Future of Planning, Budgeting, Forecasting and Reporting

Global Survey 2022

Insights from the FSN Modern Finance Forum on LinkedIn

FSN®
The Modern Finance Forum

"Predictive analytics expected to be the norm by 2030

workday®

Gary Simon
CEO FSN & Leader of the Modern Finance Forum
LinkedIn

Dear Colleague,

I am very excited to bring you the results of FSN's "Budgeting, Planning, Forecasting & Reporting" Survey 2022 which shows how these core financial processes are likely to develop to the end of the decade. None of this would have been possible without your participation and I would like to say a special thank you to the senior finance professionals from 450 companies around the globe who took the time to contribute their views.

After a grim period, affecting so many businesses, it is gratifying to note that this survey confirms that many organizations are emerging strongly from the travails of the pandemic. Improvement initiatives suspended in early 2020 have now been completed, with around 40% of organizations reporting that they have managed to make substantial improvements to their planning, budgeting and forecasting (PBF) processes. A similar percentage have effected significant changes to their reporting processes as well. But this still leaves 60% of organizations who will need to accelerate their transformation efforts if they are to remain agile and competitive.

The pandemic has accentuated the need for speed, especially around forecasting, as organizations seek to forecast more frequently and accelerate decision making. However, businesses need to take care to keep financial reporting and PBF in step, since these processes are critically intertwined, and decision-making can only proceed at the at the pace of the slowest part of the performance management cycle. More crucially, the research hints that accuracy is being sacrificed for the sake of speed.

For organizations that are still in catch-up mode, there are many challenges ahead. 75% are unable to devote more than three months to any transformation initiatives and data quality concerns remain a widespread problem. For the first time in a long while, the research identifies that organization are turning to their IT functions and global process-owners to shoulder responsibility for improving data quality.

Fascinatingly, the research points to a very significant reduction in the use of standalone, disconnected spreadsheets, for PBF and reporting by the end of the decade, with a commensurate shift to specialized CPM and PBF applications. ERP solutions too, will grow in popularity for reporting and consolidation by 2030. In fact, the CPM market is expected to grow twofold and the use of Best of Breed applications by 1.2 times their present level, with ERP usage for consolidation and reporting expected to grow by 60%. However, all of this projected growth is contingent on companies having the right skills and the time to implement more advanced and specialized applications.

Predictive analytics is seen as the next natural step in the development of planning, budgeting and forecasting, with a full 71% of survey participants expecting it to be the norm by 2030. However, this ambitious projection comes with strings attached, most notably, that organizations are unlikely to progress to the sophistication of predictive analytics unless they are already using advanced accounting techniques such as rolling forecasts, scenario planning and zero-based budgeting. Currently the penetration of these accounting techniques is very low (less than 20%) and a move to predictive analytics represents a formidable leap. It is only achievable if organizations can transition away from disconnected spreadsheets to more specialized PBF applications supported by the necessary time and skills to implement.

The skills now most in demand are data science, followed by business partnering and systems accounting. In fact, 73% of organization say that they will be unable to meet their business objectives without significant specialization and up-skilling.

Although there is considerable enthusiasm for predictive capabilities, including artificial intelligence and machine learning, the finance function is clearly concerned that these advanced techniques and accompanying algorithms are transparent, maintainable, and easy to use by finance professionals.

Transformation leaders (around 12% of the population) are showing the way forward. Organizations that have transformed, clearly outperform organizations that have not commenced their transformation journey, across a wide range of measures. They demonstrate comprehensively that transformation works, but even for these leaders, data quality, remains a stubborn and unresolved issue. Nevertheless, transformation leaders have completed the groundwork and prepared the way for predictive analytics. They look set to increase their advantage over their less agile contemporaries by the end of the decade.

We trust that you find the survey's findings set out in this document thought-provoking and interesting. But above all we hope that the contents of this report will inspire you to explore and discuss with your colleagues, how you can make renewed strides in finance transformation by 2030.

Regards,

Gary Simon

Gary Simon
CEO FSN & Leader of the Modern Finance Forum

EXECUTIVE SUMMARY

The need for speed

The pandemic recovery is neither speedy nor even. Each country, city, community or organization has had to face different challenges in order to return to a position of stability and growth. While its clearly not possible to prepare for an unprecedented event, those organizations that had invested in modern efficiencies in their finance function fared better during, and now after, the most pressing crisis of a generation.

__33%__ of finance functions have made significant changes to their PBF process in the last 3 years.

As the world changed, companies were forced to change with it, and this meant near-constant re-forecasting to provide vital insight to underpin strategic decisions. Under this extreme duress, it became clear that PBF and reporting are both vital and underinvested. So now, senior finance executives are urgently trying to speed up and simplify the process in order to survive in a rapidly changing landscape.

At first glance, FSN's Budgeting, Planning, Forecasting and Reporting 2022 appears to show little progress in the number of organizations taking their PBF transformation seriously, but in fact there is a returning momentum amongst previously paused projects. While the number of companies making significant changes to their PBF processes remains at around 33%, those that have completely transformed them in the last year has almost doubled from 5% to 9%.

This is an encouraging sign of progress, but there remains a large proportion of organizations that have so far failed to make substantial inroads into the transformation of budgeting, planning and forecasting. And unfortunately, the lag between PBF and reporting is causing bottlenecks in the analysis and adjustments, which is delaying decision-making.

Making time for transformation

Most companies looking to catch up to their transformed competitors are as yet unable to commit the requisite time to carry out the changes. Three quarters of organizations have less than three months available to effect transformation, most of those far less than even that. But perhaps more worrying is the lack of focus on data accuracy. Only 65% of finance executives think data accuracy will need substantial improvement before the end of the decade, far less than the 85% who want it to be speedier. This belies the results of the Agility in Planning, Budgeting and Forecasting survey 2021 which found that less than half of organizations could forecast within a reasonable range of accuracy.

__75%__ of finance functions are unable to dedicate more than 3 months to transformation.

At least some of that inaccuracy is a result of inefficient processes, and there are substantial inefficiencies in the use of standalone spreadsheets for complex PBF functions. Thankfully the trend continues to be towards more effective methods of budgeting, planning and forecasting, with a groundswell of interest in corporate performance management (CPM) systems, Best of Breed (BoB) solutions and spreadsheets connected to a centralized database.

The picture is similar in relation to consolidation, with a steady flow towards more efficient and effective methods of financial reporting as the decade progresses, especially ERP systems. However, these shifts are not likely the final nail in the spreadsheet coffin. The pace of change and the ubiquity of this method will continue to have its place, but this gradual shift is an important part of the transformation of PBF and reporting systems.

AI predicted to be the norm by 2030

As organizations make the change to more efficient and effective systems, they will incorporate a far more advanced selection of tools including predictive analytics, artificial intelligence and machine learning. The desire and vision is definitely there (three quarters believe predictive analytics will be the norm for organizations by 2030), but considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, substantial uptake in predictive analytics will require a major effort of will and resources.

If, and when, they take up the predictive analytics mantle, finance professionals are adamant that it must not be a ‘black box’ of indecipherable algorithms understood only by systems analysts and data scientists. They want ownership of the systems that they will use for PBF and be able to change and flex them within the function itself.

Right now, the majority of finance executives don’t believe software vendors have a compelling enough business case for machine learning and AI. But if they consider the needs of the finance function of the future, then there may be accelerated uptake as the decade progresses.

With these new technology resources, finance functions can become faster and better at forecasting and planning, but these technologies won’t be taking over the finance office on their own. There remains an intense demand for skilled PBF professionals, with the emphasis on skills rather than headcount. 73% of finance executives say they will be unable to meet their objectives without significant specialization and upskilling. Half recognize that automation of finance processes alone will not liberate enough time to meet their objectives and 45% say that a shortage of finance talent will hold them back.

The wave of AI and machine learning technology has created new opportunities to add value within the finance function without losing headcount, if they can acquire the necessary skills to draw out the best and most competitive insights.

Transformation leaders extend their lead

For those companies that have already put in the time and resources to transform their PBF processes ("Transformation Leaders"), the rewards are clear. More than half have also transformed their reporting processes, thereby minimizing the insight bottleneck, and they are more likely to consider Corporate Performance Management systems to deliver their PBF process.

Transformation leaders are four times more likely to be using advanced PBF techniques like scenario planning, zero-based budgeting and rolling forecasts than their laggard counterparts. And speed or ease of use is no longer at the top of their improvement list because these demands have been largely satisfied.

However, transformation leaders have the same issue with accuracy of data as those organizations that have yet to start their transformation journey. It seems the data torrent is a double-edged sword, adding depth of insight but frequently at the cost of manageability.

This year has been another one of transition for many organizations as the post-COVID clean-up continues and proactive strategies replace reactive ones. Planning, budgeting, forecasting, and reporting proved their worth during the crisis, but finance professionals shouldn't be complacent as the threats recede. This essential part of the finance function is ripe for transformation, and companies need to accelerate their efforts if they are to achieve their ambitions by the end of the decade.

SPEED IS OF THE ESSENCE AS TRANSFORMATION RECOVERS

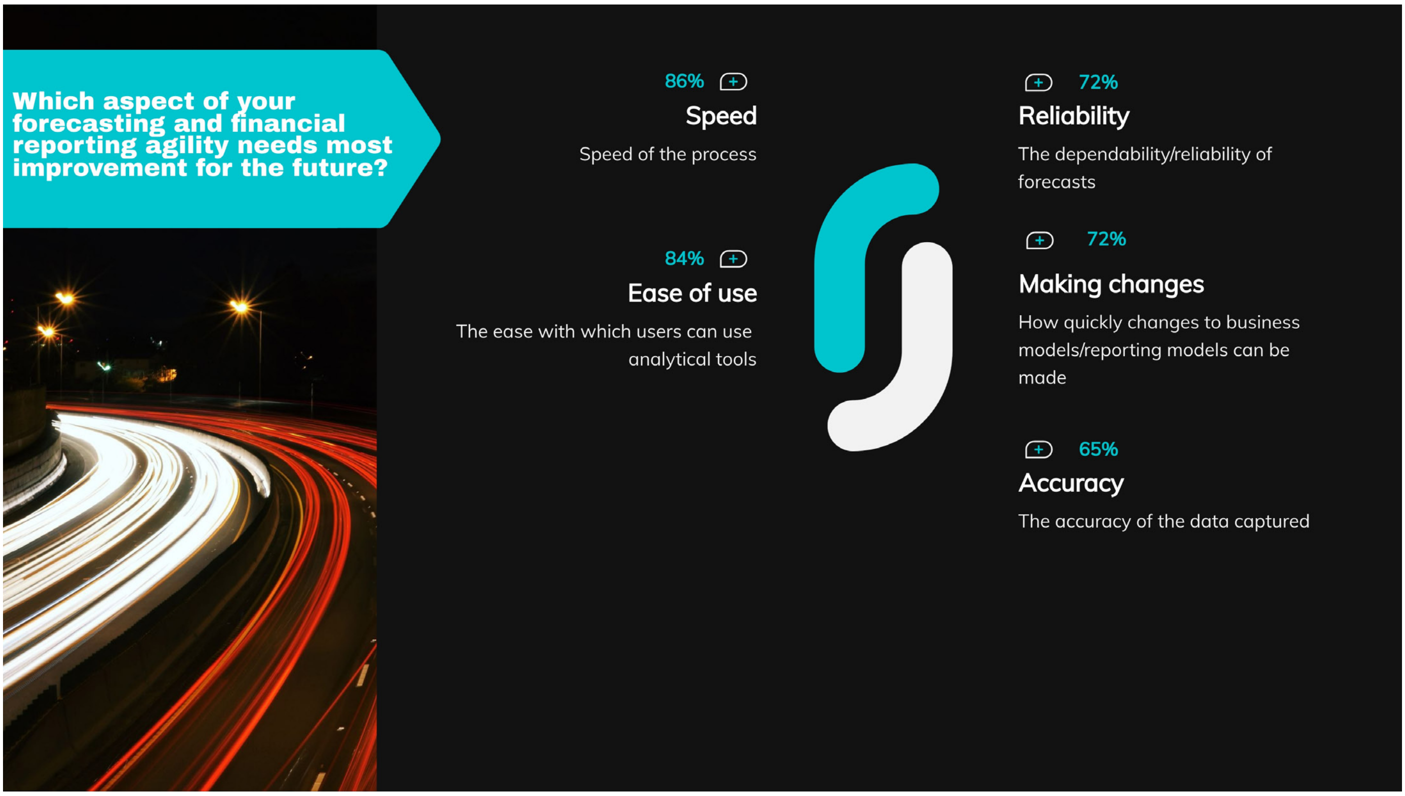
Two years on from the start of the COVID-19 pandemic, and the corporate backdrop has changed irrevocably. Remote working is embedded in almost every organization; consumer behavior has adapted to accommodate pandemic lockdowns, job market upheaval and rampant inflation; and companies have had to pivot at short notice to keep up with the changing environment. The pressure is on planning, budgeting and forecasting as organizations seek to maintain their grip on a rapidly changing business landscape, and so there is a renewed urgency to speed up reporting and planning processes. There are signs that transformation initiatives held up by the pandemic are recovering, but there is now greater urgency as organizations seek to make up for lost time and power ahead.

Urgently seeking speed

FSN's Budgeting, Planning, Forecasting and Reporting 2022 survey found that the part of forecasting and financial agility most urgently in need of improvement is speed and ease of use. 86% of senior finance executives urgently need to speed up the process, followed closely by 84% who require 'easy to use' analytical tools.

This urgency has come about because organizations can't plan or execute strategic initiatives without the insight that planning, budgeting and forecasting provides. But the external environment has been changing so rapidly over the last two years that the parameters need to be adjusted frequently, hence the need for speed and agility. Without it, organizations will be depending on out-of-date intelligence and lose any competitive advantage they may have had.

FIGURE 1: THE NEED FOR SPEED TAKES PRIORITY



But while finance executives are scrambling to accelerate the PBF process, financial reporting is holding up decision-making. FSN's 2021 Agility in Financial Reporting & Consolidation survey found that financial reporting was slower and less agile that forecasting, leading to bottlenecks in analysis and adjustments, which delays decision-making.

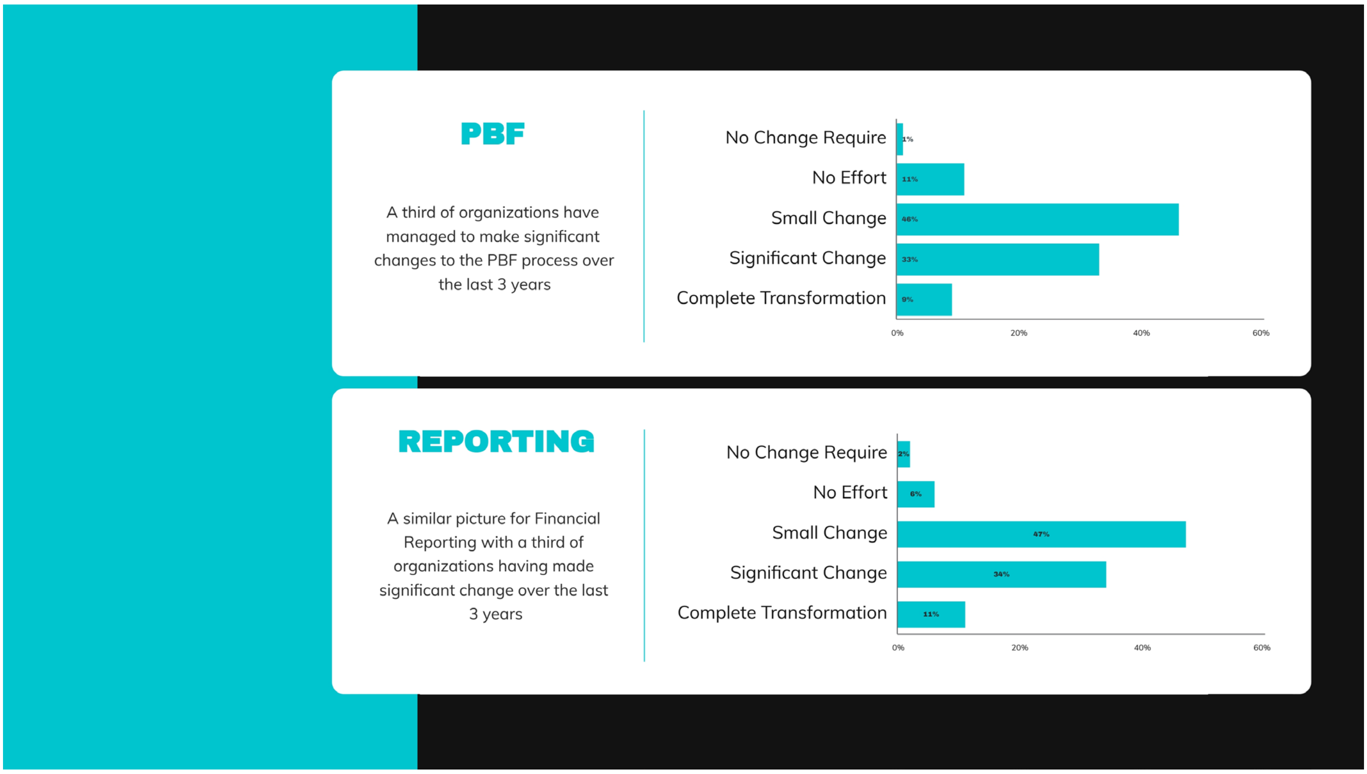
This is not being addressed with any sense of urgency. The current survey found that finance executives expect forecasting to require the most investment between now and 2030, while statutory reporting languishes at the back of the investment queue.

Transformation is recovering

Across the PBF and reporting processes, there has been little change in transformation momentum since last year. The current survey finds that 33% of finance functions have made significant changes to their PBF process in the last three years and a further 9% have undertaken a complete transformation, reflecting only a slight uptick in transformation numbers from last year. A very similar picture emerges for financial reporting, with 34% making substantial changes, 11% effecting complete transformation and the remainder falling behind even as competitors surge ahead.

***Just 9%** of finance functions have completely transformed their PBF process over the last 3 years.*

FIGURE 2: TRANSFORMATION IS RECOVERING



However, the figures are not as discouraging as they might first appear. FSN's 2020 research looking at automation in the finance function found that 41% of projects already underway at the beginning of the pandemic were delayed between one and two years. The current research suggests that the recovery of these projects is well underway and that new projects that were about to commence when COVID struck, are also being resurrected and slowly picking up speed.

If companies want to achieve their 2030 ambitions, they will have some catching up to do.

Indeed, those that have completely transformed their PBF process in the last year has almost doubled from 5% to 9%. It seems that the few companies that have been fortunate enough to devote resources to transformation have pressed ahead.

The renewed urgency in the post-pandemic environment to speed up and simplify the process of planning, budgeting and forecasting is driven by the need to forecast more frequently to keep up with the social and economic upheaval of an uneven recovery. This is behind the need to accelerate reporting processes. But financial reporting can't keep up, and this is affecting decision-making which is critical to business stability and growth. However, the overall picture shows two thirds of organizations languishing behind. If companies want to achieve their 2030 ambitions, they will have some catching up to do.

WORKDAY: Why an Intelligent Data Foundation Is Key to Becoming Decision-Ready

How can you get to the underlying financial and operational data that reveals what's really driving the business? Discover how to overcome common barriers and where to best invest so you can adapt to change as it happens.

Imagine you're the CFO of an insurance firm. You're trying to get a handle on where your profit really comes from. Which policies, products, or sales channels are driving profits and losses? Where are the sources of most of your claims, and how are those impacting profit? How can you get to the underlying financial and operational data that reveals what's really driving the business?

If you can answer those questions, you can make confident, informed decisions about where to invest in technology and people so as to better adapt to changing market conditions. This is essential to becoming a decision-ready organization. If you can't answer those questions yet, read on.

Competing in a Data-Saturated World

A big part of becoming decision-ready is harnessing data, but that alone can be challenging. The pace of data growth, for instance, is staggering. Between 2010 and 2020, the amount of data created, captured, and copied grew by 5,000%. And it's showing no signs of slowing down. By 2025, the world's population will generate an estimated 483 exabytes of data every day. This accelerating data volume and velocity makes it challenging for companies to manage and make sense of the data they use to run their businesses. And it complicates the ability to define their competitive edge in a rapidly changing, data-saturated world.

Companies struggling to get out from under this data tsunami are slowly sinking. In a 2021 survey of 85 Fortune 1000 companies, a mere 24% defined their business as being data-driven in the last year. And even though demand for highly coveted data scientists is on the rise, turnover is noticeably high. The biggest complaint? Companies haven't laid the groundwork for success.

Laying the Groundwork to Be a Data-Centric Company

Unfortunately, simply standing up solutions and tacking them on to an existing environment won't address these shortcomings. Instead, business and finance leaders looking to alter their trajectory by harnessing the power of data need to start at the bottom and work up. Clearing the path forward to a future-proof, decision-ready state hinges on having one place to ingest, enrich, and transform data, all connected to the system of record; in other words, it requires an intelligent data foundation.

A unified, broadly accessible data core is something every successful enterprise must have to succeed if it hopes to modernize finance and the enterprise as a whole. For instance, Deloitte has branded the intelligent data foundation as the "common information model" (CIM). From Deloitte's perspective, implementing an effective CIM is a prerequisite for organizations aiming to plan, record, report, and measure performance consistently across the enterprise. *"A well-developed CIM will create a consistent way to look at data,"* notes Katie Glynn, Deloitte senior manager of digital controllership. *"And when accountants think about data, we like to think about financial data. But there are also managerial and operational data components that need to be considered to really enable a future vision for finance."*

Deloitte identifies a set of principles that help create a sustainable financial transformation. An effective CIM must be:

- **Granular.** The data must be detailed enough to help enable automation, limit reconciliation, draw insight, make decisions, and generate meaningful reports.
- **Unique.** Each data element has a unique and singular purpose. Avoid overlap or multiple use cases to keep from diluting the data.
- **Flexible.** Create a foundation that can adapt to future changes such as reorganizations, acquisitions, and business changes. Pay close attention to reporting, ensuring that it's fit to meet current and future demands.
- **Integrated.** Ensure any compliance or company mandates are baked into the intelligent data foundation or CIM. Also consider needs outside of FP&A such as business finance, external reporting, local accounting, and taxes.
- **Consistent.** To drive financial consolidation and comparative analysis, establish consistency across all regions, divisions, and subsidiaries.
- **Governed.** Define guardrails to ensure adherence to policies and mandates, and to prevent "drift" overtime.

Once an intelligent data foundation is established and embraced across financial and nonfinancial departments, organizations can tap into a richer dataset that simplifies workflows throughout accounting and planning, and ultimately helps organizations become decision-ready.

A Planning System With Modern Capabilities

As essential as it is, an intelligent data foundation doesn't work alone. You need an array of capabilities and technologies to leverage it so you can build (and plan) for the future. They include:

- **In-memory architecture.** When large amounts of data are stored in memory, processing time is dramatically reduced, and the need to run batch processes to get your final financial reports becomes a thing of the past.
- **Real-time data.** An increasingly shifting landscape demands real-time data to accurately assess current conditions and constraints, and allows for informed decision-making and nimble course corrections.
- **Object data model.** To take full advantage of the insights gleaned from your data, you need an object data model rather than a traditional chart of accounts ledger structure. With native dimensionality, you can make use of richer analytics and more versatile and granular reporting capabilities.
- **Connected security model.** Drawing insights and action out of your managerial, operational, and financial data depends on your ability to wrangle it in one place and make it securely accessible across applications.
- **Artificial intelligence (AI) and machine learning (ML).** To help you manage risk, surface anomalies, and make better decisions faster, AI and ML should be baked into your planning solutions.
- **APIs and integrations.** Seamlessly integrate your ecosystem of data sources and enterprise systems for an interconnected environment that works as one.
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Understanding, Even Predicting, Your Business

As more finance teams helm the digital transformation of their accounting and FP&A operations, decision-makers are reaping the benefits of implementing an intelligent data foundation coupled with modern capabilities such as powerful enterprise-wide insight, future-focused planning, and agile decision-making. Many of these teams are looking to Workday to make it happen.

Rather than asking customers to create a comprehensive environment by stitching together disparate technology and middleware (not to mention custom programming, which puts ownership further out of finance's reach), it's now possible to enable a decision-ready environment via a single system that ingests, enriches, and transforms data into accounting, and then taps that data for advanced analytics and planning. And it's all done in a way that keeps finance in control.

Stefan Ball, Workday senior solution marketing manager, notes how Workday customers can blend operational workforce and financial data to create an enterprise data hub that finance owns. *"We can create accounting from that operational data while maintaining a connection back to the source details,"* explains Ball. *"All of that is then connected and secured by the security model that already exists in Workday."*

It's clear that organizational leaders know the health and longevity of their business depends on becoming decision-ready. By tapping into this unified data core, finance has the ability to draw meaningful connections, collaborate across departments and business units, and continuously adapt and respond in real time. By adding high volumes of internal and external operational data, planning, forecasting, and analysis become more granular and flexible, complete with a full audit trail. This allows for turning data into useful KPIs and metrics, drawing out richer insights, conducting side-by-side comparative analysis, and identifying drivers, patterns and correlations.

It also helps you look ahead. *"We're building machine learning into this fabric to do things like help you understand anomalous journal entries, help automate processes like ingesting invoices or expense receipts on the employee expense side. By surfacing anomalies before our customers have to find them in their analysis, we're helping our customers keep their data as clean as possible,"* explains Ball.

With this enterprise data hub, the business gains all kinds of operational insights. Take the insurance example mentioned earlier. (Remember, you're an insurance company CFO.) A unified, decision-ready environment would allow your finance team not just to determine macro drivers for profitability but also to combine financial, operational, and people data to identify the actual personnel most responsible for driving revenue and profit. You could analyze aspects such as weather or geospatial data, and even factors influenced by the pandemic. From virtually any perspective (service rep, division, region, and so forth), you can dive into your opportunity pipeline, unpack your capacity and demand, and assess your backlog versus forecast.

Driving Decision-Making for the Future

It's clear that organizational leaders know the health and longevity of their business depends on becoming decision-ready, and in large part that means becoming data-driven. But few know how to get there.

For those who understand the criticality of a well-designed intelligent data foundation, the path forward is better defined—and frankly more fruitful. As Ball points out, *"It's one thing to have all that data together in one place. But the end goal here is to actually drive decision-making."*

CATCHUP LOOKS CHALLENGING

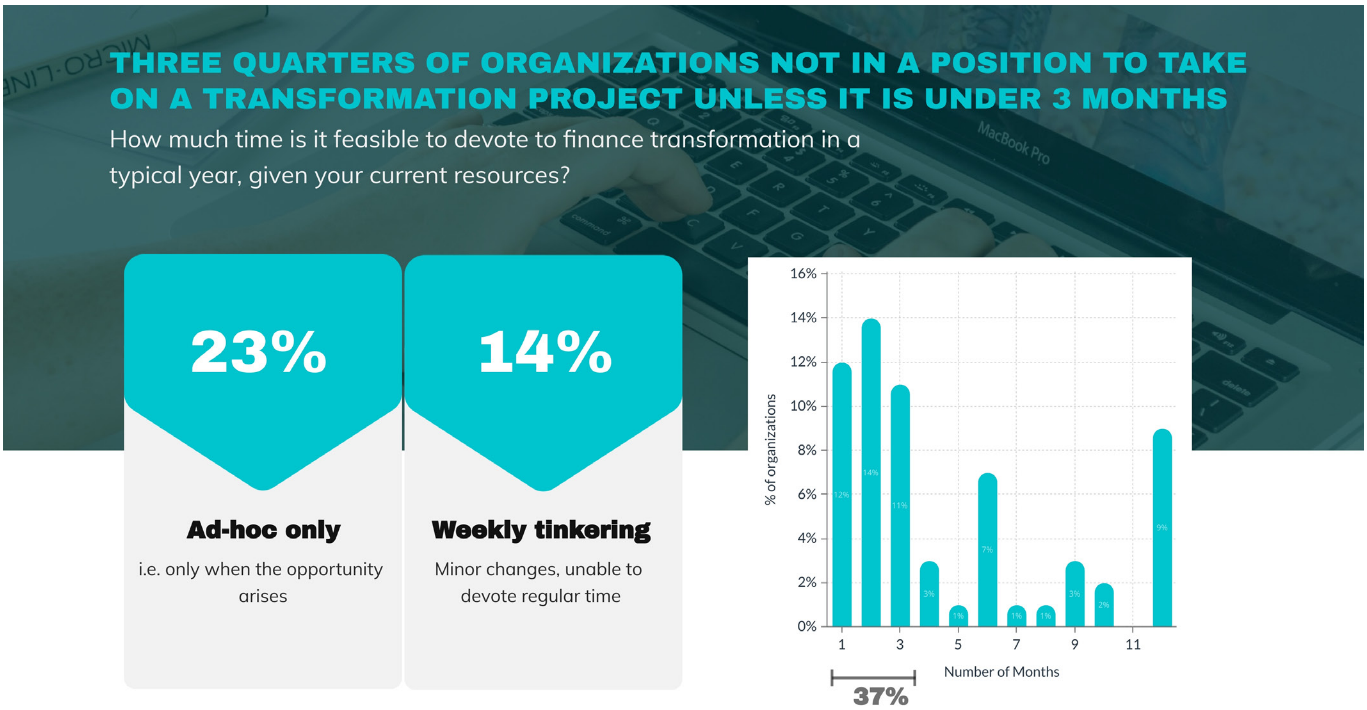
__75%__ of organizations unable to take on a transformation project unless it can be completed in under 3 months.

If organizations are really determined to improve their PBF process, reporting speed and agility, they aren't showing it. 75% of organizations say they are not in a position to take on a transformation project unless it can be accomplished in under three months.

Given their current resources, 37% of organizations say they can spare less than three months to effect a transformation of the PBF or reporting processes. In addition, 23% admitted to only being able to make ad-hoc changes when the opportunity arises, and 14% can only commit to weekly tinkering with their PBF or reporting processes but only to make minor changes and are unable to devote regular time to overhauling their systems or processes. This doesn't bode well for transformation projects that typically require a longer time frame and more intensive transformation actions.

Perhaps more concerning than this lack of time is the lack of regard for accuracy. Only 65% of senior finance executives say the accuracy of data captured requires the most improvement over the next decade, well behind speed and ease of use. FSN's survey last year showed that this is not an aspect of PBF they can be complacent about. The Agility in Planning, Budgeting and Forecasting survey 2021 showed that only 43% of organizations could forecast revenue to with +/-5% accuracy, and only 39% could achieve similar levels of forecasting accuracy for earnings.

FIGURE 3: ORGANIZATIONS STRUGGLE TO MAKE TIME FOR TRANSFORMATION



To tackle the concerning problem of data quality and accuracy, many finance executives seem intent on passing the buck to machines or IT owners. 79% wanted to increase automation, and 78% are looking to invest in closer links with the IT function to improve data quality management and skills. Three quarters also want to put in place clearly identified 'process owners' across the enterprise. At the bottom of data quality shopping list is a dedicated role/team for data quality in finance, or even an enterprise-wide team focused on data quality.

***78%** of organizations are looking to invest in closer links with the IT function to improve data quality management and skills.*

If transformation is going to happen in across planning, budgeting, forecasting and reporting processes, organizations will need to commit time for it rather than rely on short-term solutions that make no real lasting change. Importantly this needs to include data accuracy, which can't be neglected as it affects every aspect of the insight and decision-making process. Whereas the trend for finance functions has previously been towards independence of data ownership and management, it seems finance executives are increasingly leaning on IT for answers and to ensure their data is accurate and trustworthy.

IS THIS THE WATERSHED FOR DISCONNECTED SPREADSHEETS?

Spreadsheets have dominated the planning, budgeting, forecasting and reporting landscape for decades, but there are palpable signs that the spreadsheet monopoly is at last coming to an end.

The survey shows that their usage by the end of the decade is forecast to go through a sharp decline, with a commensurate increase in the popularity of best of breed planning, budgeting and forecasting tools, CPM systems and applications that allow spreadsheets to be connected to a centralized database.

CPM use is expected to double by the end of the decade

The pandemic highlighted the limitations of spreadsheets while working under duress. According to previous research, they are simply not agile enough to cope with the pace of change, and in many cases existing legacy applications prove to be too slow. Instead, the cloud and the solutions in it are being recognized more and more for their agility. Cloud-based solutions for planning, budgeting and forecasting are becoming the natural choice because of ease of access, speed of deployment and suitability for a hybrid working environment.

The aspiration is there. A year ago, 10% to 12% of organizations used specialist software in the majority or all of their business units. The current research shows the possibility of a threefold increase in the application of specialized planning, budgeting and forecasting systems by the end of the decade.

Corporate Performance Management (CPM) systems, Best of Breed (BoB) solutions and spreadsheets connected to a centralized database seem set to benefit from the decreasing popularity of the standalone spreadsheet (with a slight weighting overall in favor of CPM). Specifically, CPM system use is set to double by the end of the decade and Best of Breed software for budgeting, planning and forecasting will grow by a similar amount. Spreadsheets connected to a centralized database will grow a more modest 50%, while standalone spreadsheet use will shrink to around 10%.

When viewing this trend through the lens of company size (number of employees) a more nuanced picture emerges. Large organizations, with more than 1000 employees prefer CPM, followed by Best of Breed and a centralized database approach. Mid-sized organizations are largely indifferent between these three technologies, while small organizations reflect more varied distribution across the key PBF choices.

Consolidation

A similar picture emerges concerning the displacement of spreadsheets for consolidation by the end of the decade.

A year ago, around 12% of organizations used a standalone consolidation tool in the cloud or on premise, and just 3% used a CPM system for consolidation. The current research shows that where there is a CPM system in place, it is primarily used for planning, budgeting and forecasting. The most popular solution for consolidation is ERP (32%), and a similar percentage use standalone spreadsheets.

For heterogeneous organizations with relatively straightforward organizational structures and standardized charts of accounts using a single instance of an ERP system, then the ERP approach to consolidation seems the obvious way to go. Indeed, by the end of the decade the use of ERP system for consolidation in larger enterprises will grow to 45%, and across the other techniques up to 20% will use CPM, Best of Breed, or connected spreadsheets. This proportion is roughly the same in mid-sized organizations while smaller organizations will focus on spreadsheets connected to centralized databases.

It is interesting to note that where an organization has invested in a CPM system, it is by no means the case that it is used for all of their PBF and reporting needs. There is a substantial proportion of organizations that use CPM for either PBF or consolidation but not both. Although, this runs contrary to the initial vision for CPM it is likely that historically, organizations have either invested in a piecemeal way or have just not been able to commit resources to a comprehensive CPM solution.

Does this spell the death knell of the spreadsheet? It seems unlikely given the slow pace of change within the finance function, and the stranglehold that spreadsheets have within the finance function which has withstood many years of technology evolution. But there is a clear direction of travel for organizations keen to improve their PBF and reporting processes, and spreadsheets are slowly being left behind.

WORKDAY: INTO adds precision to forecasting and modelling capabilities

Every year, INTO helps thousands of young people from around the world study at leading universities, opening up a lifetime of career opportunities.

“Thanks to people trusting the data within Workday Adaptive Planning, we have become much more of a business partner, shaping and guiding decisions.”—Group Reporting Analyst

INTO adds precision to forecasting and modelling capabilities.

It’s a fast-changing, complex world—particularly for INTO University Partnerships Limited, a global education partnering organisation headquartered in Brighton, UK. Through joint ventures, INTO connects prestigious universities with students seeking international educational experiences.
INTO’s finance team is responsible for ensuring that company operates profitably, amid ever-changing market conditions and evolving industry trends.

With universities and representatives recruiting students worldwide, each territory runs its own budget. Traditionally, for the finance team that meant the labour-intensive process of verifying and integrating 60 to 70 spreadsheets—with different currencies—in hopes of achieving a full picture of the business. Faced with the accelerating pace of change, INTO realised the need to upgrade their FP&A solution to gain efficiencies and leverage forecasting and modelling capabilities.

Finance, far-flung outposts benefit from a single source of truth.

INTO chose Workday Adaptive Planning by working with Workday Adaptive Planning’ partner, Clear Plan, who helped INTO’s key decision makers see the considerable value of the solution and its integration capabilities with INTO’s existing MIS system.

It didn’t take long for INTO’s finance team to realise the transformative potential of Workday Adaptive Planning. Scores of spreadsheets are now consolidated with financial data in one report, representing a single source of truth. Version control and errors have been largely eliminated, vastly improving productivity of the finance team. Meanwhile, dashboard capabilities allow key business stakeholders to access data in real time.

"We can now not only rely on the information being accurate and always in the same place, but we can administer and control the numbers from afar," said Chris Wright, group reporting analyst at INTO. "This is particularly important when virtually every joint venture—university and student support in each country—is completely different and has their own budget and objectives."

Modelling the impact of Brexit.

For INTO, the importance of having more advanced modelling and forecasting capabilities became starkly apparent following the recent Brexit vote.

"Unsurprisingly, Brexit led to a huge confidence change in students wanting to study in the UK," Wright said. *"The growing trend of students choosing the US to study abroad rather than the UK is likely to be magnified by the UK's rejection of the EU. This will have a significant impact on INTO's numbers, not to mention other variables such as changing exchange rates. We are able to quickly and fairly accurately model these shifts and see the impact across the entire business, something that would have been completely unachievable prior to Workday Adaptive Planning."*

The finance team becomes the stewards of the future.

The use of Workday Adaptive Planning has also fostered greater collaboration throughout INTO. Of the 80 users, half are in non-financial business functions, demonstrating the simplicity of the solution. With data directly entered into Workday Adaptive Planning, employees are more accountable, improving accuracy. Conversations now centre around using data rather than disputing its validity. Looking forward, INTO aims to model cash flow and personnel over five-year strategic plans. They also plan to expand rolling forecasts so Workday Adaptive Planning becomes the daily go-to source of all financial information.

"Finance had previously been more of a back-office function, counting and verifying data," said Wright. *"Thanks to people trusting the data within Workday Adaptive Planning, we have become much more of a business partner, shaping and guiding decisions. We can respond to board requests quickly and easily, slicing and dicing data to generate insight for the business. What's even more indicative of our success with Workday Adaptive Planning is the fact that we use it all the time—that really is the proof within the pudding."*

WILL PREDICTIVE ANALYTICS BE THE NORM BY 2030?

The explosion of corporate data over the last decade has opened up new channels of insight and foresight. Supply chain management, sales, inventory, search history, and customer relationship data are just a few of the vast caches of granular data that can help focus and refine budgets, forecasts and plans. But at those volumes, manual manipulation is just not feasible, instead cutting-edge tools, machine learning and artificial intelligence are driving predictive analytics.

65% believe AI and machine learning will mature over the remainder of the decade and become more commonplace

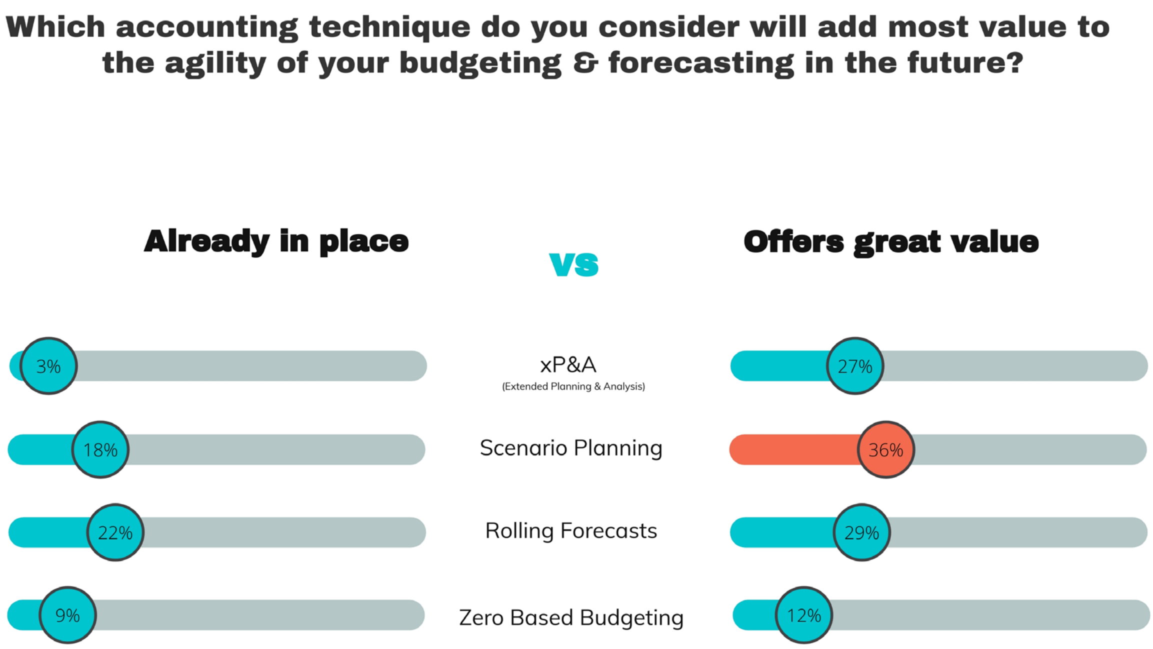
But considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, is substantial uptake in predictive analytics feasible?

FSN's 2021 research found that only 19% of organizations have moved to rolling forecasts, 13% use zero-based budgeting in all areas of the business and 13% use scenario planning to improve their PBF process. Graduating to predictive analysis would largely be conditional on leveraging the system and process requirements for these modern accounting techniques (standardized, automated and verified data, effective PBF systems). If so few are even at that stage, it seems challenging for three quarters of finance executives in the survey to expect to be using predictive analytics, AI and machine learning before 2030.

More than half of organizations expected to have implemented scenario planning over the next decade

That said, there is clearly intent and interest in the techniques that aid planning, budgeting and forecasting. Where 18% of organizations already scenario plan, a further 36% believe this will add most value to the agility of budgeting and forecasting in the future, which suggests more than half will have implemented scenario planning over the next decade. The interest is lower for zero-based budgeting (9% already use it and 12% think it will offer great value), and rolling forecasts (22% use it and 29% see value in its future use).

FIGURE 4: SCENARIO PLANNING IS GROWING IN POPULARITY



The most notable surge in interest is in xP&A, or extended planning and analysis, which is only currently practiced by 3% of organizations but a further 27% see it as offering great value to PBF in the future. While xP&A is not an entirely new concept, connecting all functional areas together in one environment enriches the planning and forecasting insight a company can generate. This is challenging from an organizational point of view but beneficial when done effectively.

Finance executives ambitiously expect that predictive analytics will be the norm for 75% of organizations by 2030, although that does leave a quarter who don't feel they'll need it or don't think it is achievable by then. But they also come to the table with a shopping list of preconditions that need to be satisfied if predictive analytics is to be used successfully in the PBF process. Chief among these is the requirement to understand the inner workings of the solutions they use.

Complex algorithms can easily end up inside a 'black box' of knowledge that can only be flexed by the software developers. Finance functions looking to incorporate predictive analytics in their planning, budgeting and forecasting processes want explainable algorithms that can be changed and flexed within the function itself.

They also want the solutions to be as easy to use and build as business intelligence solutions are today. And they want to be able to link the predictive models to financial data and external market data. Importantly they want all this built into forecasting software rather than as an add-on or afterthought.

The pandemic has hastened the acceptance of many new technologies including AI and machine learning. FSN's survey found that 65% believe AI and machine learning will mature over the remainder of the decade and become more commonplace. But they also complain about its transparency, with 60% believing finance needs to be able to understand how the results of the forecasts are produced and be able to amend them as needed. Right now, 57% don't believe software vendors have a compelling enough business case for machine learning and AI. If they take heed of the finance functions requirements for success, this can change.

Perhaps tellingly, despite the pervasion of technology in all aspects of life, our confidence in machines has waned somewhat. In 2017, 24% of finance executives said they thought machines will always be better at predicting the future than humans. Today that figure is 19%. Time will tell if trust in machines has plateaued or if this lack of confidence will be further eroded.

SKILLS NOT HEADCOUNT

For the finance function to achieve any of its long-term ambitions for forecasting and planning improvement, it needs the right tools and the right skills. The survey showed that data scientists, business partners and systems accountants are all being prioritized over FP&A professionals, and specialists in statutory reporting are least in demand, languishing a long way behind all the other functions in the investment queue, despite new statutory reporting requirements.

Notwithstanding the current skills shortage that many industries are facing, the finance function gap is a very real issue and has been for some time. Research conducted in 2019 showed that even then, 42% of finance executives were concerned that their lack of digital skills would prevent them from introducing new technology over the next three years. Now, three years later, 73% of finance executives say they will be unable to meet their objectives without significant specialization and upskilling. Half recognize that automation of finance processes alone will not liberate enough time to meet their objectives and 45% say that a shortage of finance talent will hold them back.

73% of finance executives say they will be unable to meet their objectives without significant specialization and upskilling.

However, it's not a headcount issue for most people. Only 30% of survey respondents said they wouldn't achieve their objectives without a significant increase in headcount. Most are not blaming the growth in volume and variety of data, and only a quarter believe the post-pandemic uncertainty will hold them back until the end of the decade.

Finance recognizes that it's not just about processes or tools, it's not even a shortage of finance talent. Instead, to keep up with the next generation of technology, they need the right skills to remain competitive.

WORKDAY: Kindred Group manages business complexity with cloud planning.

Kindred Group is one of the world's leading online gambling operators, offering over 26 million customers across 11 brands a great form of entertainment in a safe, fair and sustainable environment. The finance team easily manages complex budgets and forecasts, generates workforce plans, and stays ahead of industry change.

For the Kindred Group, one of the largest online gambling companies in the world, achieving massive growth, staying agile, and keeping up with global regulatory changes is table stakes. Operating in the heavily regulated gaming industry, while acquiring new companies around the world and processing 40 million transactions in 24 hours is no easy feat. And for many years, the Kindred Group managed the multi-layered, complex business model using spreadsheets. Eventually, its outdated approach couldn't keep up with the pace of organizational and industry changes. It all came to a head when a budget sheet was accidentally deleted and three weeks' worth of work was lost. The finance team realized there had to be a better way.

Today, powered by the agility, automation, and data accessibility made possible by Workday Adaptive Planning, the Kindred Group finance team easily manages complex budgets and forecasts, generates workforce plans, and stays ahead of substantive industry and regulatory changes. And agility? No longer out of reach.

"Workday Adaptive Planning has been a huge timesaver for me and our team. To have one tool that allows all of those users to access and input data simultaneously has been a real game changer for us."
Senior Financial Analyst

Challenges.

- **Slow, error-prone financial planning processes.** As new companies were acquired and financials became more complex, budgeting and forecasting processes took longer and errors became common.
- **Unable to respond to change with agility.** Tracking regulatory and legal changes as they happened was complicated by ongoing mergers and acquisitions. Spreadsheets slowed things down, creating bottlenecks and leaving finance to play catch-up.
- **Inaccurate workforce plans.** Manual spreadsheets couldn't accurately model staffing scenarios, nor could they accurately capture fluctuations in the market, creating workforce plans that couldn't keep up.
- **Insufficient analysis.** Spreadsheets didn't provide the modeling and scenario tools the organization needed to support strategic decision-making.

Results.

- **Reduced budget and forecast cycle times.** Automated processes have sped up cycle times significantly, increased the accuracy of budgets and forecasts, and improved the effectiveness of company plans.
- **Increased agility.** From acquisitions to rapidly changing regulations, finance can now manage everything with agility and accuracy.
- **Effective workforce planning.** The user-friendly Business Planning Cloud interface allows people throughout the organization to model various workforce plans, which enable stronger budgets and forecasts.
- **Robust modeling.** Finance and operational leaders can now run modeling queries and what-if scenarios to see the impacts of upcoming regulations, accommodate mergers and acquisitions, and track market fluctuations.

"We use Adaptive Planning for both workforce and headcount planning. Building in all the different tax rates across various different locations has enabled us to have a more accurate headcount forecast."
Financial Planning & Analysis Manager

TRANSFORMATION LEADERS WILL LEAD THE NEXT WAVE

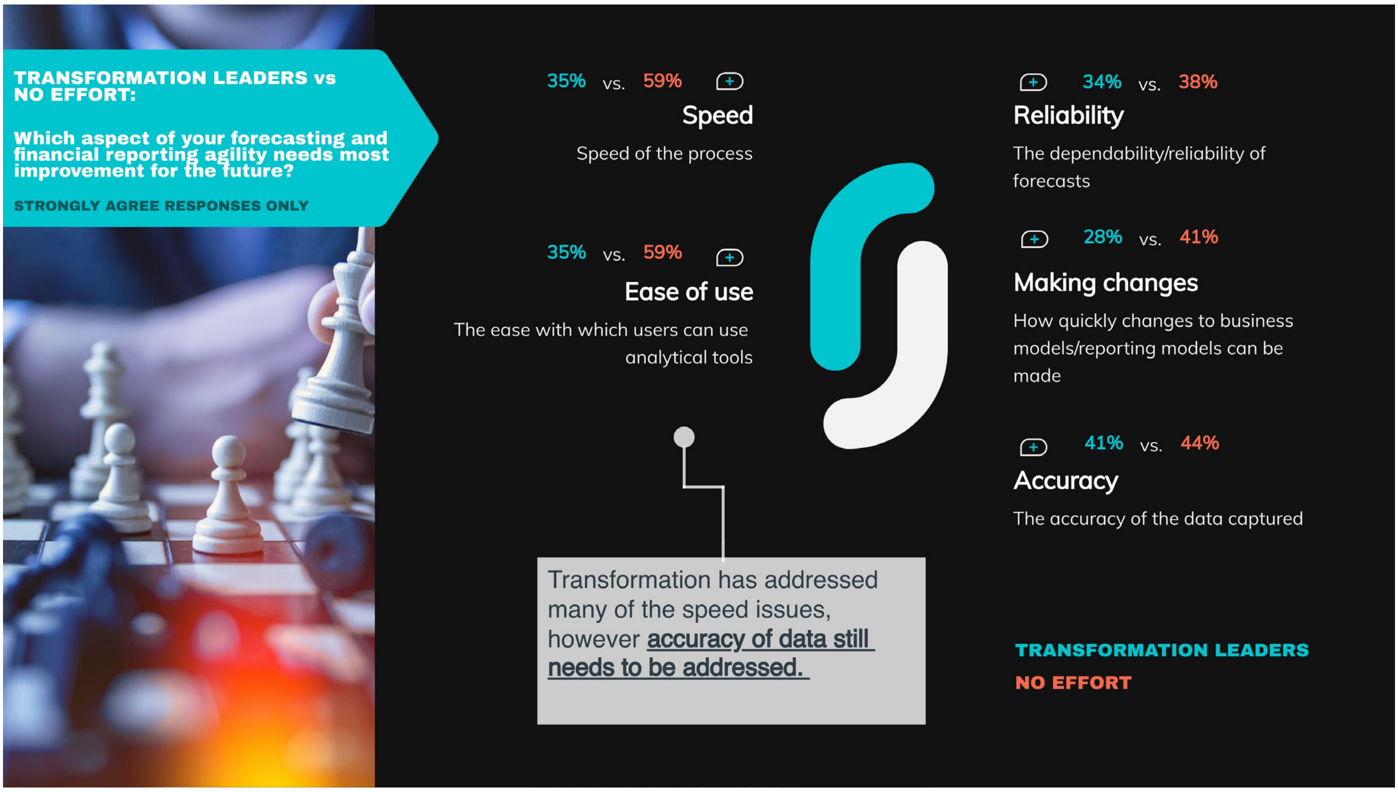
Some organizations have already completely transformed their PBF and reporting processes. They are reaping the benefits of the time and resource investment. Transformation leaders typically take a more holistic approach to process improvement. 58% of them transform their financial reporting process in tandem with their PBF capabilities. They actively look for platform solutions and are more likely to consider Corporate Performance Management systems to deliver their PBF solutions.

Transformation leaders are also preparing the groundwork for more advanced PBF techniques and, for example, are four times more likely to use scenario planning, zero-based budgeting and rolling forecasts. All this takes time, and they have more of it to dedicate to transformation. Half are able to devote between 1 to 6 months, twice as much as those who have yet to make any change and can only dedicate up to 3 months for new PBF projects.

Having made the transformation, far fewer of these leaders need to improve their process speed, ease of use or forecast reliability. However, the accuracy of data still needs to be addressed. A similar percentage of both transformation leaders and laggards said accuracy of data needed the most improvement in the future. The data issues that have dogged finance functions for years continue to prove difficult to surmount, even for those at the pinnacle of transformation.

That said, the next step for those that have completely transformed their PBF process is to utilize predictive analytics if they are not already doing so. Whereas for a quarter of those that have yet to begin their transformation journey, this objective is unattainable for the time being.

FIGURE 5: TRANSFORMATION LEADERS WILL LEAD THE NEXT WAVE



Transformation leaders poised to take advantage of AI & Machine learning.

14% of transformation leaders already utilize predictive analytics, AI or machine learning, while their laggard competitors haven't even got off the starting bloc. And 76% of those leaders who don't yet have it expect to have it by 2030, compared with 56% of those organizations that have yet to make an effort to transform.

There is a substantial competitive advantage to transforming planning, budgeting, forecasting with predictive analytics, and the current crop of transformation leaders appear well placed to leverage this capability.

WORKDAY: Why Finance Needs to Rethink the Reporting Process

With data visualization and real-time dashboards, CFOs and finance teams are able to better understand what their data is trying to tell them.

The office of finance has a vital role to play in the world of big data. FP&A teams are being asked to collect more and more finance data, while CEOs are starting to regularly ask CFOs for data on factors like payroll, sales, and productivity that can serve as leading indicators of business performance. And it's only going to increase in volume: According to a Workday Adaptive Planning survey, 58% of CFOs expect the amount of data they process to continue to increase.

Another report found that with one-quarter of finance teams already spending up to 30% of their time on just reporting, finance departments need to think about how they are going to fix their source system challenges and data gathering issues if they have any hope of understanding what the data is trying to tell them.

The Changing Focus of Finance

Right now, there's a lot of talk about financial transformation. Usually this is in the context of finance departments moving from a static, spreadsheet-driven process to a modern, cloud-based process. However, the finance department is also being asked to transform its thinking from being mere collectors of financial data to guiding strategic decision-making across the organization.

To do so, the finance department needs to rethink its reporting process. Today's CFOs say too much of their team's time is spent collecting data, and not enough on strategy. By automating data collection with cloud-based financial software, companies save countless hours by eliminating manual processes and preventing errors from mistyped data.

Once finance department members have a handle on collecting data, they need to level up their skills in interpreting it. It's no longer enough to think like an accountant who just delivers a spreadsheet of numbers. The finance department needs to think like strategists and designers by analyzing and visualizing the numbers to help leadership make sense of the information.

Visualize Success

Here's the thing: Not all of us are number people. A CEO or operational manager doesn't need a list of 100 numbers; she needs to know the five that matter most and what she should do about them. By visualizing the data, your report can quickly explain the story the numbers are trying to tell, letting leaders better listen and act.

The data visualization transformation is already underway. In yet another CFO Indicator report, more than half of CFOs say that data visualization is an initiative their team plans to undertake. There will come a time when "data visualization engineer" will be as common of a role in the finance department as bookkeepers, accountants, and analysts.

Instant Insights With Dashboards

In addition to formal, scheduled reports, the finance department is often asked to create dozens of ad hoc reports a month. For example, a board member might request a customized report incorporating nonstandard information while an operational leader might want a report measuring a specific initiative. While valuable to the end user, these reports can take up a massive amount of the finance department's time, keeping people from doing their normal work. In addition, the user often must wait days or weeks to get the information he or she needs.

With real-time dashboards accessible to all, your operational managers and leadership can have instant access to what is going on in the business at that moment, all visualized in a way that's easy to interpret. By removing the finance department from the user's desire for data and its delivery, you can empower the entire company to become a truly data-driven organization.

WORKDAY: Omnico Group forecasts now ride the company's roller coaster of change.

Having outgrown the capabilities of Excel, Omnico turns to Workday Adaptive Planning to forecast with greater accuracy and plan with agility.

Supporting seven of the world's top 11 theme parks is a tall order. It's essential to be able to quickly react to change with accurate, agile planning and forecasting. That's why Omnico Group, the leading software provider for retail, food, and ticketing in the hospitality industry, switched to Workday Adaptive Planning. The company had outgrown the capabilities of Excel and needed a change.

"When I joined, there wasn't time for the value-added stuff. It was all about just consolidating data accurately and trying to produce basic reports," says Tom Siviter, U.K. financial controller, Omnico Group. With spreadsheets and processes that weren't scaling as the business grew, frustration escalated and accuracy suffered. It was clear that Omnico needed to make a change. It needed a more flexible model that would allow the finance team to automate data collection and free them up to spend more time on analysis. Then, delivering deeper insights and becoming a better business partner to the entire company would be possible.

Once Omnico adopted Workday Adaptive Planning, things changed for the better. The finance team is now able to build complex models and dashboards with the click of a button. When business partners request a change or what-if scenario, the finance team can pivot quickly to respond within minutes. Looking at revenue modeling to analyze the trends that are influencing revenue—something that wasn't possible with multiple Excel spreadsheets—is now a collaborative activity that happens live during meetings as questions pop up. Business leaders can even self-service to quickly gather their own data with the simple interface. This all means there is more time for the finance team to focus on strategy rather than data validation.

"Now, rather than just being there to provide numbers, I can talk to the board about the changes happening, go back to my desk, and 10 minutes later have a new report for them," says Siviter. *"It means I can actually make the decisions with them and be a proper business partner as opposed to someone hearing their requests and thinking how long it will take me to get through complex Excel processes to provide what they need."*

With Workday Adaptive Planning, it's made for a career progression in terms of turning from an analyst that's doing the processes and the grinding and working out all of these things to actually coming up with the useful information to be able to influence the decisions that are being made.
U.K. Financial Controller

Challenges.

- An enormous Excel group revenue file with all of the sales deals, sales stages, and revenue required manual cutting and pasting of all the actuals, which took an exorbitant number of days each month
- The limits of Excel made it impossible to analyze the trends influencing balance and cash flow, which siloed members of the finance team as number crunchers rather than allowing them to be strategic business partners
- Static planning meant no active management of the forecast, no ability to identify gaps in the forecast or determine risks in the numbers, and no way to do rolling forecasting—all of the finance team's time was spent pulling data and producing basic reports
- Trying to create a forecast system meant the finance team was consolidating information from different data points only to have the data change continually, making it inaccurate almost as soon as it was input

Results.

- With active planning, the finance team has become a more agile and strategic business partner, allowing them to plan continuously using data from across the business
- A rolling forecasting and reporting process now drives more strategic, forward-looking business decisions that can scale as the company grows
- Scenario planning allows the finance team to break down revenue into specific orders and determine whether it's recurring, renewal, or a sales commitment, making a huge impact on the ability to focus the sales team's awareness of what they need to do to hit their numbers
- Self-service reporting allows business leaders to easily find and use data within minutes to create their own reports

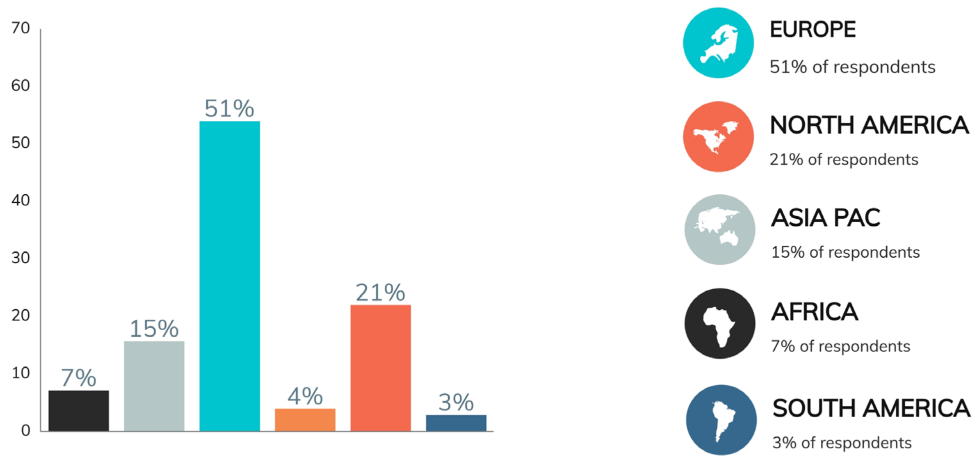
Methodology

The survey drew responses from 444 international senior finance professionals from the FSN [Modern Finance Forum on LinkedIn].

This survey covered finance professionals across 23 different industries. 81% of these professionals were considered to have senior job titles and above.

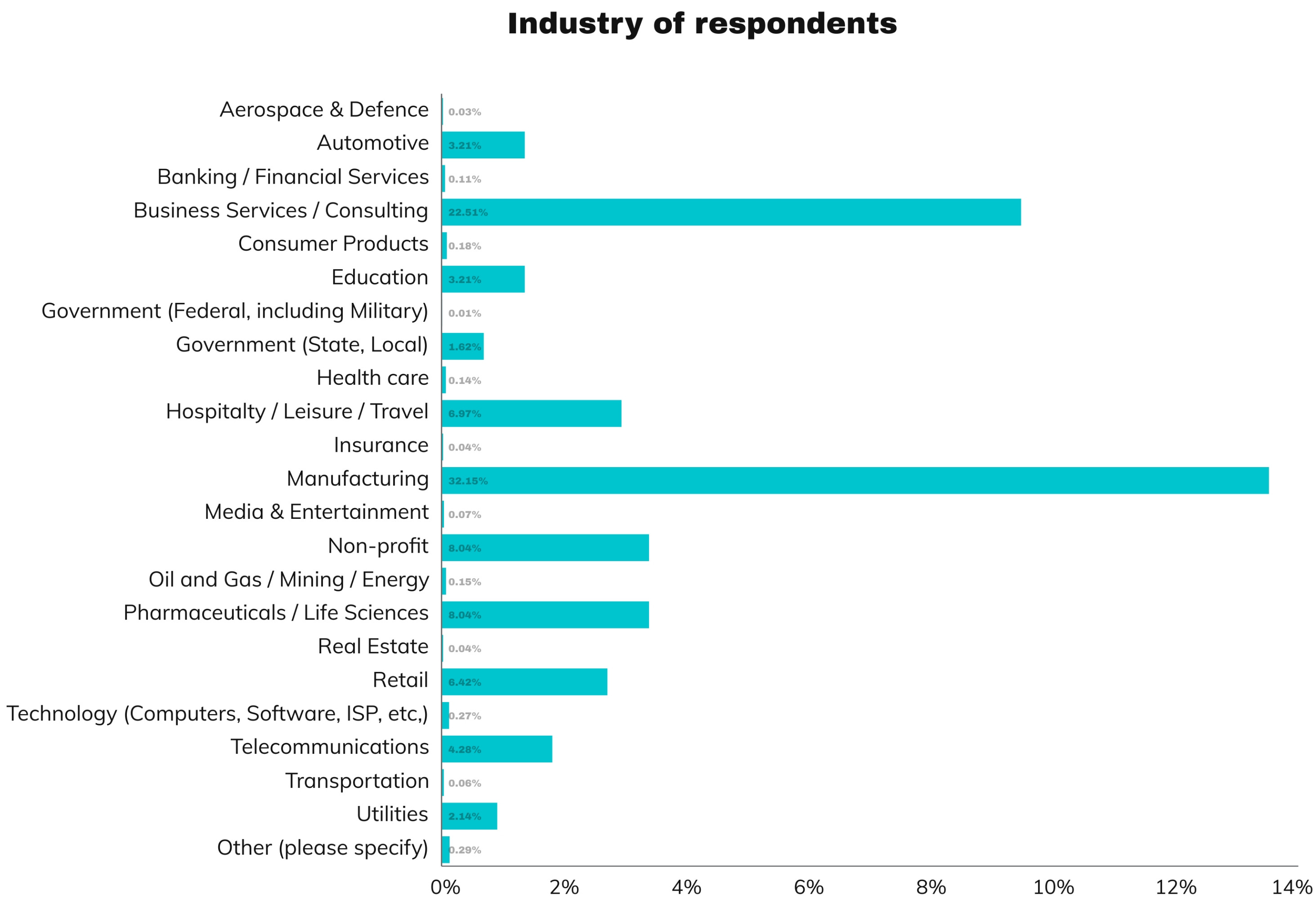
Response Demographics

444 SURVEY RESPONSES GLOBALLY*



COMPANY SIZE

Based on employee numbers


Industry of respondents
Aerospace & Defence
0.03%
Automotive
3.21%
Banking / Financial Services
0.11%
Business Services / Consulting
22.51%
Consumer Products
0.18%
Education
3.21%
Government (Federal, including Military)
0.01%
Government (State, Local)
1.62%
Health care
0.14%
Hospitalty / Leisure / Travel
6.97%
Insurance
0.04%
Manufacturing
32.15%
Media & Entertainment
0.07%
Non-profit
8.04%
Oil and Gas / Mining / Energy
0.15%
Pharmaceuticals / Life Sciences
8.04%
Real Estate
0.04%
Retail
6.42%
Technology (Computers, Software, ISP, etc,)
0.27%
Telecommunications
4.28%
Transportation
0.06%
Utilities
2.14%
Other (please specify)
0.29%
0%
2%
4%
6%
8%
10%
12%
14%

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources, helping customers adapt and thrive in a changing world. Workday applications for financial management, human resources, planning, spend management, and analytics have been adopted by thousands of organizations around the world and across industries – from medium-sized businesses to more than 50% of the Fortune 500.
workday.com/cfo

About FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 54,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

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