THE FUTURE OF FINANCIAL PLANNING AND ANALYSIS (FP&A): ROBOTIZED AND DIGITAL
Increase revenues, optimize costs, and align with the overall business strategy – the all so familiar goals laid down for FP&A professionals. These goals trickle down from finance leaders who are under constant pressure to provide accurate and timely reporting and analysis to support effective decision making. In fact, in a CFO research survey, 88% of finance leaders said that decision-makers in their enterprise want a better understanding of the analysis they receive and they want finance to simplify it for them.

New demands, old skills

How can the gap be bridged?

From backroom accountant to boardroom adviser: The CFO’s changing goals

The CFO’s current arsenal

- Improve revenue and reduce costs
- Ensure regulatory compliance
- Manage shareholder expectations
- Oversee the capital structure
- Annual budgeting and planning
- Rolling forecasts
- Various reporting dashboards
- What-if and predictive analysis
Falling short

Iterative and time-consuming reports due to:

- Multiple systems with different data sets, definitions and formats. According to a PwC benchmark study, typically, nearly twice as much time is spent on gathering data as on analysis.
- Manual interventions. According to the same PwC benchmark study, almost 50% of the respondents have reporting processes that rely on manual spreadsheet manipulation.
- Multiple consolidations. This leads to delays and by the time the report is generated, it could be outdated.
- Lack of reports standardization.

Lack the ability to link operational performance to business strategy due to:

- Lack of real-time analysis. Most reports use historic data and rarely link current conditions in the market.
- Lack of a comprehensive integrated view of the entire business as most reports are regional in nature.
- Limited what-if and predictive analysis as most analysis are done using Excel-based models or other systems. Over 53% of the respondents in a Digitalist Magazine survey admitted to some complexity during what-if analysis to get actionable advice quickly enough to be effective.

Benchmarking data not readily available.

How will a digital intervention change it all?

- Periodic reporting
- Manual compliance checks
- Multiple budget iterations
- Multiple resources used for similar jobs in different locations
- Major time spent in compiling and preparing reports rather than in analysis

- Real-time and more accurate reporting
- Automated trigger-based process for compliance
- Minimum manual interventions so higher accuracy in budgets
- Optimal use of resource and increased productivity
- Multiple analysis possible within the least timeframe
The new digital FP&A world

Digitizing FP&A is a key part of finance transformation. FP&A must help create a culture where the finance team spends more time in analyzing data (decision support) than gathering it, and habitually use predictive analysis to make decisions than relying on gut instincts and experience.

Doing this will require an integrated automation solution that brings together cognitive, big data, machine learning, and artificial intelligence (AI) to provide:

- Predictive and prescriptive data analysis on past, present and future performances
- Warnings signs
- Real-time monitoring for compliance
- A common strategic vision
- An understanding of the business’s key metrics

Such a real-time, visualized digital FP&A platform will be powered by AI to provide instantaneous and continuous insights throughout the year. Additionally, digital FP&A will be complementary to existing systems or tools and endeavor to operate in a zero manual touch environment, provide cognitive, machine learning capabilities, and the ability to provide predictive and prescriptive insights.

Over a period of time, digital FP&A will generate faster, better and accurate reports and analysis with almost no manual interventions and in real-time for quicker decisions. Machine learning, being an ongoing process will help continuously evolve reports and analysis, enabling a healthier overall financial performance and compliance as shown in the maturity chart below.
## FP&A Maturity Chart

<table>
<thead>
<tr>
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<th>Traditional FP&amp;A</th>
<th>Near Future</th>
<th>Digital FP&amp;A</th>
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</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td>• Limited FP&amp;A skills</td>
<td>• Functional level FP&amp;A skills in place</td>
<td>• Highly skilled FP&amp;A resources</td>
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<td></td>
<td>• Mostly focused on manual data collation and reporting</td>
<td>• Focused on identifying the potential impact of existing intelligence and highlighting root causes</td>
<td>• Resources are able to not only perform effective root cause analysis but also suggest ways / actions to take advantage of situations</td>
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<td></td>
<td>• Huge teams</td>
<td>• Reduced team size</td>
<td>• Minimum resources required</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>• Excel / ERP based</td>
<td>• ERP- and BI-based with limited Excel</td>
<td>• Well-managed big data</td>
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<tr>
<td></td>
<td>• Fragmented and lack of enterprise-wide data</td>
<td>• Complete and accurate data available in a timely manner with standard operational definitions</td>
<td>• Real-time data is available along with complete and accurate data in timely fashion</td>
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<tr>
<td></td>
<td>• Requires multiple consolidations</td>
<td></td>
<td>• Data is available from external and internal databases on a real-time basis</td>
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<tr>
<td><strong>Process</strong></td>
<td>• Repetitive, manual and prone to errors</td>
<td>• Standardization at functional level</td>
<td>• Standardization at global level</td>
</tr>
<tr>
<td></td>
<td>• Lack of standardization</td>
<td>• Function-specific reports and analysis in place</td>
<td>• Automated, artificial intelligence-based reports by mimicking human actions through existing user interfaces based on pre-defined rules</td>
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<tr>
<td></td>
<td></td>
<td>• Semi-automated reports with limited what-if analyses</td>
<td>• Integrated perspective of past, present and future performances for better decision making</td>
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<tr>
<td></td>
<td></td>
<td>• Move from annual forecasts to rolling forecasts</td>
<td>• Strong benchmarking capabilities</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>• Multiple systems with different data</td>
<td>• Combination of Excel and dedicated software for reporting and analysis</td>
<td>• Autonomic tools with guided interactivity and machine learning capabilities</td>
</tr>
<tr>
<td></td>
<td>• Basic tools available for data massaging which is time-consuming</td>
<td>• Integrates with systems</td>
<td>• Cognitive tools with predictive and prescriptive insights</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Supports ad-hoc reporting and unstructured data</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>• Timeliness</td>
<td>• Timeliness, accuracy</td>
<td>• Timeliness, accuracy</td>
</tr>
<tr>
<td><strong>Indicators</strong></td>
<td>• Accuracy</td>
<td>• Governance and compliance</td>
<td>• Governance and compliance</td>
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<tr>
<td></td>
<td>• Governance and compliance</td>
<td>• Low cost</td>
<td>• Low cost</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Real-time business insights</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Customized services</td>
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<td></td>
<td></td>
<td></td>
<td>• Decision support</td>
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<td></td>
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<td>• Value enhanced advice</td>
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But before you go digital…

Although pretty much every enterprise has embarked on some digital transformation journey or the other, according to Forbes, around 84% fail at digital transformation. To be successful, focus on five important elements is a must. And this can only be accomplished with real leadership and board support.

An example of digital FP&A transformation

Our client, a leading, Global Electronics Major, struggled with data quality issues that adversely impacted effective decision making and failed the shareholder credibility test. Their finance dashboard was unable to provide market intellect and therefore, a competitive edge. After a careful examination, our experts found three main limitations in their current processes.

Our team analyzed the current state of affairs and deployed the Infosys digital FP&A that enabled:

Transform with Infosys Digital FP&A

Real-time transactions
- Includes market and country risks
- Uses external and internal databases

Limited or zero manual effort
- Guided interactivity
- Contextual insights
- Role-based visibility into business operations

Holistic and effective business strategy
- Define key performance indicators to measure efficiencies and return on investment
- Consolidated view across enterprise
- Better compliance

Proactive and directed action
- Resources are directed towards actions that are consistent with business goals
- Improves resource planning and utilization

An example of digital FP&A transformation

Lack of visibility
- No real-time data
- Multiple ERPs region-wise

Manual practices
- Too many excel-based models, no standardization
- Skilled labor turnover

Lack of finance excellence
- Need to reduce cost
- Revenue generation pressures
1. Real-time ratio analysis with auto-populated commentaries

The green / red indicators show whether the ratios are favorable or unfavorable. The red area in the first graph shows the benchmarking with industry peers. The text after the graphs depicts the auto-populated commentaries on how the ratios are performing with no manual intervention.

2. Reliable projected revenue growth FY 17

The brown line shows the actual revenue, the dotted brown line is the revenue prediction for the next financial year using cognitive, machine learning capabilities that predict future revenues based on past trend (internal) and market behavior (external).

The result

A futuristic approach to FP&A

Digital FP&A is a non-disruptive solution that complements existing systems and tools. Hence, enterprises need not “get rid of” or “replace” their tools and systems. Digital FP&Apulls data from existing tools and systems and also from external databases (including ERPs, excel sheets, various website, data warehouses, business intelligence tools, etc.) to provide real-time, cognitive, prescriptive and predictive insights with limited / zero manual effort throughout the year.

Digital FP&A implementation requires careful planning that extends to every area of the business. A successful implementation also requires a thorough knowledge of people, processes and technology. With its futuristic effects, Digital FP&A is more than mere tools, technology, processes and systems. It is the practical futuristic approach to drive business goals successfully for years to come!

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