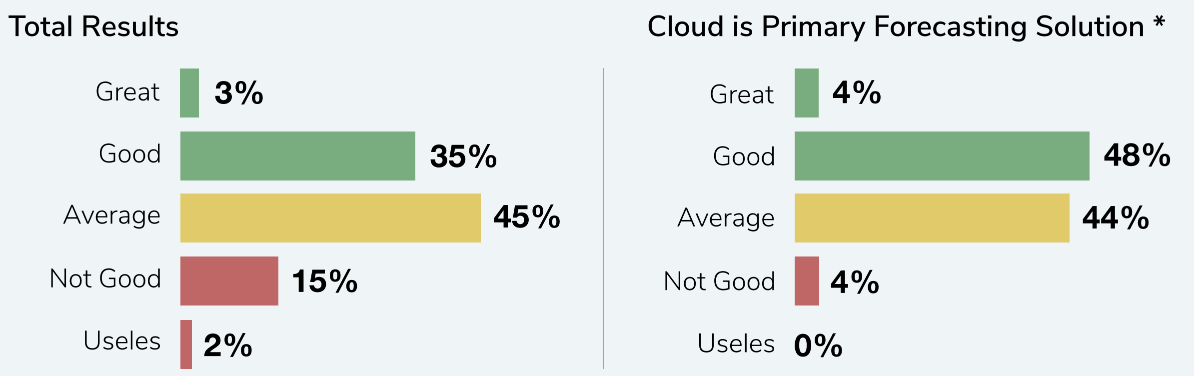


Cloud solution users are defined as companies that use a cloud solution as their primary solution for forecasting and budgeting

Better forecast accuracy

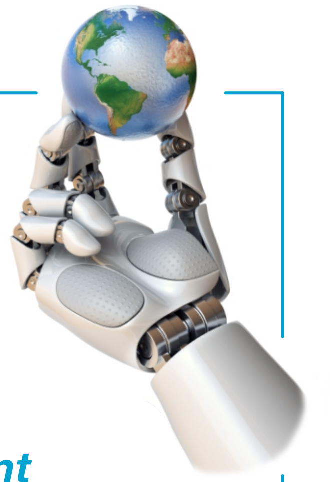
Equally as important as speed is the confidence that users have in the plans. Of those using the cloud, 52% rated their plan accuracy as good or great. A further 44% claimed their accuracy was average and needed some investment to be improved. In comparison, for those organisations not using the cloud, the degree of faith in good or great accuracy dropped by 17% to 38%. Also, 17% of respondents claimed the forecasts were not good or were useless.

Fig 15. Forecast accuracy assessment



* Cloud solution users are defined as companies that use a cloud solution as their primary solution for forecasting and budgeting

Looking to the future:
Artificial Intelligence (AI), Machine Learning (ML) & Predictive Analytics (PA)



AI is set to be an FP&A game-changer with 15% of organisations planning to use it in the next 6 months and another 37% planning to implement it within the next couple of years.

There is no silver bullet for improved forecast accuracy. However, technology is starting to have an impact. We have already seen Fortune 100 companies leverage predictive analytics (PA), machine learning (ML) and artificial intelligence (AI) within FP&A to help automate and streamline the FP&A processes. They also significantly reduce the time required and can improve forecast quality.

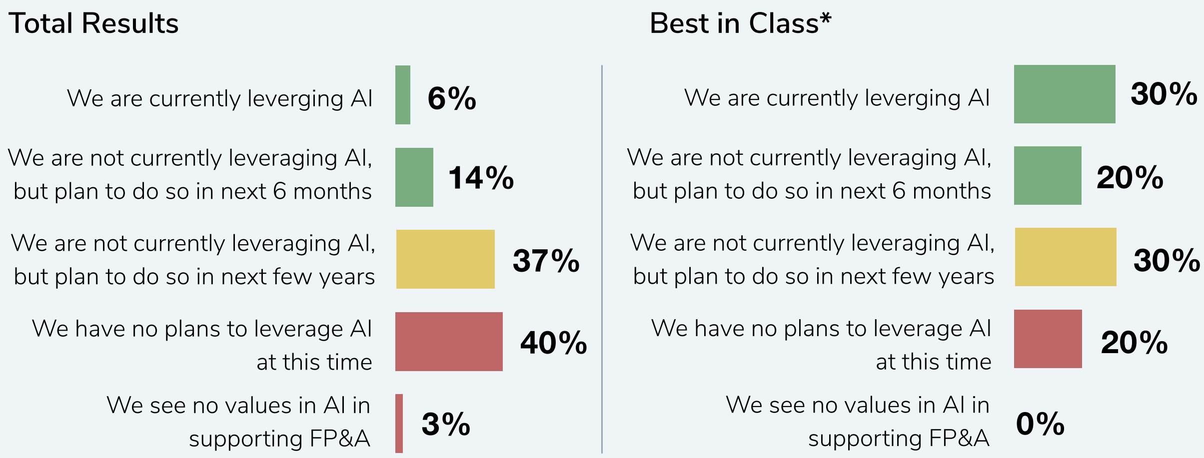
There is no doubt that AI, ML and PA are ‘game-changers’ that will revolutionise the way plans are created. Together, they offer a significant reduction in time spent on non-value-add activities, while promoting the move to real-time planning and reliable forecasts. It is important to stress that AI, ML and PA do not replace the need for good business judgement, experience and intuition. What they do, however, is remove some of the emotions involved in budgeting and forecasting. They also provide a basis for colleagues to discuss the reasons why the machine may not be right.

In the case of planning, AI, ML and PA are being used to create a baseline forecast. Once established, the knowledge of the business user then plays a key role in deciding the adjustments to the baseline. This reduces the overall time required since users can focus on the exceptions rather than starting from scratch each month.

The challenge though is around the adoption of AI, ML and PA, which still very new for most organisations. We are at the beginning of this exciting journey towards Digital FP&A.

The survey shows that only 6% of organisations use AI, with another 14% planning to use it in the next 6 months and 37% planning to implement it in the next couple of years. If we compare this to **best in class** companies the picture improves to 30% who use some form of AI in FP&A today.

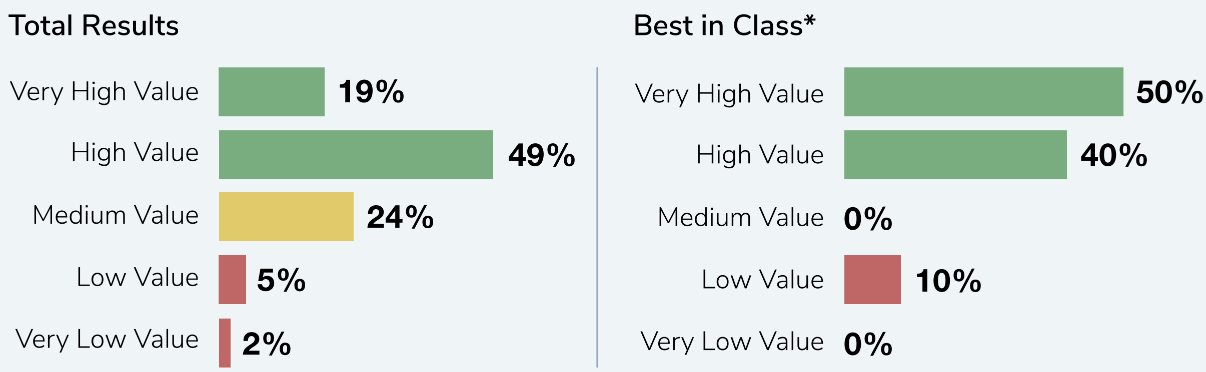
Fig 16. Artificial intelligence (AI) is used within FP&A at your company:



* Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly / quarterly forecast, less than 3 months on their budget / strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.

It is worth noting that 40% of all organisations have no plans to implement AI at this time. Yet 68% of all the respondents and 90% from the **best in class** organisations think that these systems would add value to the FP&A process.

Fig 17. What value would AI / Predictive features have during your planning process?



* Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly / quarterly forecast, less than 3 months on their budget / strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.

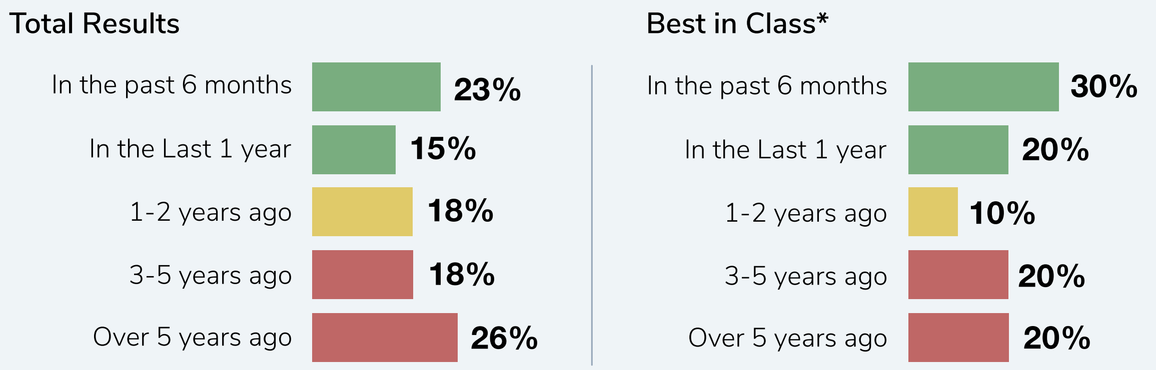
There is still a long way to go before AI, ML and PA become mainstream. Companies will only be able to achieve their vision of a fully integrated cloud planning solution supported by AI, ML and PA, with significant investment.

Investment in FP&A infrastructure

The biggest obstacle to FP&A investment is that 31% of companies do not believe it to be a strategic one.

Investment has been slow with 26% of companies not making an investment in the last 5 years. For **best in class** companies, 50% have invested in the last year compared to 38% overall.

Fig 18. When did your company last upgrade its FP&A technology?

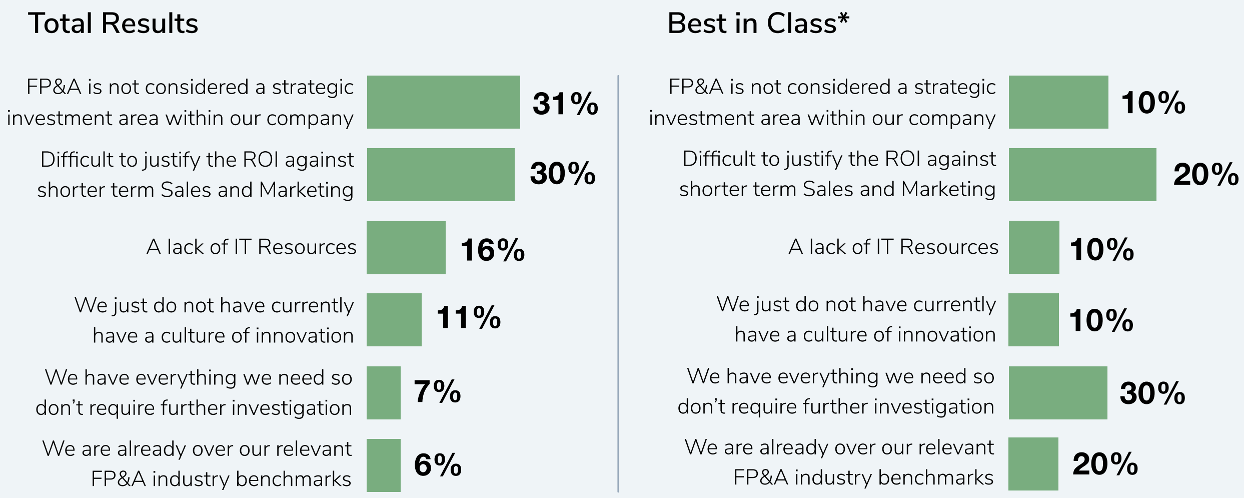


Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly/quarterly forecast, less than 3 months on their budget/strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.

Many obstacles will need to be overcome. The biggest challenge is that FP&A is not considered a strategic investment (31%) and the ROI is often difficult to justify against short term sales or marketing investments (30%).

When we look at our **best in class**, 30% agree that they have the right level of investment. In general, for FP&A to be successful the company needs to consider it a strategic investment. It seems that there are often other priorities more important than FP&A. Alternatively, it could be that the expected value of what FP&A can achieve is based on a traditional view, rather than its strategic role.

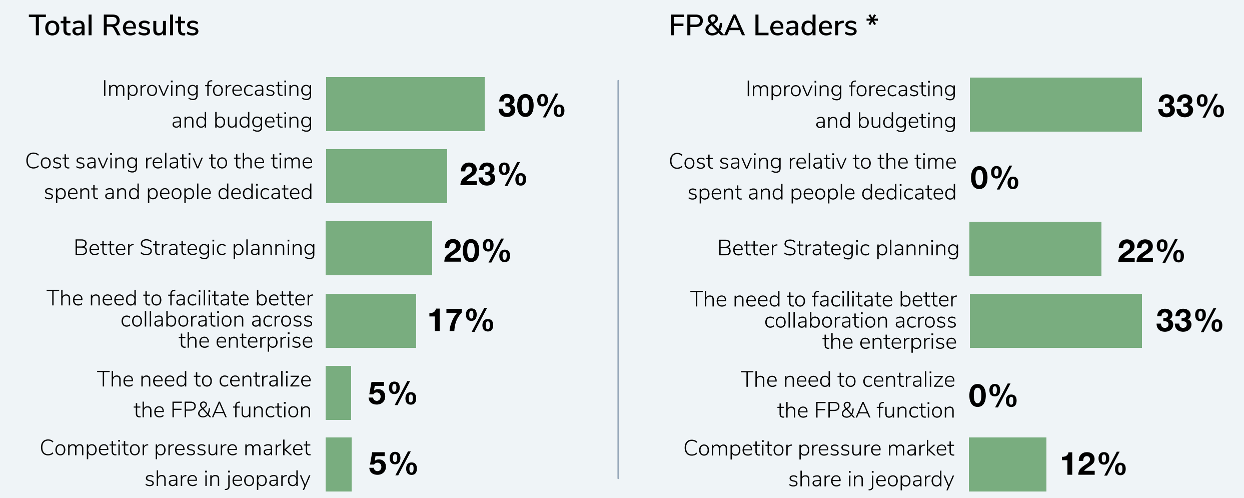
Fig 19. Biggest obstacles to overcome in order to obtain investment



** Best in class is defined as teams who spend more than 40% of their time on high value-added activities, less than 5 days on their monthly / quarterly forecast, less than 3 months on their budget / strategic plan and have embraced advanced analytical techniques such as driver-based planning or predictive analysis.*

When it comes to the driving force to invest, improving forecasting and budgeting is the main reason stated, with 30% of participants selecting this driver. This is reinforced with the **best in class** organisations at 33%, equalled only by the reason that an investment may facilitate better collaboration.

Fig 20. Main drivers for investment



**An FP&A Leader is defined as an FP&A department that spends 40% of their time on high value-add activities.*

Conclusion

There are many things that can hamper FP&A in this quest. As we have seen in the survey, the traditional practices of 'annual' planning and analysis, supported by outdated tools that lack the ability to support enterprise collaboration or assess the impact of change can doom the outcome.

The world is changing very quickly. Section 3 of this White Paper details what needs to be done. These latest conditions demonstrate that it is vital for FP&A to become that valued business partner and strategic advisor.

Here are our suggestions on the steps to take to make your company operationally efficient and more effective.

Step 1: Analyse where your FP&A team are spending their time.

Look at the categories of where time is spent that we devised in the survey. In a survey like ours, we have to keep it fairly general, but you may want to break this down further, so you can identify what causes the low-value activities to be in place. You may also want to quantify this in terms of cost as well as an assessment of what could be gained if you had more time to generate better insights.

Step 2: What is your dependence on spreadsheets?

Look at how much use you make of Excel or other spreadsheets. What issues do these cause and what is the impact in terms of FP&A time in sorting out issues? Spreadsheets are not 'free' when they are part of an enterprise-wide planning and analysis solution.

Step 3: Access to data

How much of the decisions made in your organisation are based entirely or mostly on data? If not, why is that – is the data available or is it locked away in systems that are hard to access? Does the c-suite have access to real-time performance data? If not, would that improve their ability to make faster, informed decisions?

Step 4: Assess the impact of cloud-based FP&A Platforms

Cloud-based systems are improving all the time. Although some investment will be needed, they are surprisingly low-cost. From the first 3 steps, you should have enough information to support conducting an evaluation. The chosen solution should support collaborative, enterprise-wide, driver-based planning based around a single platform. It should also allow the ongoing development of sub-modules that link into the main planning/reporting system. Assess the time this could save and other benefits that would accrue.

Step 5: Integrate your ERP with your Planning tool in real-time

Our survey showed that there are huge benefits in integrating the ERP with the organisations planning tool. Particularly when it's done in real-time as it allows them to break away from the mindset of monthly reporting and to move towards continuous planning.

Step 6: Investigate the potential of AI/ML/PA

Artificial Intelligence, Machine Learning and Predictive Analytics have huge potential for organisations. These capabilities will allow you to better explore the drivers of your business and in the production of more accurate forecasts.

You may want to consider these steps in a different order, depending on where you are. The important thing is to keep moving forward. Constantly challenge the status quo. Find others in your organisation who can be your allies. Always assume things can change for the better, together.

One last point: You may want to see how your organisation fits within the 2020 survey results. To help you with this, you can access the questions and summary answers through the following link: http://bit.ly/FPASURVEY20

About FP&A Trends Survey

FP&A Trends Survey is an independent research team of finance thought leaders:
Larysa Melnychuk, FP&A Trends Group
and James Myers, FP&A Strategy Consulting.

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