

## **Transforming Financial Planning & Analysis (FP&A)**

### **Introduction**

Many CEO's and CFO's rate their organization's FP&A as "Satisfactory" or "Needs Improvement". FP&A is more important than ever due to the pace of change and uncertainty in today's business environment. Many efforts to improve FP&A fail to achieve that objective because they focus on technology as the "silver bullet" and don't address people and process deficiencies.

### **Typical Impediments to Effective FP&A**

Several factors typically arise as root causes of ineffective FP&A efforts:

- **Insufficient time and resources.** "Our team is too busy with closings, requests, multiple iterations of plans, and has been reduced to due to business conditions"
- **Inadequate analytical skills.** "Our team has fallen behind on the use of technology and best practices".
- **Absence of Business Orientation.** "Analysts are often accounting focused and do not understand the business".
- **Poor communication and presentation skills.** "Too often, I get a spreadsheet in response to a request. Not easily understood. No summary of findings"
- **Technology.** "Our software does not enable best practices."

### **Program for Transformation**

1. **Assess the current state of FP&A.** This can cover 3 aspects:
  - **Evaluate Current Reports.** Gather all reports and analysis generated by the finance team. Estimate the time required to prepare each and note the distribution list of each report. What themes are we emphasizing? Do the reports support the attainment of Strategic Objectives and monitor critical performance drivers? Are the reports professional and consistent with the image the finance team strives to achieve? Which of these reports can be eliminated?
  - **Survey internal "clients."** The best way to find out if you are serving your clients and to identify improvement opportunities is to ask them. What finance reports do you utilize? What business areas do you need more insight and analysis? What improvements are needed? What are your biggest challenges and initiatives? How can we help you with these? The answers to these questions will help you move forward. Simply asking your internal clients will also build credibility and engagement.
  - **Use of Best Practices.** Stack your team up against best practices in FP&A, including Outlooks on Demand, Client Surveys, Report Evaluation, Training, Team development, Data Visualization, Key Performance Indicators and Dashboards.
2. **Create the slack to reinvest in FP&A.** All finance teams are under resourced. In order to spend more time on important analytical functions, finance teams must reduce time spent in transaction processing, closing the books and error correction. In addition, most finance teams generate reports that are not utilized. These can be eliminated and the resources redirected to more useful activities.
3. **Improve Communication and Delivery Skills.** Many analysts have not developed the ability to share the results of their analysis. In addition to training, the simple realization that the actual analysis is not the best way to communicate the findings can make a huge difference. Analysts should make a conscious effort to focus on the final and most important part of any analysis...communicating the findings. Detailed spreadsheets should be replaced by graphs and charts and key findings should be clearly (and briefly) articulated, including recommended actions.

4. **Acquire or develop the competencies required for effective FP&A.** High performing FP&A organizations recognize that the development of key competencies and experience is critical to their success. Business acumen, communication and presentation skills, exposure to other disciplines, statistics, and data visualization are just as important as technical skills including report writing and modelling. Formal training is available, but analysts should also become active learners by reviewing top quality analysis and presentations from consultants, research analysts and presentations to the board and investors.
5. **Build a portfolio of Analytical Tools.** In most organizations, the spreadsheets, models and other tools are developed by individual analysts and scattered throughout the organization. These tools should be standardized, inventoried and held in a shared drive for use across the finance organization. This will eliminate redundant efforts and improve the overall quality of these tools.
6. **Develop a Plan for FP&A.** Start by focusing on a few critical improvement areas. Put it in writing with a timetable and assignments. Share with the team and clients and then review monthly to ensure progress.
7. **Integrate with Business Performance Management(BPM).** Organizations that separate the FP&A and BPM miss a huge opportunity. BPM generally focuses on operational, market drivers and leading indicators of performance. Failure to incorporate these into the analysis and projection of financial results will significantly impede the effectiveness of FP&A. The development and use of KPI's, Dashboards and data visualization increase the effectiveness of FP&A. Further, if BPM is not guided by senior finance leaders, there is a risk of failing to link BPM to the organizations objectives, projections and financial results.
8. **Develop a Robust Projection Model/Process.** Finance teams must develop robust projection models that are flexible and reflect critical business drivers. Static business plans should be replaced by rolling forecasts or "Business Outlooks on Demand," that facilitate updates and scenario planning.

### **Summary**

The pace of change and uncertainty facing most organizations require a strong FP&A organization. CFO's and other senior finance leaders need to rise to the challenge by assessing their current FP&A performance and developing a plan to move forward.

### **Other related papers:**

- Rolling Forecasts and Business Outlooks on Demand
- Modelling Financial Results and Transactions
- Presenting and Communicating Business Information

***Jack Alexander is a CFO, advisor, author and recognized thought leader in FP&A and Business Performance Management. He is the author of Performance Dashboards and Analysis for Value Creation, published by Wiley Finance. Jack advises companies on transforming FP&A, including assessment and development programs.***

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