Unleashing the potential—and power—of FP&A

As CFOs make structural changes to their finance departments—weaving together a mix of shared service centers, centers of excellence, and outsourcing arrangements—they create new opportunities for the remaining or “retained” finance function to add more value. Case in point: The financial planning and analysis (FP&A) function, which may be particularly poised to play a more strategic role across the enterprise.

To leverage its power, CFOs need a long-term, multifaceted plan that will result in FP&A delivering a wide range of data-driven insights that support everything from operational decision-making to organizational strategy. Start by having a current-state conversation with the head of FP&A (see sidebar, “What to ask your FP&A leader”). Then, armed with that information, CFOs should consider implementing a “Three C’s” framework: capacity, capability, and collaboration, which entails:

- **Capacity:** Obtaining the appropriate time and resources to focus on high-impact activities beyond foundational planning, budgeting, and forecasting.
- **Capability:** Retaining employees with the right skill sets and experience to support the organization on its critical business issues.
- **Collaboration:** Cultivating access to, and relationships with, business stakeholders.
In this issue of CFO Insights, we will explore the “Three C’s,” and discuss how, when leveraged properly, they can propel FP&A to a higher level.

Capacity: Focus on performance predictability and impact

The initial step, creating the capacity that can enable FP&A to devote more resources to business partnering, typically happens in two phases.

The first is to focus on performance predictability, which is the ability to predict the future from a finance perspective, both in terms of short-term and long-term forecasting. Organizations can take several actions to improve performance predictability that, in the aggregate, can free up capacity by 30% to 35%. These actions involve mastering the basics of planning, budgeting, and forecasting, including:

- **Governance and communication:** Establish clear guidance from executive leadership on assumptions, targets, and timelines that FP&A staff within the retained finance organization and embedded throughout the business units can follow.

- **Standard and repeatable calendar:** Lock down an annual FP&A calendar that is not prone to override by last-minute requests.

- **Standardized processes:** Enforce consistent methods for budget creation (rolling forecasts, trending, etc.) across business units that prompt finance staff to plan a similar level of detail and use a common framework.

- **Systems:** Use technology to leverage existing data sources and baselines to help reduce the manual work of extracting, manipulating, and reconciling actual data from source systems.

- **Operating model:** Leverage centers of excellence to move transactional work “above market,” relieving local and retained FP&A staff from routine back-office work.

- **Executive review cycles:** Minimize the number of review cycles required to create the financial plan to reduce unnecessary churn for FP&A staff. One viable approach may be a “soft” review cycle of draft budgets and then a “final” review before finalizing the plan.

- **Management reporting:** Leverage self-service reporting tools or shared service teams to create standard management reporting packages, then use FP&A teams to add insights.

- **Disruptive technologies:** Use robotic process automation to help reduce time spent on manual and repetitive tasks, allowing staff to focus on value-adding activities.

The second phase—performance impact—involves expanding FP&A’s footprint, and varies from company to company based on the underlying metrics by which the organization operates. In a common scenario, FP&A’s analytics experience becomes embedded into functions including sales, operations, manufacturing, R&D, and a range of support areas such as IT, HR, legal, and finance itself.

The contributions FP&A makes in these areas will quickly reinforce its value to the company. In sales and marketing, for example, FP&A can help identify growth opportunities by assessing macroeconomic trends, producing product-level forecasts, and estimating the return on investment (ROI) of marketing spend. In core manufacturing, FP&A can help boost margins by increasing throughput while reducing production costs through procurement improvements and supply chain optimization. In R&D, where long cycle times are common, FP&A can track the effectiveness of investments and use business cases and statistics to direct funding into targeted R&D programs.

Increasingly, those efforts are being augmented by new, disruptive technologies in the fields of data visualization and natural language report creation, among others, which enable FP&A teams to not only mine data for insights, but present the results in more intuitive and accessible formats. Historically, FP&A has focused on having good planning and reporting tools, augmented by spreadsheets and presentation tools. Now with the technological possibilities expanding, FP&A organizations should be encouraged to understand the capabilities of these new tools.

**Capability: Creating the FP&A team you need now**

As you invest more time and resources into FP&A capacity, your focus should move toward evaluating the capabilities of individual team members: Do they have the skills and experiences needed to help the business address strategic issues?

To build collective capability, the FP&A function should attract and retain team members with differentiated skill sets and provide them with continuous development opportunities. Emphasizing that the function is keen to address not only its traditional core competencies (planning, forecasting, budgeting, management reporting, etc.), but also enhanced strategic decision support, analytical insights, and overall organizational leadership can help elevate FP&A as an attractive career destination. CFOs and FP&A leaders can foster this talent imperative by addressing a number of technical, professional, and leadership competencies that next-generation FP&A demands, including:

**Exposure:** Provide sponsorship, coaching, and continuous learning opportunities, and encourage FP&A staff to make formal and informal connections across the organization.

**Experience:** Create opportunities for FP&A professionals to see how these new capabilities change their roles. As an example, supporting a business unit’s committed spend analysis is one way to showcase how these new capabilities are deployed. It provides technical experience within the construct of a business problem while also offering an opportunity for key talent to communicate with stakeholders two to three levels above them.

**Education:** Create competency-based training that supports the development of specific skills, and also provide coaching/mentoring to educate staff on leadership practices. Formally documenting the key processes, procedures, and steps for engaging with stakeholders can improve such interactions.

**Expectations:** Make it clear that business acumen is a critical success factor for FP&A staff, and that ongoing development of both competency and business-partnering skills is important, as is establishing a culture that underscores that leaders focus on talent development.
CFOs may also want to consider rethinking the traditional development path. In the past, CFOs may have hired people with strong technical and accounting skills and grew their capabilities within the finance department before moving them into FP&A. Instead, consider implementing a system that rotates people from finance to the business and back again, enabling FP&A staff to acquire broad experience and exposure. CFOs should also emphasize the value of being a very good strategist and communicator, skills particularly important for the head of FP&A.

**Collaboration: How integration leads to insight**

The goal of the “Three C’s” approach is to create a business environment in which FP&A interacts frequently and cohesively with the business.

To do that, CFOs and FP&A leaders should set their sights on a model in which FP&A does not simply cooperate with the business, but is fully integrated with it. This requires gradually building stronger relationships at different levels of the business by proactively reaching out to learn about their concerns and priorities, and explaining how FP&A can add value.

Once such conversations begin, FP&A can build on these nascent relationships by providing not just data, but thoughtful analysis that addresses the underlying issues that prompted the initial request. For example, a business partner who expresses concern around optimizing sourcing capabilities and procurement strategies may likely welcome analysis on the key drivers of unit cost, the impact of vertical integration, and the financial strength of suppliers. FP&A is well-positioned to connect the dots on these issues and provide not just a spreadsheet report, but analysis that takes into account the business objective at the heart of the request.

When the business sees that FP&A can function at this higher level, a tipping point may be reached that gives FP&A a seat at the table and a more pivotal role on the core teams working on business-critical issues.

For this to happen, the culture of finance needs to shift, with leaders encouraging and rewarding the activities that facilitate collaboration between FP&A and the business. This will be a gradual, evolutionary process that should be continually reinforced and supported by the CFO and FP&A leaders. Once achieved, however, an integrated model that enables FP&A to unleash its full capabilities and capacity can help contribute real value across the enterprise.
What to ask your FP&A leader

To help your FP&A function play a more strategic role, work with your functional leader to address these 10 considerations:

1. **Global process ownership**: Does our FP&A team have global process owners, who collectively own the end-to-end FP&A process across functional silos, geographies, and business units?

2. **Top-down decision support**: Is our planning and forecasting process driven from the top down with guidance from the corporate strategy, or from the bottom up, driven from each business unit and market?

3. **Report rationalization**: How can we reduce the time and number of reports FP&A produces to free up resources for more value-added activities?

4. **Radical standardization**: Does our FP&A team have standardized monthly and/or quarterly processes and routines that are governed with rigor?

5. **Streamlined, analytical forecasting models**: What percentage of time is our FP&A team spending on data consolidation versus value-added business support and analytics?

6. **Automation, robotics, and artificial intelligence (AI)**: Which repetitive, rule-based tasks that FP&A performs can be automated using robotics, artificial intelligence, or other technological advances?

7. **Above-market decision support and analytics**: How can we centralize routine decision support and analytics capabilities, allowing for more above-market business partnering?

8. **Social impact**: How do we use social media to gather forecasting insights about our products, markets, and competition?

9. **Specialized centers function as business partners**: Do we have an FP&A Center of Excellence that understands our business and delivers outstanding service to our business finance teams?

10. **Finance talent strategy**: Do we have the people and talent strategy for the FP&A organization of today, and the finance world of tomorrow?

Endnote:

1. Range of capacity improvements seen in certain Strategy & Operations Finance projects delivered recently by Deloitte Consulting LLP.

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