

# CFOs and Heads of FP&A at Loggerheads

*"One unanticipated risk of continuing to support manual, spreadsheet planning, budgeting and forecasting processes is talent flight, as valuable analytic talent departs to join more modern finance organizations. FP&A organizations that automate and transform their recurring performance management processes create a technology-enabled environment that attracts, develops and retains analytic talent and prepares the finance organization for the future."*



## CFOs and Heads of FP&A at Loggerheads

Presently, across the entire 48,000 finance professionals in the FSN Modern Finance Forum on LinkedIn “Heads of FP&A” represent around 1% of the membership. But this survey finds that where organizations have a Head of FP&A (financial planning and analysis), their views on the future of the role can be markedly at odds with the rest of the finance function.

In the main, only large organisations can afford to, or find the need to, separate out FP&A duties. In some organizations, especially smaller enterprises, the role is not always differentiated, may go by another name, or be subsumed into a general management accounting role. This is reflected in the relatively modest number (6%) of survey respondents who identified themselves as Head of FP&A.

It is a niche field, and accounts for only a small percentage of senior finance professionals, but as the finance function of the future grows increasingly complex, demand is growing for these specialized practitioners.

In an ideal finance scenario, the head of financial planning and analysis would report directly to the CFO, build forecasts from both financial and key non-financial data, and use their analysis to underpin the strategic direction of the business. Crucially, they should be the repository for a diverse array of performance data that goes well beyond a company’s historical financial figures, and be able to present a view of the future, rather than just review the past.

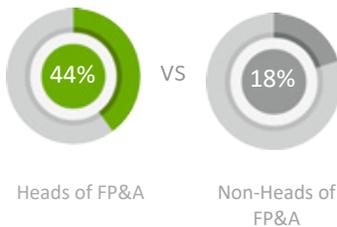
In truth that’s not always the case. Too often the FP&A function is consigned to basic budgeting duties, which merely stagnates the potential of the finance function as a whole. Meanwhile FP&A straddles both the financial and management accounting disciplines, and they see themselves as a different class of accountant.



FP&A is looking for its own identity

### FP&A in a class of its own?

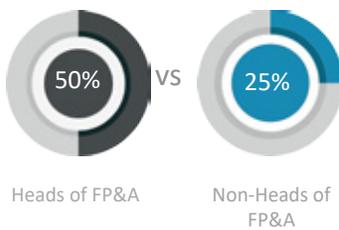
FP&A heads looking to break away: 44% of FP&A heads strongly agree financial planning and analysis will become a separate discipline, compared with 18% of non-FP&A respondents.



According to the survey, the heads of FP&A firmly believe that their role will become a separate discipline from the accounting function. 44% of FP&A heads strongly agree financial planning and analysis will become a separate discipline, compared with 18% of non-FP&A respondents. Including the survey respondents who both agree and strongly agree the ratio rises to 76% for FP&A professionals, compared with 64% for the remaining finance executives surveyed.

Although there is majority agreement amongst all finance professionals that the FP&A function should be recognized for its role and position in the organization through a separation from the accounting function, the call is louder from within.

FP&A heads do not think the accounting bodies are doing enough: 50% of Heads of FP&A do not believe accounting bodies are producing the FP&A specialists for the future



29% of heads of FP&A strongly agree that the financial planning and accounting function will become a separately recognized function with its own professional accounting body, compared with just 11% of non-FP&A heads.

This result may stem from the belief that current accounting bodies are not producing the specialists in the FP&A field that the future finance function requires. Almost half within the discipline agree with this, compared with just a quarter of executives in other roles within the finance function.

### FP&A professionals rely more on tech

Still, despite a clear view on the lack of qualified FP&A professionals, only a third of FP&A heads expected to be investing more in analytical skills rather than technology in the next three years, compared with 41% of the remaining respondents.

This focus on technology likely arises because FP&A practitioners recognize that technology is the essential enabler. In order to extract the most useful, predictive, forward looking data, FP&A needs more

complex analytics, more complex technology and more innovative applications. Once armed with the right technology, an FP&A Head with the right analytical skillset will be able to distil this into usable strategic information.

Unfortunately, this skillset is not being provided by the standard accounting bodies, and in some cases is not being nurtured by the remainder of the finance function either.

This will only come when the finance function recognises the value of FP&A in providing insight that is progressive and predictive rather than historical and backward-looking. Within the finance function, FP&A is the only discipline that can present a picture of the future from which an organisation can build their strategy.

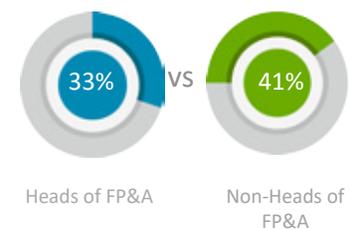
The survey did show that the heads of FP&A and their non-FP&A counterparts were broadly in agreement on their priorities for the future of planning, budgeting and forecasting, although the former put slightly more emphasis on the need for greater simulation and scenario planning.

**The gulf between the finance executives who contribute to and use the plans, budgets and forecasts, and the FP&A professionals who generate them, is wide but not insurmountable. The finance function is evolving and technology is changing the way financial executives make decisions. The role of the FP&A expert is expanding to encompass a wider range of data, more complex analysis and a more demanding C-suite. If senior executives recognize the change within the finance function, it behooves them to bring the planning, budgeting and forecasting function along for the journey.**

### IBM Solution

Fast, flexible solutions from IBM help FP&A professionals deliver deeper insights and stronger foresight to steer business performance effectively. The agility they gain from these solutions helps them serve the broader goals of the organization by adapting plans, budgets and forecasts to changing business conditions and aligning financial plans with corporate objectives, linked to operational tactics and market events.

FP&A heads are more focused on technology: 33% of FP&A heads expected to be investing more in analytical skills rather than technology in the next three years, compared with 41% of the remaining respondents.



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*...the data we are now able to pull out of IBM TM1 is welcomed by the Chief Operating Officer*

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## CASE STUDY 2: IBM TM1

IBM TM1 is helping us to identify pockets of excessive optimism earlier in the year, allowing us to redeploy unused funds. We are also experimenting with using IBM TM1 to find specific projects that are beginning to fall behind schedule. ...the data we are now able to pull out of IBM TM1 is welcomed by the Chief Operating Officer, which is helping to move things forward. – *Senior Director of Cost and Capital Management, regional telecommunications company*

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- Track performance against corporate objectives to identify performance gaps and assess alternatives with “what-if” scenario modeling.
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### Contact:

Gary Simon, CEO: [gary.simon@fsn.co.uk](mailto:gary.simon@fsn.co.uk)

Michelle Fabian: [michelle.fabian@fsn.co.uk](mailto:michelle.fabian@fsn.co.uk)

HQ Office in United Kingdom  
Clarendon House  
125, Shenley Road,  
Borehamwood,  
Herts, WD6 1AG

**FSN**<sup>®</sup>  
The Modern Finance Forum

Switchboard: +44 (0)20 84452688

<https://fsnelite.com>

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