

# Peak Ascent: How FP&A Can Guide CFOs to Great Heights

# EXECUTIVE SUMMARY

Over the past decade, CFOs have become increasingly involved in corporate strategy. With a broad view of the business, these visionary leaders should be in the ideal position to identify areas for growth, manage spend, and reveal threats that will impact the trajectory of the company. But gaining a truly unobstructed view of the business requires them to precisely, accurately, and efficiently ascend to the top of a mountain of data—and they can't scale that mountain alone.

In order to make business-critical decisions that mitigate risk and put their organizations on a path to sustainable growth, CFOs must feel confident that they are supported by a strategic financial planning and analysis (FP&A) team—one that can deliver accurate data, analysis, scenario plans, and more. Together, CFOs and their FP&A teams have the potential to set a strategic course—even in turbulent times—jointly discovering the key data and insights that will enable the sustainability they seek.

But how do CFOs create a strategic FP&A function and team? We surveyed more than 300 CFOs around the globe about their expectations for FP&A team staffing, composition, and capabilities—looking to understand the state of the FP&A function today and into the future. For further context, we also queried our respondents on the state of their own businesses and the world economy.

Our research reveals that today's finance teams continue to grapple with many familiar challenges. Over 20 years ago, *CFO Magazine* reported that more time and resources would be required to allow FP&A teams to focus on strategy. Despite the advanced warning, little has changed. Our research shows that 75% of CFOs want their teams to have a significant and strong impact on their organization, yet only 46% expect that their team will have that kind of impact by 2017. Why? The chief reason continues to be a lack of time for strategic planning.



## EXECUTIVE SUMMARY

Recent research by APQC, a leader in performance benchmarks, supports what our own research shows—that the majority of finance executives do not think their teams are as effective as they could be, primarily because they continue to be overwhelmed by basic financial duties such as how performance is trending versus annual budget targets.[1]

Yet, despite their teams needing additional time, CFOs don't believe that adding staff will solve the problem. Although they reported that their businesses are increasing or holding steady, most do not plan to expand their teams and, of those not increasing staffing, 55% reported that their team is adequately staffed. They are instead looking to technology, temporary resources, and consultants to fill the gap.

How are CFOs performing with their current teams? Our survey reveals that one in four CFOs met their sales forecasts. But, of those that missed, 16% missed their forecasts by 6% or more, which can have significant impact on shareholder confidence, resource allocations and supply chain management.

But missed forecasts aren't the only concern. Our quarterly survey regularly takes the pulse of CFOs relative to the world economy, and this quarter's results remain consistent with past surveys—worries continue over an uncertain global economy, with only the economies of the United States and Australia/New Zealand regarded positively. The economies of China, Brazil, the European Union, and Russia are viewed negatively by our respondents. This volatile world makes accurate forecasting and analysis all the more important.

### Top Three Takeaways:

x2

FP&A teams will double the amount of time they spend on strategic tasks by 2020

3/4

Three of four CFOs will not expand their FP&A team in the next 12 months

46%

Nearly half of CFOs believe better analytics would make their FP&A team more effective

Read on to learn more about our CFOs' views on their teams' areas of strength, the key skills they believe their teams are lacking today, and what they intend to do about it.



# TODAY'S FP&A TEAM

## Where Does the Time Go?

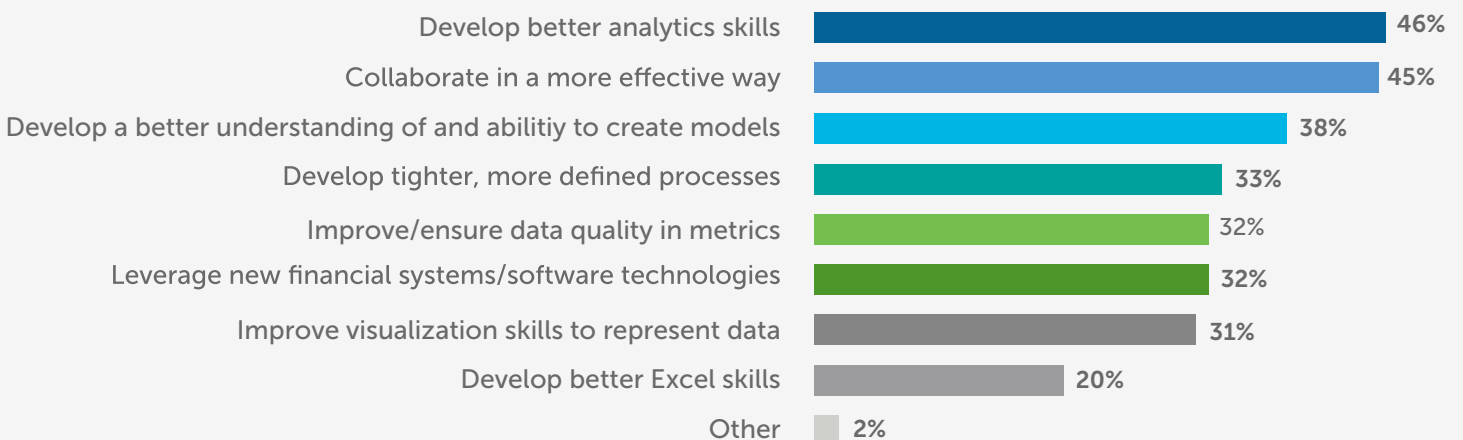
Though it's been well-documented that CFOs want their teams to spend more time on strategic tasks, it seems unclear where they will find the extra time. Nearly half of CFOs report that their FP&A teams are already working up to 50 hours per week. And yet, in our survey, CFOs shared their expectations that time spent by the FP&A team on strategic tasks will double—growing from 11-25% today to 25-50% by 2020—and a sentiment that their teams are adequately staffed. As a result, CFOs will likely need to look as much at how their teams are doing things, as they are at the types of tasks they are doing.

FP&A teams get high marks in the areas of management reporting and data gathering for budgets, with 57% of CFOs citing management reporting as their team's most effective skill. Ranking lowest on the list of skills are data analysis and the ability to advise the CFO and C-suite on business decisions.

It follows then that improving analytics skills would rank as the top skill the FP&A team could develop to become more effective. In fact, when asked, 46% of CFOs selected this skill, along with collaborating in a more effective way across the business (45%). Lowest on the list? Excel skills. FP&A teams appear to have sufficiently mastered Excel, with only 20% of CFOs citing this as something that would make their teams more effective.

So is the problem a lack of time to spend on strategic tasks, or a lack of strategic skills? Today's finance teams, comprised primarily of 30- and 40-somethings, appear to be masters of Excel and reporting, but must work to develop their analytics and strategic thinking skills, per CFOs. Regardless, it is clear that in order to achieve the level of efficacy that CFOs desire, FP&A teams can't keep doing things the same way as before.

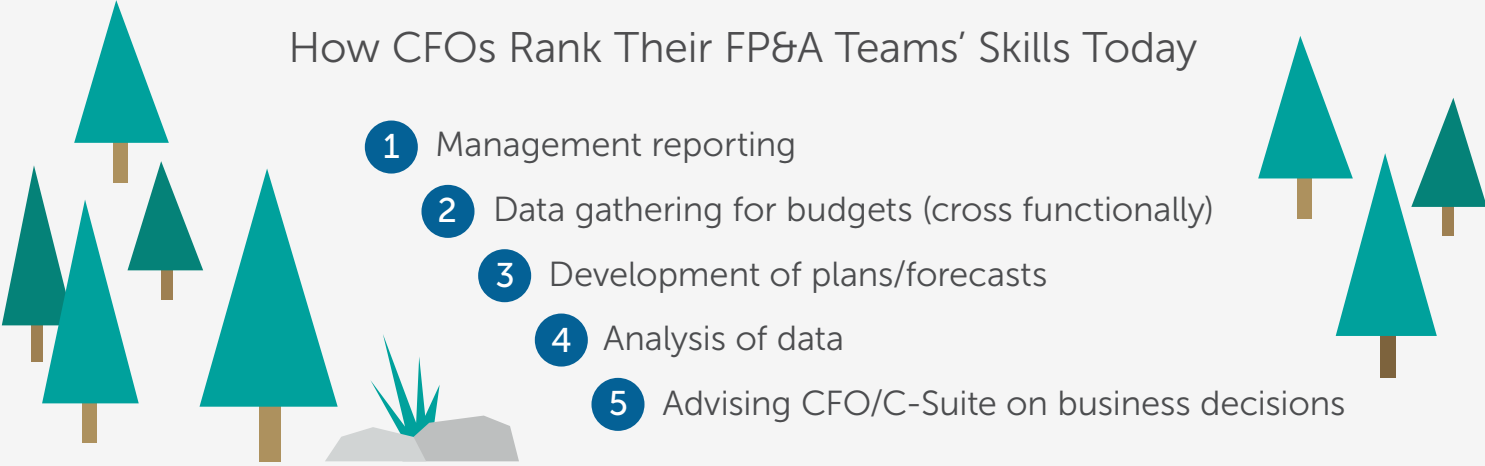
## What Could Your FP&A Team Do To Be More Effective?\*



## CFOs Want a More Diverse Skillset for FP&A Teams

The FP&A team of the future will be efficient and agile—and must transform into a more collaborative, technology-savvy team. As with our last report, clear reporting and multiple-scenario planning emerge as key requirements for CFOs, who are relying on their FP&A teams in this unpredictable era. And while FP&A teams of the past needed masterful Excel skills and accounting acumen, today's team needs to add soft skills and advanced technology expertise.

### How CFOs Rank Their FP&A Teams' Skills Today

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- 1 Management reporting
  - 2 Data gathering for budgets (cross functionally)
  - 3 Development of plans/forecasts
  - 4 Analysis of data
  - 5 Advising CFO/C-Suite on business decisions

If the FP&A team could improve only one skill, 29% of CFOs want that skill to be dashboard design and report building, 25% want it to be predictive analytics capabilities, and 19% want strategic modeling of what-if scenarios. This aligns with the technology investments CFOs expect to make, also mentioned in our [CFO Indicator Q1 2016 report](#), highlighting the need for FP&A teams to master dashboard development and advanced reporting, as well as show a willingness to embrace predictive analytics.

CFOs are also looking for a deeper understanding of the business. Interestingly, CFOs don't expect that understanding to come from outside the finance role. When asked about hiring manager positions or higher in FP&A, only one in 10 CFOs believe it is very or completely important to have worked in a function outside of accounting and finance. Instead, when asked about missing skills, CFOs overwhelmingly replied that it was business understanding, analytical skills, and modeling—none of which they believe are dependent on previous experience outside of finance.





## FP&A OF THE FUTURE

So where are CFOs expecting this broader business understanding to come from? Many CFOs are looking to training as a way to shore up the necessary skills and knowledge for their FP&A teams.

Our current study found that 56% of CFOs report that their organization is actively implementing programs to educate its senior FP&A team on all aspects of the business. Among those training their teams, methods include collaboration and integration with other parts of the organization

(78%), webinars and courses (52%), and attendance at industry conferences (50%).

Collaboration and integration has been top of mind for CFOs, as highlighted in our [CFO Indicator Q4 2015 report](#), when we found that 70% of CFOs viewed collaboration with other parts of the business as a top priority in 2016. It's no surprise then that this "soft skill" is now required for FP&A teams as their skill set expands from data gathering to data analysis and sharing.

### What One Skill Is Missing From Your FP&A Team?



And while CFOs want their FP&A teams to engage more deeply with the business for greater understanding, that doesn't translate to end-customer interaction. Nearly 75% of CFOs report their FP&A teams don't meet with their company's customers at all. This seems to be in line with CFOs'

own behavior, as the majority of CFOs only meet customers a few times a year or not at all (42% and 10%, respectively). This might be one area that CFOs should review as they continue to set their sights on a deeper understanding of the business—for both them and their teams.

# FP&A OF THE FUTURE

## Better Navigation Through Technology, Collaboration

Where are the professional growth opportunities for FP&A professionals in the eyes of the CFO? It will likely be within their current role, acquiring new “hard” and “soft” skills and knowledge of the business.

When asked about hiring, only 25% of CFOs expect to expand their FP&A teams over the next 12 months. Of those that will be hiring, the opportunities are overwhelmingly in the mid-level and entry-level FP&A roles, with just 5% looking to hire at the VP level and 20% at the manager/director level. The opportunity for senior FP&A professionals will come in the form of training, with 56% of CFOs implementing programs to educate senior FP&A team members on broader aspects of the business.

What’s the reason they aren’t hiring? Over half (55%) report they feel their current teams are adequately staffed. It is clear that more is not necessarily better in FP&A.

Business growth isn’t playing a significant factor in the hiring decision, with only 12% citing budget as the reason they won’t hire in FP&A. Instead, it seems, they’re looking for better technology to enable strategic analysis and decision-making with the teams they currently have in place. Nearly half of CFOs report that they will close the skills gaps by implementing new technology (46%) this year, which creates the need for future FP&A teams to master these technologies.

If You Are Not Adding New Members to Your Finance Team, But You Need Additional Resources, How Will You Close the Gap?\*



Nearly half of CFOs report that they will close the skills gaps by implementing new technology (46%) this year



# TODAY'S GLOBAL ECONOMY

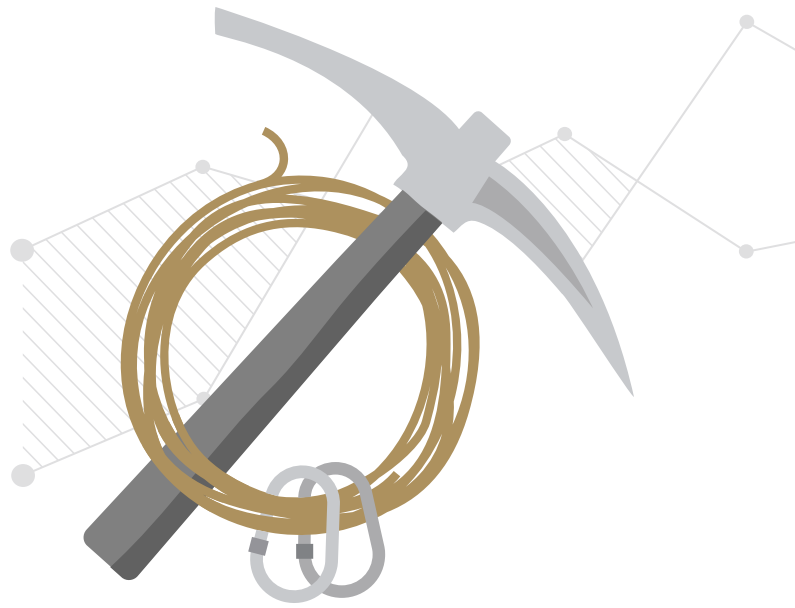
## The New Normal: Uncertainty

Our survey confirmed that CFOs continue to worry about economic uncertainty, and this worry seems to have only grown since we first asked about the economy in our [CFO Indicator Q2 2015 report](#). The pressure is on for CFOs and their FP&A teams to generate accurate forecasts despite constantly shifting conditions. And CFOs don't expect that to change anytime soon.

Our current survey found that 86% of CFOs consider it likely or very likely that market volatility will continue, a perception that may have been aggravated by the United Kingdom's decision to leave the European Union (aka "Brexit") that made headlines while we were polling.

Market concerns appear to stem largely from the global economy, where CFOs see few safe bets. They reported positive outlooks on only two economies: the United States, with 29% more respondents rating it strong or very strong compared with those who rated it weak or very weak; and Australia and New Zealand, which received a net positive rating of +6% strong or very strong compared with ratings of weak or very weak. China landed in the negative, albeit barely, at -2%, while other major global economies were clearly surrounded with bright yellow caution tape—the European Union (-49%), Russia (-68%), and Brazil, the host of this year's Summer Olympics (-70%).

This uncertainty reveals a critical need for CFOs to be able to look at the big picture in order to accurately forecast and mitigate risk for their organizations.



Yet many CFOs seem to be doing this quite well. This quarter, we saw CFOs reporting an improvement in their forecasting accuracy, with 1 in 4 CFOs reporting they met sales forecasts for the quarter vs. only 1 in 5 in Q1 2016. Yet those that missed forecast, missed big. We found that 1 in 4 CFOs reported missing their forecasts (above or below) by more than 6%, but the 16% of CFOs that came in below forecast signal a strong need for better forecasting technologies and capabilities.

Despite the economic concerns cited above, CFOs reported relatively strong corporate performance. When asked about revenue for Q2, 56% of CFOs reported that revenue increased, another 29% reported that revenue held steady, and only 15% reported a decrease. These same CFOs that reported increased revenue are also the majority of CFOs that came in at forecast, demonstrating an above-average ability to successfully predict and manage growth by the top 25% of CFOs responding to our survey.



## The Future FP&A Team: Efficient, Agile & Strategic

It's clear that with a shifting global economy and increased company demands, CFOs and their FP&A teams must provide reliable, astute analysis to the C-Suite. FP&A's important guidance within the company can grow even more pointed with improved strategy, analysis, and collaboration.

With few CFOs planning to hire new talent, they instead intend to find new ways to shape their teams, through training, encouraging collaboration, and implementing technologies. This presents tremendous opportunity for FP&A professionals—both for early in career and established finance professionals.

The FP&A analyst of the future will have more than a traditional finance background. He or she will also be technology savvy, adept at inter-departmental collaboration toward a single-source of truth, and able to learn new skills through on-the-job training. It is this highly efficient FP&A function that CFOs will increasingly rely on for their planning, reporting, critical business decision-making, and forecasts into the future.

**While our last quarter's report highlighted the agility of CFOs, it is clear that CFOs will look to their FP&A teams to have that same level of agility as, together, they scale to new strategic heights.**

## About the Survey

The Adaptive Insights CFO Indicator is a quarterly report that reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. Infographics and a SlideShare are available, as well as blogs that highlight key findings and takeaways. This report surveyed 307 chief financial officers across the globe online over a period of 14 days ending July 3, 2016.

**For additional insights, read results from the previous CFO Indicator surveys:**

[Strategic CFOs Break Down Silos to Big Data, Better Vision: The Agile CFO \(Q1 2016\)](#)

[Harness the Power of Data \(Q3 2015\)](#)

[Collaborative Finance Organizations \(Q4 2015\)](#)

[CFOs Bank on Technology to Achieve Business Success \(Q2 2015\)](#)

