



PREPARING FOR THE NEXT LEVEL OF FINANCIAL PLANNING AND ANALYSIS

White Paper Overview

From November 2018 – March 2019, APQC and AFP conducted survey and interview research to determine the current state of FP&A as a discipline, to understand the characteristics of FP&A at leading organizations, and to identify further opportunities for FP&A’s growth and enhancement. Drawing from interviews with subject matter experts and process owners as well as survey data from hundreds of organizations, APQC and AFP’s white paper, [“Preparing for the Next Level of Financial Planning and Analysis,”](#) highlights the key takeaways of this research along with best practices for FP&A through discussions of structure and strategy, people, processes, technology, and measures of success. With detailed data, analysis, and real-world examples from top FP&A practitioners, the white paper offers guidance and insight that can help take your organization’s FP&A to the next level.

FP&A STRUCTURE AND STRATEGY

In the white paper, the study team makes a compelling argument that FP&A is emerging as its own discipline, separate from accounting and treasury, with its own reporting structures, tools, skills requirements, and certification programs. As a distinct discipline, one of FP&A’s primary contributions is its strong partnerships with business that help drive financial results. Whether they work in well-established multinational organizations or in newer and smaller ones, the FP&A teams, leaders, and subject matter experts profiled in the white paper are seen as key business partners who deliver value and insight to leadership and play an important role in strategic planning processes. The emergence of FP&A as a distinct body of work is also visible in its reporting structure: A majority of participants in the survey (78 percent) noted that FP&A reports directly to the CFO in their organization (as opposed to accounting, treasury, or another finance function), which helps ensure that FP&A plays a forward-looking advisory role.

To make effective partnering with the business possible, leading organizations centralize finance transactional work to the extent that they can in order to allow the front-line staff to focus on business partnering. The study team found that some leading organizations have even moved FP&A’s routine analysis and reporting activities to centers of excellence or financial shared service centers, which benefit FP&A through greater standardization and reinforces the use of a common language to drive efficient and effective analysis. The white paper describes the ways in which these centers have brought greater uniformity in reporting and decreased the overall cost of FP&A’s services.

PEOPLE

The evolution of FP&A from its traditional accounting role to a key business partner requires skills that go beyond the ability to compile spreadsheet reports and generate budgets. The white paper gives an overview of the key skills and capabilities that FP&A practitioners will need to continually hone and develop to play a business partnering role, including:

- ♦ **Business partnering skills**—which require an intimate knowledge of the business, the ability to translate key data for the business through effective reporting, and a collaborative attitude in working with others.
- ♦ **Soft skills**—including emotional intelligence, flexibility, communication skills, and a willingness to learn from others.
- ♦ **Technological skills**—Data management, for example, was identified as a top skill for FP&A by nearly 80 percent of organizations. The study team found that these skills are in high demand but remain fairly uncommon among FP&A talent at this point.

In the white paper, the study team discusses the wide diversity of approaches that leading organizations have taken to develop these skills in FP&A talent, including certifications, book clubs, finance academies, on-the-job training, and rotational assignments.

PROCESS

The study team found that process efficiency remains a top challenge for FP&A overall. On average, survey participants reported spending 75 percent of their time gathering data and administering processes, down only two percentage points from when the question was last posed by APQC in 2010. Leading organizations, by contrast, have eliminated non-value-added work by leveraging innovative tools like automation, machine learning, and cloud computing. These organizations also leverage planning approaches like rolling forecasts, scenario planning, and predictive analytics to provide more insightful and relevant analyses for leaders. The use of these tools has resulted in a fundamental shift in the relationship between FP&A and the business: Reporting has grown more concise, streamlined, and relevant, and planning has grown more dynamic and responsive. The leading organizations profiled in the white paper also build stronger processes through active collaboration and integration with functions from treasury to IT, helping to ensure alignment in key processes, data, and systems for FP&A.

TECHNOLOGY

Technology is a critical enabler of FP&A's ability to form and maintain strong business partnerships. From visualization tools to automation and cloud computing, the key technology for FP&A has become more affordable, more accessible, and more user-friendly than ever. For example, advances in visualization technology now allow for dynamic and user-friendly visualization in reporting, in contrast to the static and tabular reports of the past. The technology supporting planning practices has also become increasingly more powerful and integrated, reducing the time spent on low value-added data management tasks and enabling

more time for value-added work like predictive analysis. These tools help lower the cost of planning and are accessible for organizations of any size or age. The white paper discusses the ways in which leading organizations have leveraged these technologies for smarter and faster FP&A work to enable stronger business partnering.

MEASURING FP&A IMPACT

At leading organizations, FP&A's measures of success align closely to measures that are important to the business and include a mix of qualitative and quantitative indicators like key stakeholder satisfaction and business performance. The study team found that measuring FP&A impact is a challenge for many organizations—a third of all respondents do not measure their effectiveness at all. Meanwhile, over half of those that do (68 percent) reported the use of budget or forecast accuracy to measure FP&A's impact. One caution is that these measures tend to reward accuracy at the cost of performance by incentivizing management to underperform or underreport results to align their outcomes with the forecast. The study team recommends the use of forecast reliability as an alternative measure to ensure that forecasts are free from bias, whether optimistic or pessimistic.

SUMMARY AND IMPLICATIONS

When the study team analyzed the top-performing FP&A teams from the survey and interviews, it noticed three strong differentiators:

They are structured to better define and maximize the work of FP&A. In best-practice organizations, FP&A reports directly to the CFO or to the business, and these organizations reduce non-value-added work by moving standard reports and analysis to centers of excellence and/or shared service centers.

They embrace emergent technology, practices, and skills. These organizations leverage a combination of data and tools to deploy predictive and/or prescriptive analytics and apply leading practices like rolling forecasts to make planning a continuous and dynamic process rather than an annual event.

They become strong partners to the business by forming strong partnerships with treasury, cultivating key business partnering and soft skills, and leveraging more analytically mature forms of analysis and reporting.

The presence of these practices at leading organizations shows that the emergent tools and capabilities leveraged by the best FP&A teams are not simply a trend or flavor of the month. These investments pay real dividends in terms of key stakeholder satisfaction, the ability to drive good performance for the business, and the perception of FP&A as the financial cutting edge of an organization.

RESEARCH BACKGROUND AND DEMOGRAPHICS

There were 437 respondents to the survey across industries and geographies. Half of the survey participants reported over \$500 million in annual revenue, and 37 percent reported more than \$1 billion in annual revenue. Sixty-two percent of survey participants were at the director/senior manager level or above. In addition to the survey, the study team conducted phone-based interviews with the process owners for FP&A at five leading organizations across industries and sizes to better understand their processes, practices, lessons learned, and advice for FP&A. The study team also conducted phone-based interviews with subject matter experts from five leading organizations (industry as well as professional/business services) to gather their insights and expertise for the project.

ABOUT APQC

APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations. Visit us at www.apqc.org, and learn how you can make best practices your practices.

ABOUT AFP

The Association for Financial Professionals (AFP) is the professional society committed to advancing the success of its members and their organizations. AFP established and administers the Certified Treasury Professional and Certified Corporate FP&A Professional credentials, which set standards of excellence in finance. Each year, AFP hosts the largest networking conference worldwide for nearly 7,000 corporate finance professionals. Visit www.afponline.org for more information.