

How digital technology is transforming Financial Planning and Analysis (FP&A)

CXOs of businesses of all industries and sizes are dealing with disruptive changes due to shifting business models, convergence of digital technologies, and volatile market conditions. The world is changing at a rapid pace, and **stakeholders are asking the Finance function and FP&A to do more.**¹

1 Responding to market events in real time



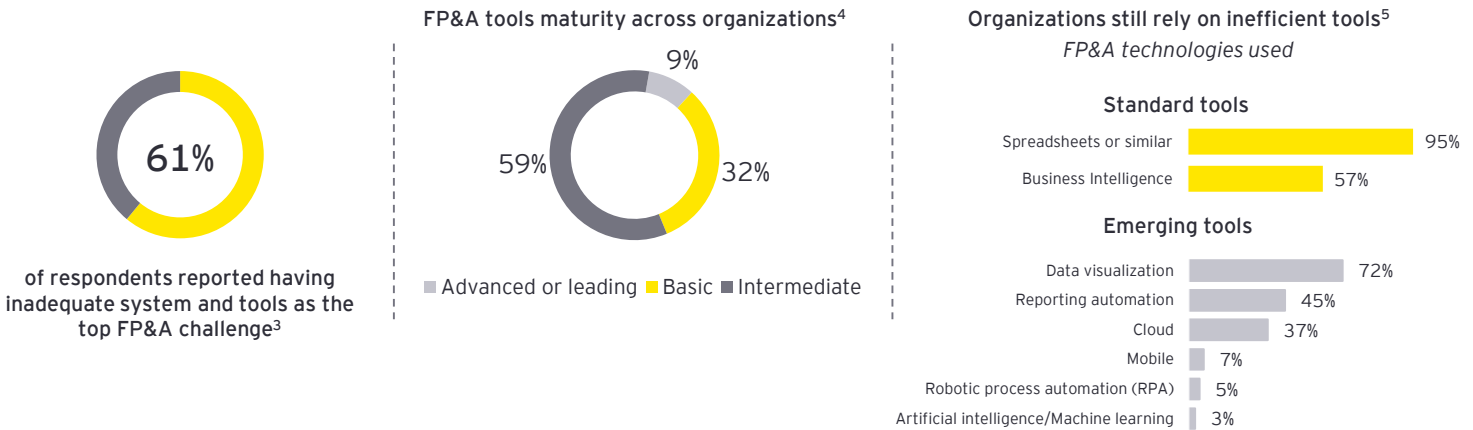
2 Improving scenario-planning capabilities



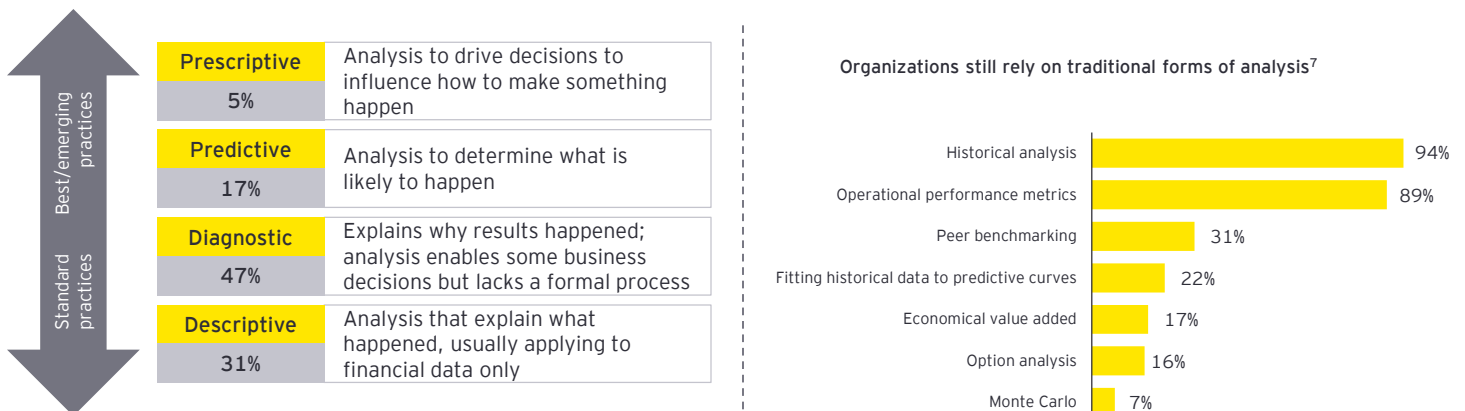
3 Leveraging data effectively to improve forecasting accuracy



Even as stakeholders ask for more, recent external market research,² surveying 437 respondents across industries and geographies shows that **FP&A has been underinvested**. This emphasizes the importance of technology-driven transformation to achieve the full potential of the FP&A function, delivering more value to business.



Most organizations have not yet achieved the goal of predictive and prescriptive analytics. While 73% of organizations increased investment in data and analytics over the past three years,⁶ there is still **significant opportunity to unlock greater insights through analytic capabilities.**



Notes:
 1. Client leadership comments on Finance function and FP&A are based on EY client interviews.
 2. "Preparing for the Next Level of Financial Planning & Analysis"/Source: APOC, August 2019.
 3. "FP&A Tools, Technologies and Analytics"/Source: APOC, August 2019.
 4. Ibid.
 5. Ibid.
 6. "Trends in Data Analytics: Survey Summary Report"/Source: APOC, June 2019.
 7. "FP&A Tools, Technologies and Analytics"/Source: APOC, August 2019.

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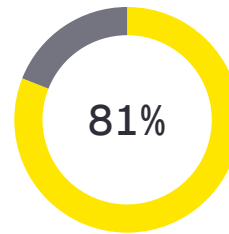
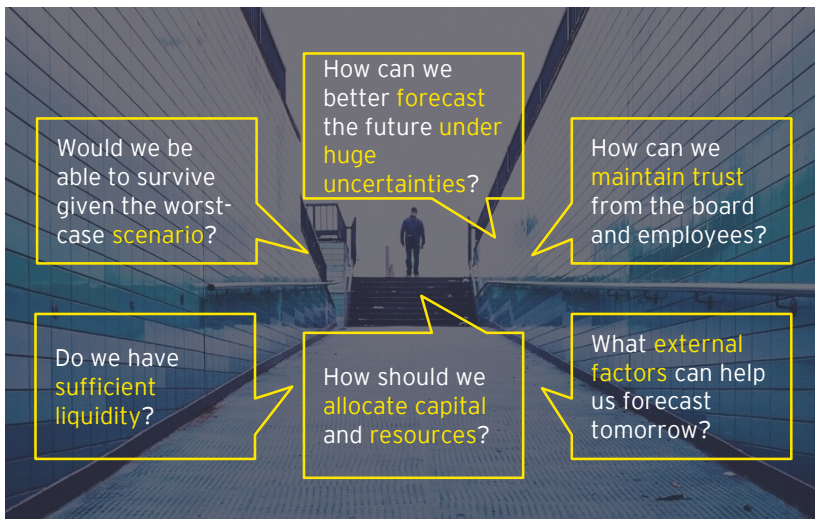
As a result of the underinvestment, the legacy FP&A data and technology landscape often leads to ineffective decision-making, inadequate collaboration with the business and low team productivity. **Common challenges include:**

- ▶ Value-add analysis and collaboration with business is secondary to collecting data and managing the process. From 2010 to 2019, there has been a minimal shift in the time allocated to gathering data and administering the FP&A process (77% vs. 75%) and the time allocated to providing value added analysis (23% vs. 25%).¹
- ▶ Absence of a common, unified layer of organizational data or a “single source of truth” through normalized data sets and defined hierarchies.
- ▶ Intuition-based decisions based on “black box” spreadsheets that are too simplistic and optimistic.
- ▶ Reporting that is too slow because of inadequate data structure and ad hoc analysis.
- ▶ Inadequate use of scenario modeling technology to compare investments and risk.
- ▶ Lack of timely data and inefficient data integration that leads to reconciliation of disparate systems.

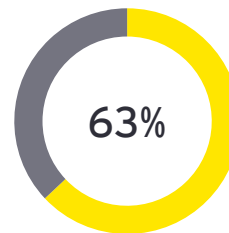
COVID-19 is forcing businesses to fast-track adoption of digital technology, and this unanticipated push is driving targeted investment in planning and analytics capabilities.

Organizations are facing unprecedented and unique challenges with the COVID-19 pandemic, and FP&A functions are under intense pressure to synthesize the financial ramifications of the disruptions as well as forecast the impact of operational and tactical options for their business.

Existing FP&A tools and processes are not fit for this purpose, and teams are under strain to deliver “what if” solutions in a cycle time measured in hours rather than days or months.



believe the economy will recover following a “U” shape scenario, a longer period of slower economic activity extending into mid-late 2021²



are spending most of the time “framing the future,” measuring market outlook, enterprise performance, and strategic and financial scenarios³

We believe that harnessing cutting-edge technology is essential for FP&A functions to be more agile – responsive, insightful and efficient – empowering the business to make better decisions.

- ▶ By utilizing leading practices, driving business insight through integrated tools that improve data quality and enabling new ways of working (e.g., remote work, low touch partnering), FP&A will help the business find opportunities to create and extract value, as well as envision and plan for the future with more clarity than ever.

Notes:

1. “Preparing for the Next Level of Financial Planning & Analysis”/Source: APOC, August 2019.
2. EY CEO COVID-19 Webcast, EY, https://www.ey.com/en_gl/webcasts/2020/04/the-ceo-perspective-how-covid-19-is-defining-business-purpose, April 2020.
3. Ibid.