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FP&A agility depends on data and modeling tools

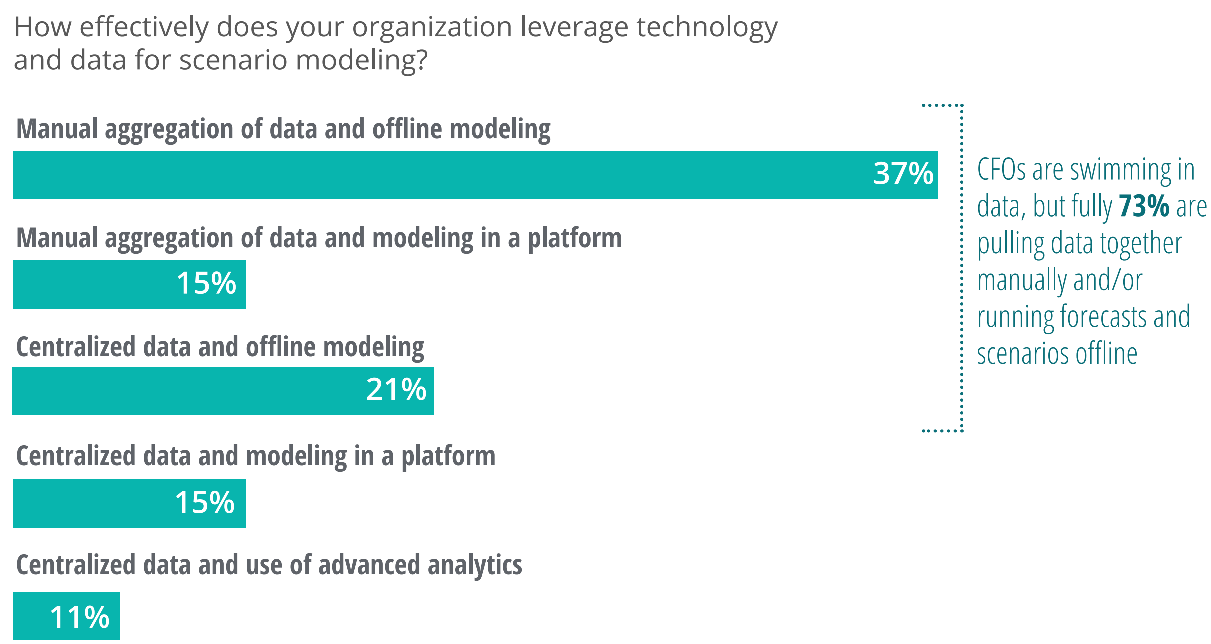
Many FP&A organizations are still hampered by manual, offline processes

Eric Merrill

THE TURBULENCE OF the COVID-19 crisis put urgent pressure on FP&A to move beyond the traditional finance cycles of monthly or quarterly planning, forecasting, and reporting. Business demand for fast, frequent scenario planning increased dramatically—but was FP&A equipped to deliver? A recent poll suggests that many FP&A organizations may have been hampered by less-than-optimal technology.

As the figure shows, a poll taken at a webinar geared toward CFOs shows that only 11% of respondents said that their organizations centralize financial data and use advanced analytics for scenario planning. In contrast, 37% manually aggregate data and perform modeling offline, a much slower, labor-intensive, and error-prone process. That's troublesome given that 60% of respondents felt their biggest challenges were the ability to rapidly model business decisions' implications and to conduct contingency planning for current or future disruptions.

Few finance organizations are well positioned to use data and tools to meet scenario planning needs



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

The good news is that digital technologies have come a long way toward addressing challenges in collecting, aggregating, and normalizing data across disparate platforms. Similarly, technologies for predictive analytics have benefited from advances in data science and machine learning. With such technologies, FP&A can be much more agile in providing timely, transparent, meaningful insights—which can enable companies to see very near-term improvements and returns.

So what stands in the way of FP&A taking advantage of these technologies? Historically, it may have been seen as an all-or-nothing, high-cost play with a perceived low ROI. But while it's true that technology can be expensive, COVID-19 may have shown many companies that the ability to evaluate the financial implications of decisions in near-real time instead of every month or every quarter is well worth the investment.

Read *Reinventing FP&A for the pandemic and beyond* to learn more about how COVID-19 has provided the impetus to challenge traditions within FP&A, and explore advanced capabilities that will become staples in the new normal.[1]

Endnote

1. Ajit Kambil et al., *Reinventing FP&A for the pandemic and beyond*, Deloitte, August 2020.

About the author

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Eric Merrill is a managing director within Deloitte Consulting's finance and enterprise performance market offering. He advises executives in consumer-facing industries on how to apply strategy and analytics to enable better business decision-making companywide. His expertise is focused around meeting the needs of the chief financial officer. Recently, Merrill has completed work at multiple consumer companies in forecasting, predictive analytics, and visualization, as well as enabling next-generation operating models and integrated business planning.

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