

**AMPLIFIED FP&A: HARNESSING
ANALYTICS TO LINK STRATEGIC WITH
OPERATIONAL PLANNING**

September 2021

Michael Lock

Managing Director & Principal, Aberdeen Strategy & Research

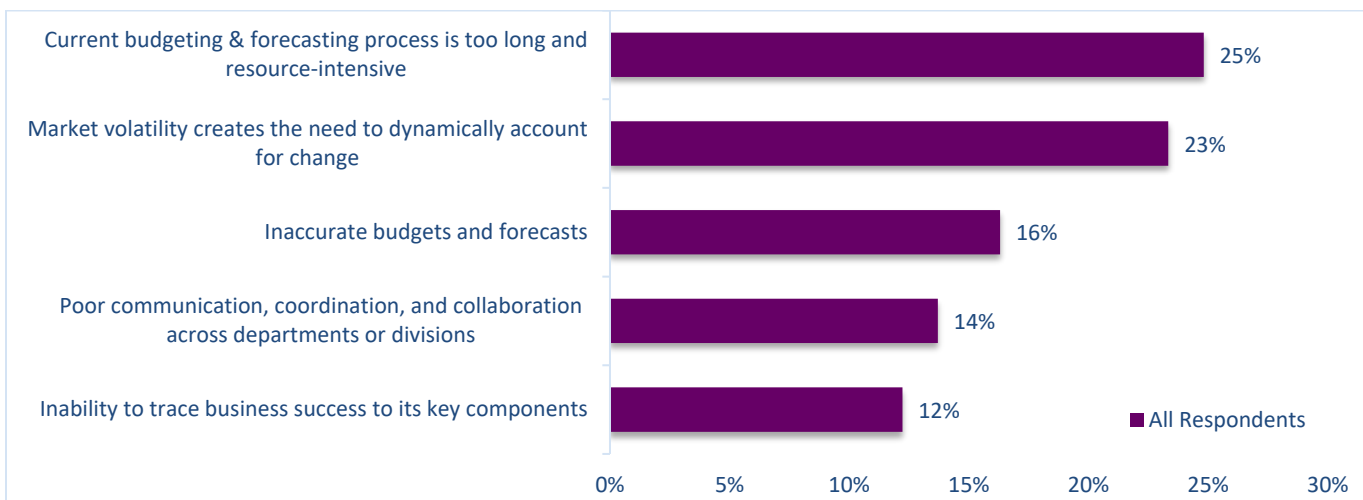
[LinkedIn](#), [Twitter](#)

Financial planning & analysis (FP&A) typically serves both operational and strategic imperatives, but all too often those activities are disconnected. Today’s top companies look to leverage more sophisticated but business-friendly analytics capabilities to extend the reach of FP&A outside of just finance to other critical decision makers across the organization. This knowledge brief examines the shifting dynamics of financial planning and explores the impact of a more collaborative, connected, and analytically-driven FP&A process.

Informed Analysis for Agile Decision-Making

If ever there was a time for more agility in analyzing, planning, and executing new business strategies, the wake of a global pandemic would be that time. New products need to be tested, new markets need to be explored, new skill sets need to be evaluated for hiring, and all these scenarios cry out for the ability to change inputs dynamically and paint a clear picture of the potential business outcomes that could follow. However, recent research shows that, above all else, companies are still most challenged by a lack of agility in the planning and forecasting process (Figure 1).

Figure 1: Top Pressures Highlight a Lack of Agility in the FP&A Process



n = 270; Source: Aberdeen, August 2021

Additionally, while inaccuracy continues to be a significant challenge in the FP&A process, the research also uncovers a critical gap in the collaborative process across departments, many of which remain disconnected from one another, only hindering the ability to connect operational planning to the overarching business strategy.

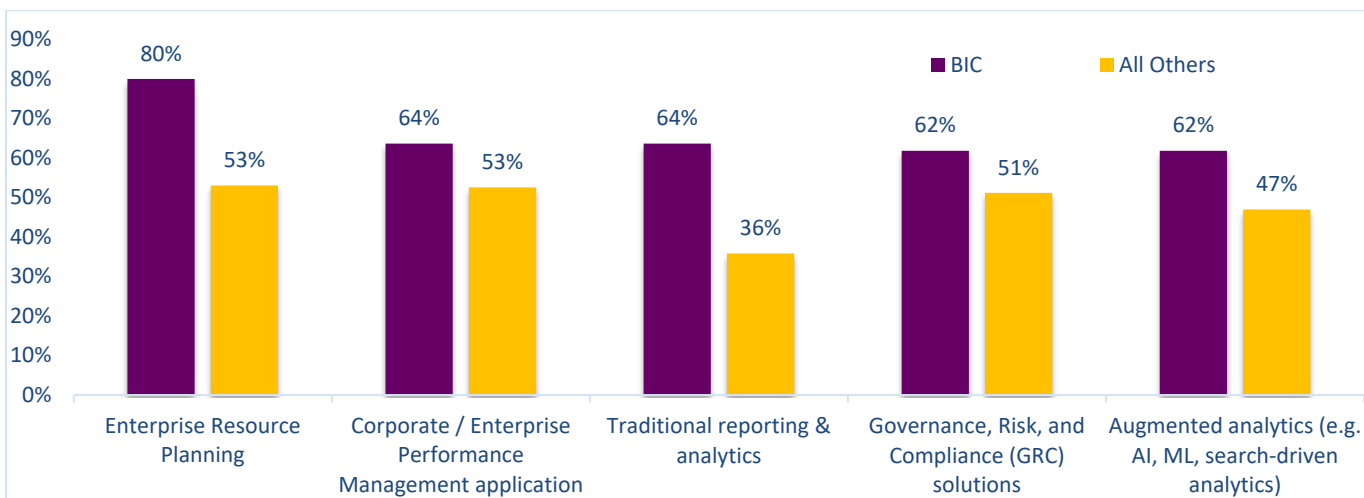
The Data-Driven Path to More Informed Decisions

The rapid evolution in technology has left organizations pondering whether they re-invest in more traditional solutions like ERP (enterprise resource planning) and EPM (enterprise performance management) as the backbone of their data environment, or they explore more cutting-edge solutions like augmented analytics that incorporate more sophisticated analytical capabilities within a package that is more approachable to a less technical user. While there are reasons to explore both paths, the research demonstrates that Best-in-Class companies do their level best to combine the best of both worlds (Figure 2).

Aberdeen research uncovers a critical gap in the cross-departmental collaborative process:

Units that remain disconnected from one another hinder the ability to connect operational planning to the overarching business strategy.

Figure 2: Best-in-Class Employ a More Comprehensive Technology Portfolio



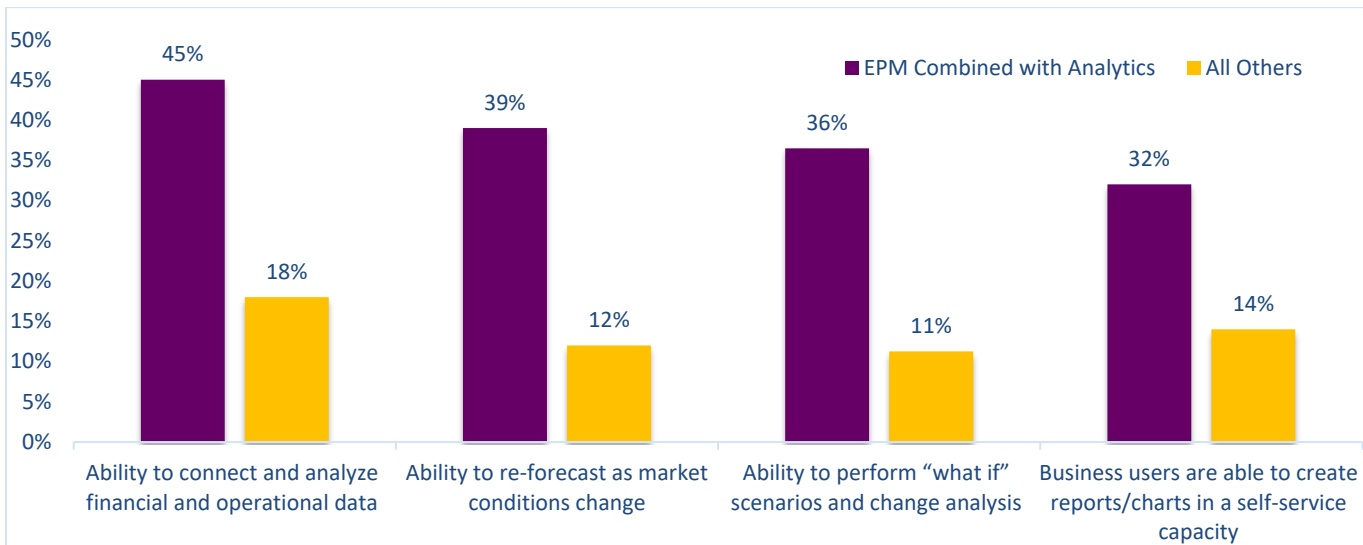
n = 270; Source: Aberdeen, August 2021

The more traditional tools are critical for automating overly manual tasks and bringing more visibility to the FP&A process, but the more emerging technologies carry more promise of understanding and more effectively acting on insights gleaned from their data. Top companies utilize EPM and GRC (government risk and compliance) solutions to ensure they are incorporating trusted data into their analyses, to provide one version of the truth. More pointedly though, and more commonly in today's market, the Best-in-Class are utilizing augmented analytics technologies, like artificial intelligence (AI), machine learning (ML), as well as predictive and prescriptive analytics to endow less technical decision makers with more advanced ways of understanding and acting on data.

Leaders are also 1.44x more likely than Followers to couple their EPM solution with augmented analytics capabilities, thus connecting their familiar and automated planning and analysis activities with these more state-of-the-art algorithms. Using such predictive capabilities, organizations are not only better suited to make sense of what their data means, but they can better predict where their business is heading.

In fact, isolating companies that adopt both EPM and augmented analytics solutions combined reveals several characteristics that help support more effective planning (Figure 3).

Figure 3: Enabling Performance Understanding Through Visibility



n = 77; Source: Aberdeen, April 2017

Each capability represented above relates back to some of the key pressures depicted in Figure 1 (page 2), and companies using EPM combined with analytics are far above their peers in the ability to manage those challenges. These companies are more than three times as likely to have the ability to combine multiple types of data, both operational and financial, and draw that data into a more comprehensive analysis. They are also more likely to manage the rapidly changing dynamics of the market being able to re-forecast more seamlessly and perform predictive scenario analysis as things develop. Additionally, because of the way that augmented analytics capabilities have developed to serve a more business-oriented and less technically inclined audience, these users are far more likely to be able to create their own reports and analyses without relying too heavily on IT.

Driving More Favorable Outcomes

For firms who are truly looking to amplify their FP&A process, it's all about focusing on speed and efficiency. Implementing a flexible planning platform can have significant impact on the business in terms of the speed of decisions and operational performance. Table 1 details the superior performance achieved by those firms that adopt a coupled EPM and analytics solution.

Figure 5: Superior Performance when Combining EPM with Analytics

Performance Metrics (Past 24 Months)	EPM & Analytics	All Others	Performance Difference
Improvement in the amount of time it takes to complete a forecast	18%	12%	+50%
Improvement in time-to-decision	19%	10%	+90%
Improvement in operating margins	17%	9%	+89%
Improvement in revenue	18%	9%	+100%
Improvement in productivity	20%	8%	+150%

Source: Aberdeen, August 2021

Users of such a combined solution set achieve nearly a 50% improvement in the amount of time required to complete a forecast. Having the ability to quickly update plans and ultimately take advantage of opportunities as they arise – while minimizing the impact of adverse events – has proven itself invaluable to finance leaders. With the capacity to plan and react quickly and effectively, organizations can make decisions that ultimately lead to gains in revenue and productivity that are nearly 40% and 5x greater than non-users, respectively.

The Key to Transforming the FP&A Process

Today's most effective data-driven organizations are looking to transform the FP&A role from one that is very tactically focused on finance, into one that has more strategic implications with other departments across the organization.

For firms large and small, both internal and external conditions are in a state of constant flux. There's an ongoing struggle to keep pace with financial

planning, budgeting, and forecasting. Even the slightest change will make previous data out-of-date and result in a budget or forecast that is inaccurate. Ultimately, this manifests into key business stakeholders making ill-informed decisions about what may or may not be the key business drivers for their organization.

The combined adoption of an EPM solution with analytics significantly enhances organization-wide agile capabilities. When finance leaders utilize these solutions, they provide their employees with a centralized view, in real-time, of financial and operational data, which increases both speed and accuracy of forecasting and budgeting. This in turn empowers key stakeholders to make informed decisions regarding an organization's key business drivers.

Organizations that adopt these solutions see marked improvement in the amount of time required to complete a forecast, as they can quickly update plans and take advantage of opportunities as they arise, while also decreasing the impact of adverse events. For companies seeking to remain competitive and boost their overall FP&A initiatives, Aberdeen recommends the following:

- ▶ **Provide centralized visibility.** Providing real-time updates to financial data and combining them with operational data in a single, centralized location enables employees to get the information they need, when they need it, to inform their decisions.
- ▶ **Empower employees to explore data.** It is critically important to make all data readily available so that employees can work with it how they wish. Through analytics and access to data visualization tools, employees can quickly derive actionable insights to inform better decisions.
- ▶ **Increase decision speed.** By employing "what if" scenario modeling, business leaders can create a wide range of contingency plans for near-infinite scenarios, enabling your organization to become more proactive.
- ▶ **Extend agility to your finance and operation departments.** By investing in a flexible platform, your organization can ensure that it gives its employees the functionality they need, no matter how the business evolves.

Top organizations who lead the charge have already begun transforming their FP&A roles from having a more tactical, siloed focus on finance into ones that have more strategic involvement with other departments across the organization.

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.

18358