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Capabilities overtake capacity as top financial planning challenge, CFO poll shows

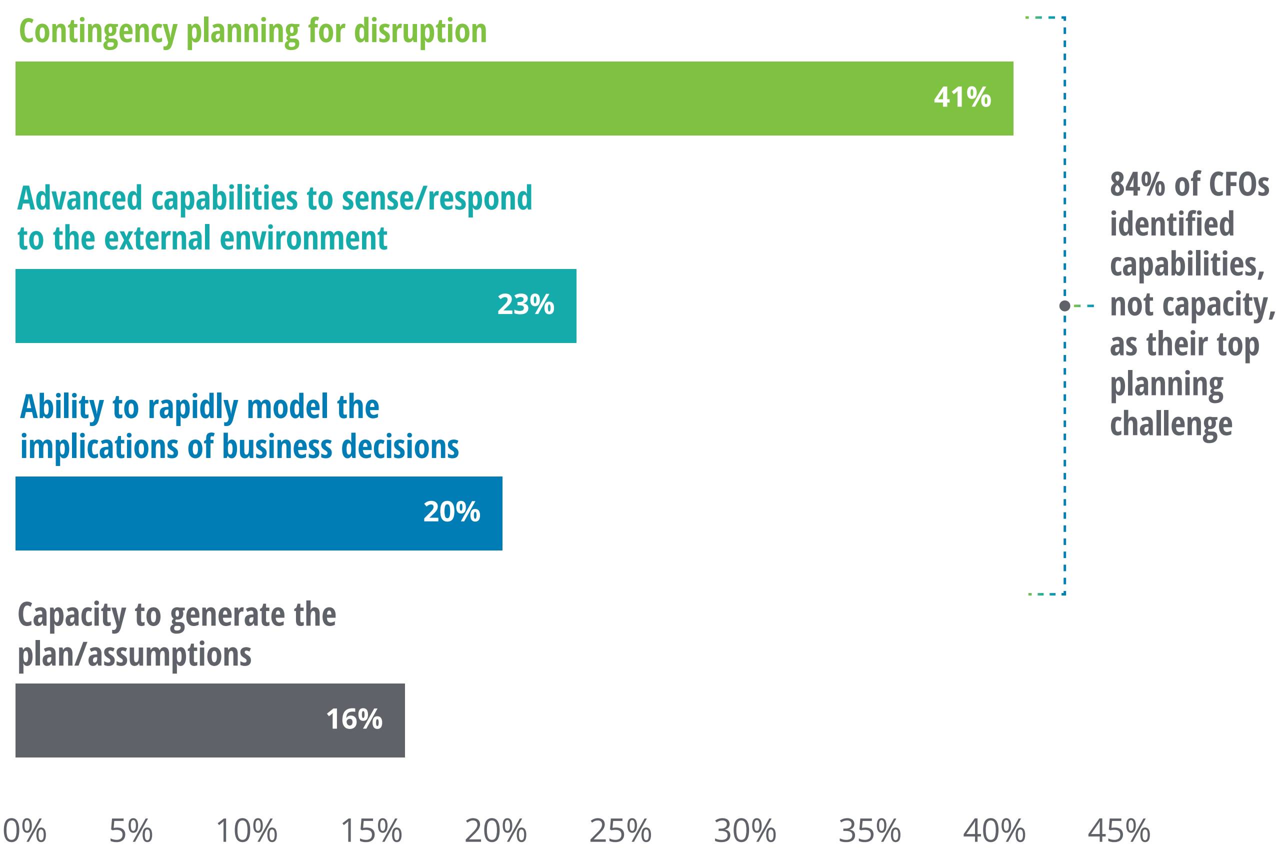
Besides people, finance leaders need agile, flexible processes and systems

Adrian Tay and Oleg Valiev

IT'S EASY TO assume that capacity constraints are the biggest roadblock to effective financial planning and forecasting, mainly because the manual, resource-intensive financial planning and analysis (FP&A) processes that have historically characterized many finance functions can take a tremendous amount of time. However, a recent poll shows that chief financial officers' (CFOs') biggest challenge in planning for the future is not capacity at all, but capabilities. 84% of responding CFOs identified difficulties in rapidly modeling the implications of business decisions, sensing and responding to external events, or performing contingency planning for disruption as their top planning challenge. A mere 16% of respondents identified capacity as the top challenge.

Filling capability gaps takes more than just throwing more bodies at the work. FP&A leaders also need to build agile processes and flexible forecasting systems. For instance, they should consider enhancing their planning and analytics tools to improve forecasting professionals' effectiveness. Also, streamlining and connecting disparate

What are the biggest challenges in planning for the future?



Source: Deloitte Dbrief webcast, "COVID-19 crisis response: What's keeping CFOs up at night?," July 15, 2020.

planning processes can enable planning parameter changes to systematically flow through the organization.

Strengthening capabilities in this way can enable FP&A to play both offense—helping the business capitalize on opportunities—and defense—dampening the negative impacts of worst-case-scenario swings. For offense, FP&A can employ robust scenario planning to clearly articulate choices and triggers for decisions, taking emotion out of the equation. They should identify what levers within the company's control it can pull, eliminate silos and involve business partners early to accelerate decision-making, implement operational planning models and technologies that allows each group to make fast and accurate updates, and define triggers and KPIs that signal when to mobilize on a particular scenario. Defensively, FP&A could refrain from entering into inflexible contracts (for example, by using shorter-term agreements that can be easily renewed), reengineer processes with long lead times, and create flexibility within the organization to address upswings or downswings in demand.

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