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
   “… our CEO has an expectation that [our organization’s] long-range plan should be updated within 90 sec of a business event; if market can react that way, then we should be able to.”
   CIO, Fortune 100

2. Improving scenario-planning capabilities
   “… I want my managers to understand the true economics of our business and the impact of their decisions.”
   CIO, Fortune 100

3. Leveraging data effectively to improve forecasting accuracy
   “… When I talk to the analysts, I find they have better estimates of our performance even though we have more data.”
   SVP Finance, Fortune 500

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.

61% of respondents reported having inadequate system and tools as the top FP&A challenge³

FP&A tools maturity across organizations⁴

- 61% Advanced or leading
- 59% Basic
- 32% Intermediate

Organizations still rely on inefficient tools⁵

<table>
<thead>
<tr>
<th>FP&amp;A Technologies used</th>
<th>Standard tools</th>
<th>Emerging tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spreadsheets or similar</td>
<td>95%</td>
<td>72%</td>
</tr>
<tr>
<td>Business Intelligence</td>
<td>57%</td>
<td>45%</td>
</tr>
<tr>
<td>Data visualization</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>Reporting automation</td>
<td></td>
<td>7%</td>
</tr>
<tr>
<td>Cloud</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Mobile</td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Robotic process automation (RPA)</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Artificial intelligence/Machine learning</td>
<td></td>
<td>3%</td>
</tr>
</tbody>
</table>

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.

| Analysis to drive decisions to influence how to make something happen | Prescriptive 5% |
| Analysis to determine what is likely to happen | Predictive 17% |
| Explains why results happened; analysis enables some business decisions but lacks a formal process | Diagnostic 47% |
| Analysis that explain what happened, usually applying to financial data only | Descriptive 31% |

Organizations still rely on traditional forms of analysis⁷

- 94% Historical analysis
- 89% Operational performance metrics
- 31% Peer benchmarking
- 22% Fitting historical data to predictive curves
- 17% Economical value added
- 16% Option analysis
- 7% Monte Carlo

Notes:
1. Client leadership comments on Finance function and FP&A are based on EY client interviews.
4. Ibid.
5. Ibid.
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%).
- 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.

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.