ASSOCIATION FOR FINANCIAL PROFESSIONALS

FP&A Handbook

The Who, What and Why of Financial Planning & Analysis

Underwritten by jedox Simplify Planning

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Dear Finance Professional,

Acknowledging that the profession of finance has faced mounting challenges to meet changing business demands in recent years might be "putting it lightly." For this reason a modern handbook, created by and made for finance professionals like yourself, is an incredibly valuable resource to help map the path forward for Finance Transformation.

From insightful interviews with practitioners and how they are adapting to change, to a deep dive of how Financial Planning & Analysis (FP&A) functions within an organization, no stone was left unturned in this new AFP FP&A Handbook.

Jedox is proud to collaborate with AFP on this because we strongly believe in the capabilities of finance to be stewards of value creation, not just capital. Looking closely at how finance adds value and identifies what obstacles are in the way of achieving that value offers the opportunity to open the door to better insights and better decisions across the organization. At Jedox, we're privileged to enable that journey for numerous organizations around the world every day.

Jedox makes planning and Enterprise Performance Management seamless, in every organization, on any device, wherever the data resides. Over 2,500 organizations in 140 countries trust Jedox to boost their performance, streamline business collaboration, and make insight-based decisions with confidence, which enables people to effectively collaborate in an increasingly fast-moving world.

Kind regards,

Mark Velthuis

Mark Velthuis
President, Asia Pacific for Jedox

INTRODUCTION

WHAT FINANCE BRINGS TO THE TABLE

Let’s state the obvious: The pace of change in business and life has never been greater — and it will only increase from here. By one measure the amount of data created, captured and consumed rose from two zettabytes in 2010 to 79 in 2021, and will more than double by 2025.[1] A zettabyte used to be a big number, 10^{12} gigabytes, but is becoming a common measurement because it is understood that anything that can be digitized will be digitized.

1 Statista, Volume of data/information created, captured, copied, and consumed worldwide from 2010 to 2025.

The role of the CFO is changing in a way that mirrors macro forces. While the CFO has always been the steward of company capital, responsible for financial controls and reporting, ensuring adequate capital flows, and deploying the next unit of capital for the best long-term return, the role is evolving. In this new era comes the opportunity to harness new tools to create new capabilities for finance, leading to new operating models of how we deliver our services to the company.

FP&A often goes by different names in different companies and countries, but it always has the same goal: optimize the use of capital and resources by supporting business decisions.

The new operating model of finance is a team of value-focused finance practitioners expanding opportunities for the enterprise. Better data management and connected tools remove the burden of gathering and preparing data, and provide more time for analysis, insight and recommendations.

This shift to value-focused finance places a strong emphasis on financial planning and analysis (FP&A). More than simply a box on enterprise organization charts, FP&A is skill set that can bring this vision to reality. FP&A often goes by different names in different companies and countries, but it always has the same goal: optimize the use of capital and resources by supporting business decisions.

VOLUME OF DATA/INFORMATION

CREATED, CAPTURED, COPIED AND CONSUMED WORLDWIDE FROM 2010 TO 2025

* Estimated or forecasted

THE OPPORTUNITY

FINANCE CAN DELIVER CAPITAL MANAGEMENT IN DIFFERENT WAYS

NEW TOOLS → NEW CAPABILITIES → NEW OPERATING MODEL

Using the Association for Financial Professionals' (AFP) global reach, this handbook brings you the voices of finance practitioners wrestling with these changes. The source material includes two regional advisory boards, AFP conferences and events, member interviews and our proprietary research.

> "At the end of the day, executives weigh the inputs from different functional areas. What does each group bring to the table? Finance has methods for thinking through an uncertain future and quantifying our thoughts and decisions. We bring strong analytical frameworks and analysis to the table. We think through a series of cash flows in the future, show the inflection points, and what we believe are the options and outcomes. We instill that discipline, and we are also creating risk and control points. Little stop and start nodes where we can say: Where are we right now? And which direction do we now want to go?" **—Rob Trippe, corporate finance advisory**

DEFINING FP&A

WHAT IS FP&A?

The Association for Financial Professionals (AFP) identified the emergence of FP&A more than a decade ago as a growing team inside the CFO organization. Since then, AFP developed a certification, conference and training designed specifically for this group. “Independent research shows that more than three out of five C-level executives find the FP&A function to be the hardest finance position to fill. Our certification creates a universal set of principles and standards of practice that companies can use to validate their critical FP&A hires,” said Jim Kaitz, AFP’s president and CEO.

The CFO is the steward of capital for an organization; in simplistic terms, this responsibility can be thought of as ensuring proper governance over where capital has been, where it is now, and where the next unit should go for optimal returns.

THE CFO IS THE STEWARD OF CAPITAL

EXAMPLES	WHERE CAPITAL WAS: REPORTING & CONTROL	WHERE CAPITAL IS: DEPLOYMENT & CIRCULATION	WHERE CAPITAL GOES NEXT: DECISION SUPPORT
Roles	• Accounting • Audit	• Treasury, Capital Markets • Accounts Payable • Accounts Receivable	• FP&A • Finance Business Partner
Responsibility	Ensure financial controls are in place to govern and report on financial transactions to owners (investors), regulators, and interested parties.	Ensure capital is available in the right place and form, ready to be deployed; incoming funds can be received.	Support business decisions to allocate capital to its most productive use, through planning (budgets and forecasts), performance management, financial analysis at all levels of operation.
Standard Certifications	• CPA, Certified Public Accountant • CIA, Certified Internal Auditor • CGMA, Certified Global Management Accountant	CTP, Certified Treasury Professional	FPAC, Certified Corporate FP&A Practitioner

As a working definition for this handbook, we will use the following definition from the FP&A Maturity Model.[2]

FP&A drives business decisions throughout the organization through three key services:

1. **Integrated planning and forecasting:** A key function of FP&A is to translate the strategic plan into a strategy that coordinates the company, can be measured, and can be checked. This includes forecasting and budgeting, for those that use budgets.
2. **Performance management:** Companies set financial and operational goals and metrics that align with the desired outcomes. FP&A supports the company through management reporting on progress and performance on these metrics, supplemented with the additional context of "the three what's": what happened, what it means and what do we do next.
3. **Financial analysis:** FP&A delivers insight based on constructed models, data and information.

To deliver on these promises to the business, FP&A must also add a fourth activity:

4. **Manage its own growth:** FP&A plans its own growth to remain relevant to the changing operating models of business, data management and systems architecture, and team development.

[2] Further elaboration of this can be found in the FP&A Maturity Model.

That is a huge mandate. *What does it feel like to be in FP&A?* AFP stays close to the developing FP&A profession via constant contact with practitioners, vendors and academics through global events, industry and advisory panels, and surveys. Members of AFP's APAC FP&A Advisory Council described the FP&A role in the following ways:

FP&A sits at the intersection of strategy, operations and finance and ...

- Fuels growth above cost reduction.
- Is the last line of defense before the data is finalized or released to the public. We know the deficiencies in the data, both as data stewards and as financial interpreters, and we know the meaning of the numbers. In the past we may have kept this internally to FP&A, now we are sharing that across the company.

Is the connector, the glue between the strategy and operations, the body connecting the head to limbs, providing a feedback loop on performance, increasing accountability for corporate promises.

Is a business partner that ...

- Has grown out from controlling and exporting data to telling stories based on the numbers.
- Is the enabler, like the critical friend giving voice to financial needs and telling difficult truths.
- Works WITH other people, who may be protective of their turf; doesn't act in isolation.
- Helps the stakeholders create value through better decision-making.

Looks to the future with potential by being ...

- Forward-thinking, harnesses data for insight, and applies digital capabilities.
- A catalyst for change.
- Curious and questioning, respectfully.

Defining FP&A matters

Given FP&A's origin in accounting and the rapid evolution of the CFO function, many practitioners find it challenging to define their roles, both within finance as well as to business partners. However, **appropriately defining the FP&A function allows the CFO to detail the responsibilities, training, and career path for a large group of financial professionals, and to focus them on how to deliver value to the business.** Cecile Francais, head of FP&A at Cartier in China, gave voice to the challenges in an interview:

"I have a goal to make FP&A known as a function in and of itself, because a lot of people still do not know what FP&A means. They know about accounting and controlling, but do not quite understand what even the F, P and A mean.

"People still view finance as the 'safe keeper.' They believe finance is controlling the money and only cares about making savings or cutting costs. The finance person is either a controller who sends reports about past performance, an accountant who books the expenses, or a bank cashier who pays the bill.

"We can be the business partner who can really support the business decisions with insightful analysis."

When AFP posted this quote on LinkedIn, it received global discussion that echoed and amplified the challenges. The practitioner quotes below indicate **why it is important to define the department that is FP&A.**

Define the knowledge, skills and abilities required to do the work.

"I am doing a review of the leading undergrad finance textbooks. Only about 15% or so of a typical text's content pertain to topics that are the bread and butter of FP&A, such as gross versus operating profit margin that companies live and breathe every day. The rest is heavy-duty corporate finance stuff such as CAPM, WACC, capital markets, treasury management etc. Non-finance managers should recognize that FP&A is not part of a spreadsheet, it's part of the business!" **— Business school professor**

Separate the specialized roles between FP&A and accounting.

"I work in the SaaS industry where forecasting revenue is still mostly done in Excel. Many analysts are trained accountants who don't forecast the BS and use adjusted (accrual) NI to predict cash." **— Founder, business intelligence software company and former CFO**

"Since relocating to Asia [from the U.S.], I've been surprised to find that many Asian companies, primarily those with local establishments only, still rely on their accounting departments to handle FP&A and treasury functions. We focus more on forecasting and planning than looking at actuals, which are provided by accounting. We explain to management and investors why it happened and the impact to the company's short-term and long-term financial targets." **— Financial consultant, international food company**

Hire and coach the FP&A mindset of business partnering and engagement.

"It's all about making financial decisions with the support of non-financial managers by monitoring their past performance and providing them insight on uncertainties." **— Manager, financial advisory, international holding company**

Validate the work of FP&A professionals.

"I once had trouble convincing an SVP of Delivery that I was in finance; he saw FP&A as something completely distinct from finance, which I don't. To me, accounting and FP&A are the two primary legs of finance (there are others, like treasury, if the firm is large enough). There are many firms too small to have a separate FP&A function, and perhaps there is where confusion sets in." **— CFO, data analytics company**

"Almost every time I tell someone what I do, they really don't know what FP&A is." **— Financial analyst, consumer products company**

STRUCTURE OF FP&A

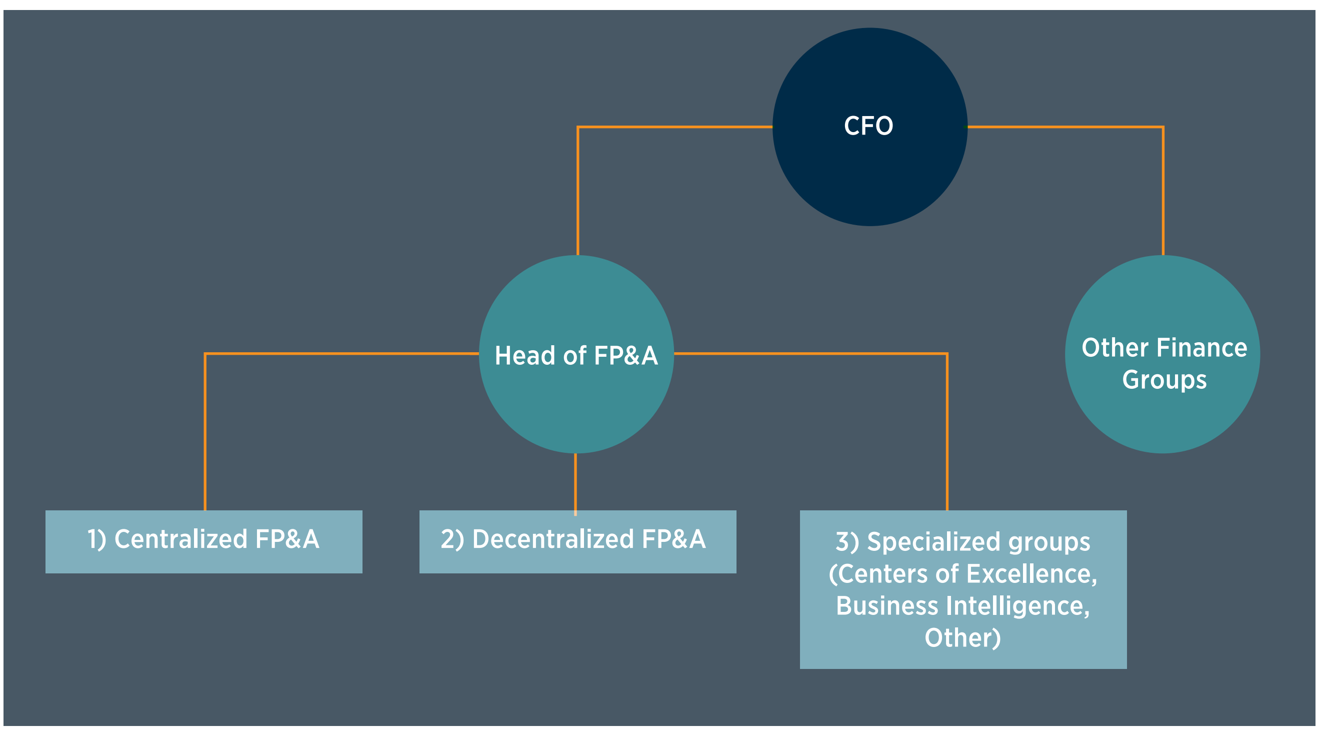
FP&A is coming into its own as an organization under the CFO. Some in the field have historically defined it as everyone in finance who is not in accounting, treasury or tax, but today there is a distinct vision, set of skills, and body of knowledge for FP&A. If leadership desires to create a value-driven finance team, it will make the investment to create a business-partnering organization. "If you say something is important you, you've got to look at the wallet. You can't just tell people that something is important and ask them to do it. Management needs to back it up," said Melanie Jameson, finance director at Premera Blue Cross, a healthcare company in Seattle. Part of that is structure of the FP&A team itself.

These three sizes roughly equate to three levels of complexity:

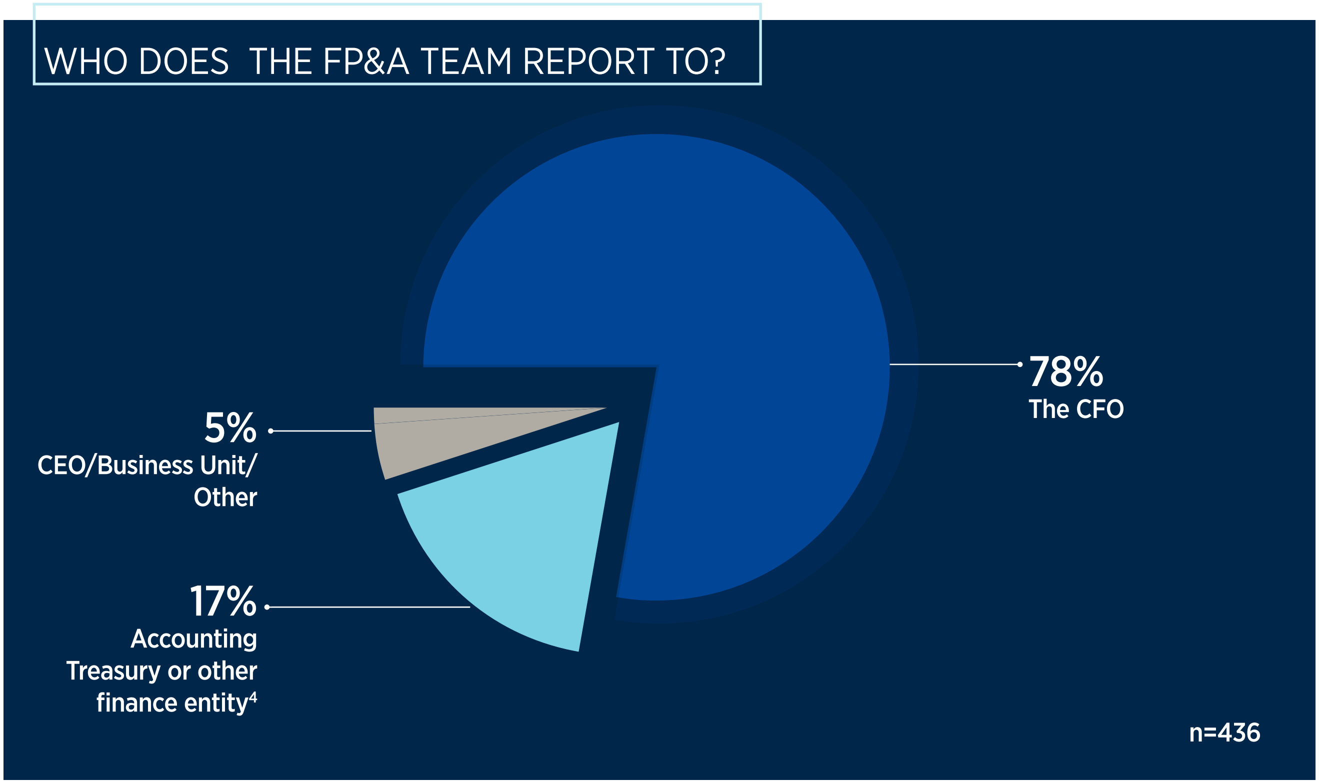
Level 1: HQ staff perform business support. The centralized FP&A function is responsible for all FP&A activities, including budgeting, forecasting and planning, creating scenarios for the CFO, etc. They may have identified a "go-to" person for particular units, allowing a closer relationship, and that resource may support multiple units. This may work well in small companies, but the risk is that this level lacks the capacity to provide decision-making support and advanced analytics to operations. Accounting or treasury have sometimes performed this function.

Level 2: Finance embeds FP&A staff in the business units. Increasing in size and sophistication, HQ FP&A staff embed FP&A practitioners in the business units to support rapid decision-making, developing strong ties with business leaders and true business knowledge and expertise.

Level 3: Finance deploys local business consulting teams. Companies split finance into three separate organizations: a shared service center (SSC) that handles day-to-day activities, a centralized business support group or Center of Excellence (CoE) that performs standardized and ad-hoc analytics, and a separate front-line, embedded layer of 'business consultants' whose sole role is to provide advice and decision-making support by working with the businesses.



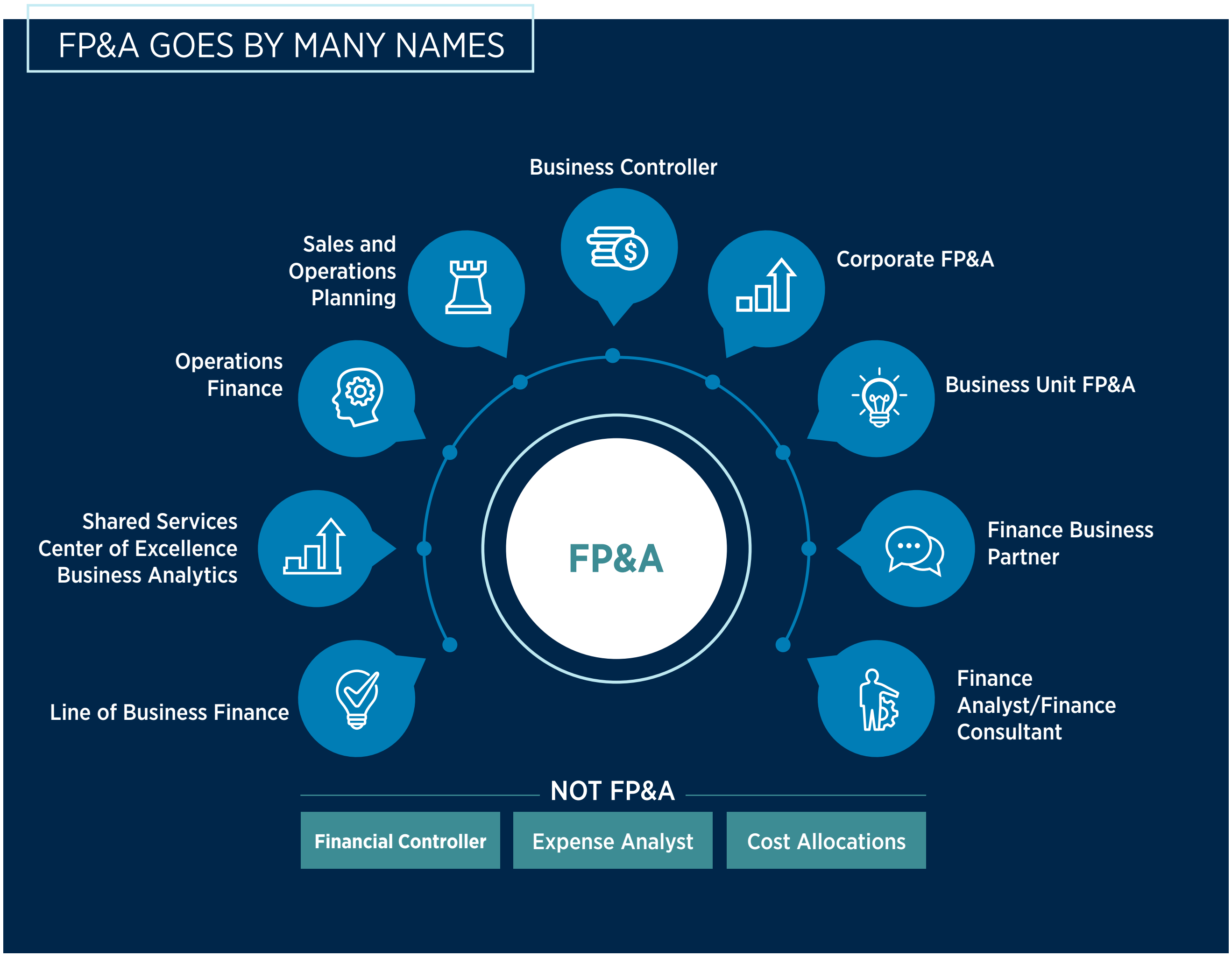
It is a best practice for FP&A to report to the CFO[3], and this is evident in practice as shown by the results from the AFP/APQC report, Preparing for the Next Level of Financial Planning and Analysis.[4] FP&A has a different mindset and approach from their related finance family in accounting and treasury, and aligning a forward-looking estimation team with control-driven reporting teams limits the success of both teams. This will be discussed further in transitioning from accounting to FP&A section.



[3] One common exception to this is where FP&A is part of the CEO's organization rather than the CFO, as is common in Japan.
[4] Further elaboration can be found in the AFP/APQC report, Preparing for the Next Level of Financial Planning & Analysis.

Who is FP&A?

The CFO of a multinational communications company said to AFP, "FP&A is everyone who reports to me who is not in accounting, treasury, tax or audit." That leaves a broad group of people doing some form of planning, performance management or financial analysis, and that means that FP&A is both a box on the enterprise organization chart and a collection of the associated skills and roles. Those titles vary across the globe and across companies, especially as the business landscape rapidly shifts. To help sort through this confusion, the chart below offers a view of related titles and responsibilities.



TERMS, DEFINITIONS & APPLICATIONS

BUSINESS CONTROLLER
A commercially minded finance person partnering with the business to maximize plans and opportunities. It may be function specific, e.g., supply chain business controller, commercial business controller, or strategic business controller.

CENTRALIZED FP&A
In a hub-and-spoke model of FP&A, the centralized FP&A team is the hub, aggregating input from the spoke teams by consolidating financials and presenting them to the CFO and other executives.

DECENTRALIZED FP&A
In a hub-and-spoke model of FP&A, these teams are the spokes, residing in various units as business partners and conduits to the central planning team and CFO.

EXPENSE ANALYST
Similar to a finance analyst, but the emphasis on expense focuses the role on cost containment. Some typical expense analysts are for trade, marketing expense and G&A, and the expenses have significant impact to the bottom line. This role may be in FP&A or accounting.

FINANCE BUSINESS PARTNER
This may be a defined role or task within a role. The partner supports the business through financial analysis, reporting and forecasting; they also act as a reference point to other parts of the organization when specialized skills are required. The finance partner will apply broader business and commercial acumen to the insights they bring and advice they provide. They seek to add value by translating complex financial and non-financial information into readily understood concepts and outcomes.

FINANCE ANALYSTS OR FINANCE CONSULTANT
Similar roles in that both require the application of financial skills and knowledge to financial reports and operations with the goal of improving business outcomes.

FINANCIAL CONTROLLER
An accounting, compliance and risk-focused financial professional. Subject to different countries/organizations, the role could also serve as business partner, steward, and co-pilot to the division's general manager and management team for financial decisions.

LINE OF BUSINESS FINANCE
Working with the P&L owners on a daily basis, they convert their business plans into financials and explain to them their financial performance, including product/business case development, product performance, allocations and profitability. Some companies call it "marketing financial support" and indicate a reporting relationship with marketing and sales (P&L owners) by way of a dotted line.

MANAGEMENT ACCOUNTANTS
Create non-GAAP or non-IFRS standard reporting for internal customers to support business decisions. Because they are not limited to accounting conventions, they can represent data in any manner best suited for the team. By combining accounting, finance and management skills they are able to create a complete picture of business performance.

OPERATIONS FINANCE
Oversees productivity and efficiency tracking of key production and logistics metrics that drive efficiency and financials, such as variable/fixed production costs, transfer freight, warehousing, trade freight, and pick-up allowances. Unlike pure cost accounting, operations finance forecasts possible cost headwinds (e.g., inflation) and alerts management to take possible action in a timely manner to offset (e.g., price increase).

SALES AND OPERATIONS PLANNING (S&OP)
An integrated management process that links revenue drivers and supply chain/fulfillment operations to ensure customer delivery and financial planning. It requires collaboration, inputs, adaptation and alignment at the cross-functional and management levels, and usually has integrated software specific to operations.

SHARED SERVICES/CENTER OF EXCELLENCE/ ANALYTICS
A finance utility that supplies high-quality, highly efficient standardized services, such as data collection and reporting, research, and various financial transactional services (e.g., accounts payable, accounts receivable, general ledger).

Transitioning from accounting to FP&A

Financial planning and analysis has its origins in accounting, and for many years, a robust accounting function sufficed for many organizations concerned with preparing a budget, reporting the numbers, and filing securities documentation. However, the FP&A field has become more specialized and requires a different mindset and skill set than accounting. The following table describes three broad changes anyone transitioning from accounting to FP&A should keep in mind.

1 FROM CAPITAL REPORTING TO CAPITAL ALLOCATION

ACCOUNTING	FP&A
Historical focus: Accounting records the transactions.	**Future focus:** FP&A is consumed with the question of where the company should put that money to work in order to create the most value and the best long-term returns.
Investors: Accountants provide information to management but also report to shareholders, creditors and regulators.	**Business partners:** FP&A serves management and the business leaders who want a blend of financial and operational metrics.
Financial reporting: The format for accounting is standardized and must comply with set rules, such as GAAP or IFRS.	**Management reporting:** FP&A can create reports that suit management and are tailored to different users throughout the organization and may include visualizations, dashboards and scorecards.

2 FROM CERTAINTY TO PROBABILITY

ACCOUNTING	FP&A
Precision: Accounting requires a very high level of accuracy.	**Directional:** FP&A recognizes that data is seldom perfect or complete, but decisions need to be made in changing markets
Granular: As an accountant, you focus on the small details taking place and removing context from it.	**The big picture:** The challenge is making the leap between the small details in front of you on a particular process, product, service, or general ledger expense line, and connecting that to the entire enterprise.
Deciding what's material: Accountants may dismiss small variations that do not meet their materiality thresholds.	**Not too small to care:** FP&A may see small variability and identify it as the potential start of a trend or business change.

3 FROM INTERNAL FINANCE TO BUSINESS RELATIONS

ACCOUNTING	FP&A
Internal function: Accountants, early in their career, typically interact with other accountants.	**Partnership:** FP&A builds relationships with business partners to analyze operations and make decisions.
The "what": Accountants give you the balance sheet and the income statement and tell you what happened.	**The "why?" and "now what?":** FP&A takes this information and tries to peel back the layers to truly understand why that happened and how it can be used going forward.

Challenges for FP&A in the Asia Pacific region

The Asia Pacific Advisory Council noted several challenges to FP&A that are specific to the region.

Providing feedback. Culturally, some individuals may not feel comfortable questioning authority, sharing their voice or speaking their mind; the challenge is how to be confident, comfortable with ambiguity, and learn to ask the hard questions.

Finance in APAC may have less independence to act than other parts of the world. Many large APAC companies are multinationals where software system decisions are made for them in other parts of the world. Another large category of APAC companies are small or medium enterprises that may not have a modern, forward-looking view of FP&A, and therefore not invest in the group.

Parts of FP&A are evolving at a faster pace than in other parts of the world. It may have been true that in the past FP&A consisted of CPAs, CMAs and former accountants, especially in APAC, but the younger talent moving into this area includes data scientists, data analysts and others. The finance lead for one country noted that, "I have 70 people in my finance team, and less than 10% are CPAs." Another member noted the change at the rank of CFO — the role is now being populated with management consultants, engineers, people who can dive deeply into problems, develop solutions, collaborate with other executives, and lead a team. FP&A fits this description as well.

One size does not fit all. APAC is such a large, heterogeneous region that includes so many people, countries, corporate structures, and differences; it is challenging to generalize about the experiences and needs of the entire group. Creating content for APAC requires consideration of global leading practices as well as nascent efforts to create FP&A teams.

DAY IN THE LIFE OF FP&A

FP&A is a diverse role, pulling on many areas of knowledge, skills and abilities that applies a financial lens to business and strategic planning and analysis. That is a broad mandate, so to help explain what it means to live that life, we have three views of a "day in the life" of FP&A professionals from around the world.

Claire Lu, FP&A Manager, Hologic, Australia

I work for Hologic, a company that focuses on women's health. We provide diagnostics, breast health, skeletal health and surgical, in addition to being a medical device company. Currently, our finance team consists of six people, including our director.

My job focuses on analyzing, concentrating heavily on revenue, standard margin and gross margin. I also focus on reporting as we do a lot of standard margin bridges to understand what is driving the standard margin in each sector — whether it is the volume, average selling price or unit. We perform an intense, deep-dive analysis to try to see where we can help with our bottom line.

What is it about the financial analysis role that you are passionate about?

The FP&A role is a perfect combination of both my personality and my degree. I am a very detail-oriented person, and like a private detective, I enjoy figuring out what is missing and solving the mystery. I also like to resolve problems. This role is perfect for me.

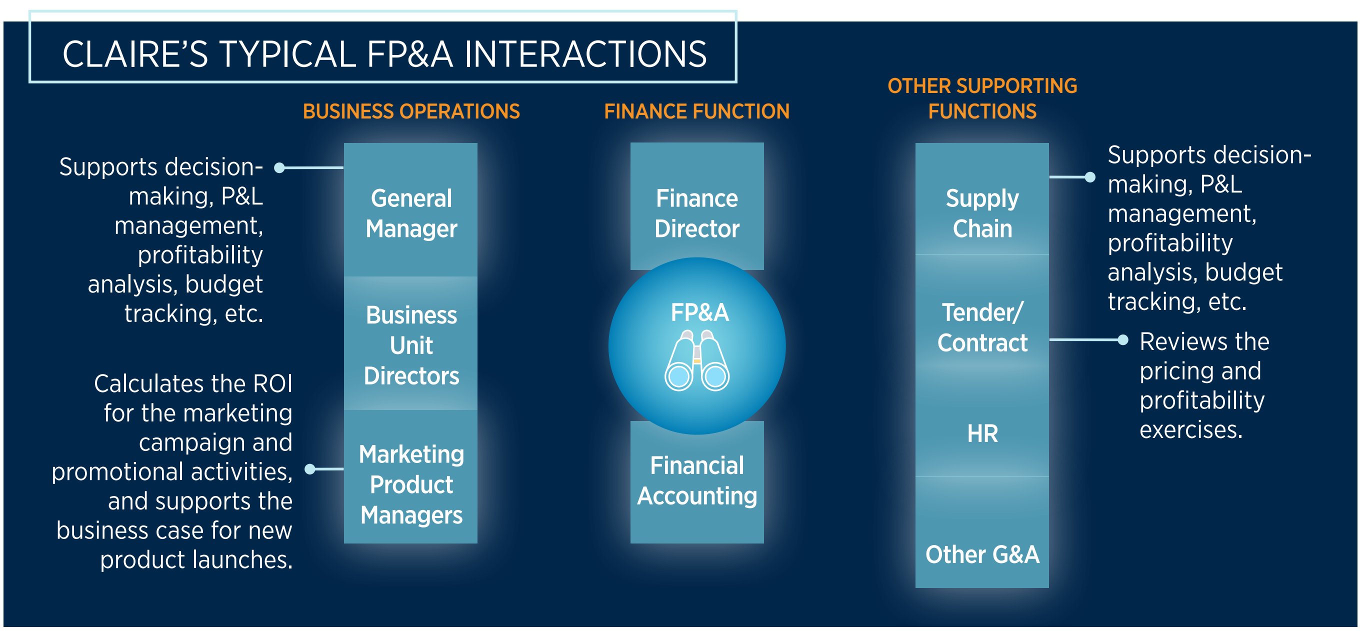
What is a typical day for you?

I am currently working from home, and always start off my day with coffee and exercise!

To begin working, I will check all my unread emails, then review and complete a daily sales dashboard, which reports revenue changes from yesterday. I then distribute the report to all the leadership team members, which takes around 30 minutes.

After sending the report, my day is filled with analysis, mainly because we do a lot of preparation for meetings to present our yearly result and outlook: profit and loss (P&L) statements by divisions, comparison against the forecast and prior year, and budgeting.

I have various meetings throughout the day. For example, the program manager will call me to talk



about the standard margin because they want to understand more about how it calculates. I am usually reporting at a group roll-up, but the product managers or business directors look at SKU-level data. This structure is where we need to bridge the gap to see the true standard margin for their analysis. My help is sometimes needed to understand what is sitting under their group-level reports, so I frequently get invited to different stakeholder meetings. Everyone in business operations is my internal stakeholder.

You talked about preparing P&L statements by division. What is happening at that level?

Recently, the base business has underperformed because of the bad economy and lockdown in Australia, and the newer testing business has had a great revenue for the past two years. How should we focus for the next year?

This uncertainty means we must have a "P&L with coronavirus" and a separate "P&L without coronavirus." It is a lot of work. Most costs are combined, and you cannot differentiate which one goes to coronavirus and which one goes to the base business. However, we need to see which division and portfolio is making money and then allocate those resources accordingly.

What are the standard items on your to-do list?

In addition to the quarterly forecast, I also do a weekly mini-forecast. I meet weekly with individual business unit managers to try to understand whether any extraordinary activities are affecting our forecast, and then update it based on that information.

I do the monthly reporting pack, including variance analysis and standard margin analysis. Receiving the information ASAP is crucial, and it is important that I interact with different stakeholders to understand what is driving the margins.

What are some challenges you may find within the gross margin?

We look mainly at the freight and logistics costs because they are so expensive these days with capacity and custom rates. Since our company products are mainly coming from the U.S., we do not have a manufacturer here in Asia and spend a lot of money on logistics, which is the biggest chunk in our P&L. We are currently working closely with the supply chain team to understand the drivers and how we can manage the costs to ensure our gross margin.

You said you also spend time on developing BI capabilities and building awareness. Half of it sounds technical, half of it sounds like change management.

Even as I develop and expand the BI capabilities within our company, a lot of the stakeholders are only comfortable using Excel spreadsheets. Navigating through an online platform can be a lot to take in for them. Therefore, I aim to develop awareness about the dashboard whenever I meet with them and show them where they can find the information. Each meeting, I teach them tips and tricks so that everyone is eventually capable and ready to use the dashboard themselves.

I meet weekly with individual business unit managers to try to understand whether any extraordinary activities are affecting our forecast.

Who is on your team? Not just your finance team, but all the people you interact with.

The top member of my team would be the general manager, followed by my finance director. Then, the main team whom I meet with weekly include the business unit directors and portfolio managers. I also work closely with the product managers from each division, as well as and the human resource director to understand the headcount, especially for forecasting and budgeting. Finally, I interact with financial accounting at the end of each month to perform variance analysis.

How many hours are in a typical day for you?

Since the year-end is busy, I have probably worked more than 10 hours per day in the last two weeks. I try not to work weekends!

How do you finish your workday?

To end my workday, I usually write down a list of things that I need to do the next day. I will even "star" it if it is very important. At the moment, it seems like everything is urgent!

Mohamed ElRouby, FPAC, Global Finance Lead and CFO Middle East North Africa, Pharmanovia, Dubai

I enjoy working in FP&A as we have a unique opportunity to become a trusted business advisor by building strong business relationships, telling impactful business stories, gaining solid business acumen and providing helpful business insights. I enjoy working very close to business, analyzing the value chain, being involved in key decision making, leading different cross-functional projects, learning the other functions world, and creating value as a true business partner.

In my day-to-day life, FP&A has five core responsibilities. I may not do each of them every day, but I am responsible for all of them over the course of a typical week.

1. **Financial planning:** Lead the annual budget, financial forecast and long-range plan process from end to end, starting from setting up the process, which includes collaborating with all functions and senior management to develop the annual planning calendar; developing the manual for the planning process, timelines, tasks, and tasks owner; preparing the financial planning models and tools; giving training on the planning tools to the users; and designing the planning reviews presentation deck. After that, FP&A has to track the planning process activities and ensure it is moving on track as per the agreed timelines, and provide any needed support requested by any function. The next step is consolidating, validating and reviewing the planning input from all functions, and ensuring high accuracy of the data and that there are no technical errors. The final step before submitting the planning numbers into the corporate system is arranging a planning review meeting with all stakeholders to understand and challenge the key planning assumptions, business rationale, and to ensure strategy alignment with the proposed plan.
2. **Management reporting:** FP&A is also responsible for providing different types of management reports that support different levels in the organization, starting with the monthly management deck, which includes (1) executive summary of the KPIs actual performance vs. plan and vs. prior year, supported by high-level key messages; (2) sales performance by product, country and region; (3) profitability analysis by product and by country; (4) operating expense (OPEX) tracking by function; (5) headcount tracking; (6) monitoring risks and opportunities; and (7) working capital ageing analysis. In addition, we provide management reports for different meeting purposes and forums, such as the sales and operations meeting with commercial and supply chain, quarter strategic business reviews with the regional team, monthly sales flash forecast, monthly P&L sign-off with the regional team, and more.

We provide management reports for different meeting purposes and forums, such as the sales and operations meeting.

3. **Performance management:** FP&A is also responsible for supporting and monitoring the business performance. This includes managing the P&L elements — sales volume, pricing, gross to net, profitability per product, and OPEX — through giving full visibility to budget owners about their performance against the plan, highlighting any sales performance gap and working with the commercial team to find solutions to close that gap, ensuring no overspending by properly tracking the OPEX per function, calculating the ROI for any proposed trading and promotional activities, highlighting any potential business risks and opportunities, and getting an action plan to mitigate risks and materialize opportunities.
4. **Decision support:** We support both operational and strategic decision-making as FP&A trusted business advisors. This includes reviewing and supporting the preparation of business cases for new product launches, entering new market business, divesting business units, headcount optimization, resource allocation, etc. We provide the business with all the needed analysis to support decision making, providing what-if scenarios and options, and asking the right questions to get the proper business insights.
5. **Cross-functional projects:** FP&A works with different functions across the organization, either as a project leader or as a project team member, in areas such as operations excellence, finance, commercial. Examples of projects include OPEX optimization, cash flow improvements, commercial excellence, sales force effectiveness, digital transformation, new system implementation, etc.

MOHAMED'S CORE FP&A RESPONSIBILITIES

Peggy Ang, Regional FP&A Manager, National Instruments, Singapore

In this hybrid work mode era of the coronavirus pandemic, I spend 60-70% of the week working from home and the rest in the office, whenever the local regulations allow for it. Here's what a typical day looks managing the FP&A function for the Asia Pacific (APAC) region.

7 a.m. – The alarm goes off, but I snooze it or start swiping my phone; realistically I roll out of bed 20 to 30 minutes later. I have tried to break the habit of looking at my phone as the first thing, whether for news, social media, or work emails, but that is still a work in progress! I grab a quick breakfast, power up my laptop and prep my four-year-old for school. Pre-COVID, it would take me about 45 minutes to commute to the office in regular traffic, so working from home has really saved time.

8:30 a.m. – I do a 15-minute scroll through my emails for urgent incoming matters and the easy ones requiring really short replies, then leave the others until later in the morning. I then spend another 15 minutes reviewing the day's calendar and planning what to work on that day.

9 a.m. – I check the top news of the day, paying extra attention to regional news that might impact spending and business engagements in the region. Often, I will have group calls or one-on-ones with headquarters attendees at this hour; otherwise, it's mostly night calls for APAC folks in order to accommodate the global audiences.

10 a.m. – I dial in to the weekly APAC leadership meeting, chaired by the regional vice president (RVP), attended by various regional directors and functional heads from sales, technical support, HR, legal and finance. The RVP and directors are FP&A's primary business partners, as they drive the top-line bookings and account for the majority of operational expenses in the region. This weekly leadership call provides insights into what goes on across the geographies and functions and a platform for cross-functional interactions, which may not be straightforward given how work is disaggregated into functions.

I share the insights from this call with the corporate finance team and discuss how finance can proactively support them. Other agenda topics include opportunity pipeline and bookings forecast, headcount and hiring statuses, financial results and metrics updates, variance analyses report-out, as well as pertinent updates on projects or macroeconomic issues and other quick tips and reminders to the team.

11 a.m. – This is my "morning session" for working through the email inbox — I limit myself to going through emails twice a day for the most part, as I found that it disrupts the pace or efficiency of my work. Plus, I find that urgent matters come through my mobile or Microsoft Teams chat anyway.

12 p.m. – On a lighter load day, pre-COVID, I would pop into a gym class at least twice a week, but that is all out of the window with on-off local gym class suspensions and regular shifts in government guidance on ability to enter the office. Lunch at home is more like an afterthought.

1 p.m. – Afternoons are typically made up of small group meetings such as weekly one-on-ones with my direct reports, functional teams' manager meetings, bi-monthly catch-up with the RVP and monthly sync-ups with functional leads in sales ops, HR and other finance sub-functions that FP&A works closely with.

3 p.m. – I try to fit in at least two to three "focus" blocks per week, ranging from 90 to 180 minutes each. During this time, I might work on forecast and budgetary planning or reviews, project matters, system issues, financial models, presentation decks, employee development matters, or personal learning and development. In the focus blocks I find myself getting things done not just more efficiently, but more effectively as well.

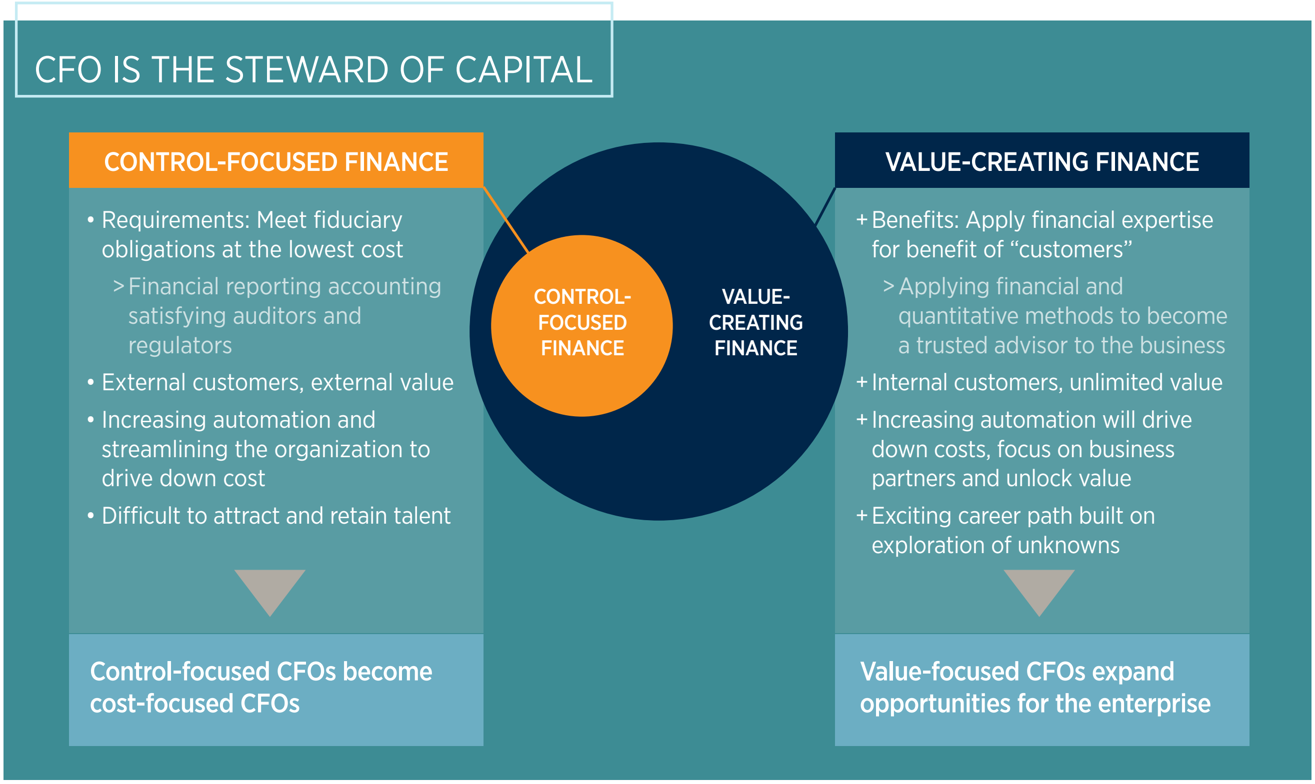
5 p.m. – One more look at my emails before heading off to childcare at 6 p.m. and getting dinner ready.

After hours – It is a globally connected world, and I often have night phone calls. Usually twice per week I will attend a call that requires my direct involvement, such as my manager's weekly staff meeting, global FP&A team meeting, project or budget calls. There may be an additional one or two calls that are more one-way communication such as company business updates, functional process changes communications, Q&A sessions, town halls, or brown bag learning sessions; these are recorded, and I will listen the next morning at 2x the speed! Finally, I get some me-time winding down … and another bright new day awaits!

THE CHARACTERISTICS OF LEADING FP&A ORGANIZATIONS

THE CFO SHIFTS FROM CONTROL TO VALUE FOCUS, AND FP&A LEADS THE CHANGE

What type of finance organization do we want to be? Companies can answer this question narrowly by defining finance as a base-level, control-focused organization that satisfies fiduciary duties — meeting the operational capital flows while completing the accounting, legal and compliance requirements that satisfy the board, auditors, shareholders and regulators. Many of these stakeholders are external to the company; the costs incurred to deliver these services are overhead, frequently allocated to the business like a tax on their P&L statements, so management is incentivized to fulfill this duty with minimal cost.



If finance is solely viewed as a cost center, the goal becomes cost minimization. The business case for investment in finance becomes justified through headcount reductions, training for staff is de-emphasized, and organizations' ability to attract the best talent is limited. Worst of all, these are missed opportunities to support the business. Over the long-term, this limited scope often means **control-focused CFOs become cost-focused CFOs**.

Alternatively, **value-focused CFOs deliver insights to benefit the enterprise.** Finance can apply its expertise to create and service internal customers, bringing to business operations the quantitative methods, critical analysis, and even that skepticism some consider to be in the DNA of Finance. Value-focused CFOs recognize that automation will continue to drive down costs on both the control side and value-creation side, but automation provides new capabilities to unlock that value.

One AFP roundtable member summed: "In my organization, the initial approach to finance was very cost and accounting-based. As we matured, we realized **that we needed a different skill set, and therefore created an FP&A function.** For example, the finance function in some markets focuses on cost and risk control because that is what the environment is about. My group has that cadence down, and we focus on FP&A because it is more future-looking and growth oriented. You need to adapt to your setting."

Most AFP members see this as exciting — a path that is creative, exploratory, and which prizes the finance skills that have been honed for so many years. In fact, a focus on value over control has underpinned the call for finance to be a strategic business partner.[5]

THE FP&A SERVICE MODEL

When setting up the FP&A department to deliver services to the business, it is helpful to apply best practices of service delivery to your own group. Amy Vetter, an AFP Conference FP&A keynote speaker, outlined how to prepare ourselves and our department to change from a reactive cost center to service center by becoming a cherished advisor to the business. Her recommendations are outlined here.

Adopt a customer service mindset

Vetter began her AFP 2020 presentation with a tragic personal story of when a financial partnership was not available. When she was young, Vetter's mother owned several successful cleaning businesses in the

[5] Further elaboration on this topic can be found in the AFP guide, Becoming a Value-focused Finance Organization.

1980s, but a change in the business climate was not being interpreted in an actionable way. Specifically, the accountant was trusted and competent but did not advise that uncollected payables should lead her to increase cash reserves on a timely basis. The information lagged operations and was reported as cold financials rather than intelligence to act upon. The effect was devasting.

Making the transition from being a cost center that capably handles the finances to a service center that supports the business requires rethinking how we perceive our organization, developing a plan to reach out, and supporting that with soft skills that complement our technical capabilities.

Adopting a customer service mentality requires that we design the customer experience to reflect what partners can expect when they interact with your department and requires several elements.

- **Mission statement:** Define your "why" and describe your purpose, then ensure you follow it the majority of the time.
- **Brand promise:** When people work with your department, what value will they receive?
- **Customer support:** What technology will support your customers and your team so that timewasters fall away, and you can be a better advisor? Is it bots? Is it a report, or frequently asked questions that automate easy requests without human touch? Automation is the key to freeing up time from the rote in order to focus on the relationship, where we as people add value.
- **Create segments:** Are you structured in a way to support your partners?
- **Customer lifecycle:** What is the service process? Are their expectations met? Where can we "wow" them?
- **Assessment and deployment:** Assume continuous improvement. "We will never set things in stone for years and walk away," Vetter said. "We are an agile work environment where we constantly reassess our human and technology interactions." Are we meeting our mission? Are we duplicating work? Can we do it 10% or 20% better?

Build the experience

Next, Vetter says we need to put the elements in place to announce and deliver the customer experience that you have designed. The key phases are as follows:

- **Awareness:** Change the messaging about your department, and let people know what you will do for them. Reach out to let people know you want to help, and show testimonials of how you have helped through presentations, office newsletters and conversations.
- **Discovery:** Don't feel a need to answer questions on the spot, especially while you are learning about your customers. Ask questions, take information, come back and communicate that you heard and understood.

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- **Relationships:** Vetter advises us to walk into a conversation as if it is the first time talking to that person in order to be fully present and observational. Otherwise, we risk overlooking the most important information. Specifically, we can:
  - Turn the webcam on to read the body language and stop us from multitasking.
  - Ensure meetings add value and are not perfunctory, compulsory exercises to just deliver numbers.
  - Visualize information in a consumable way for non-finance people that tells them what they need to know.
  - Deliver presentations in the format of a three-act play: background, conflict and resolution.

Develop soft skills

Building relationships and delivering services requires that we move beyond our technical capabilities and develop the soft skills that lead to influence. Vetter lays out six critical skills to accomplish this and encourages training specific to these areas.

- **Be responsive:** Deliver on the requests. Vetter noted that this "does not mean we need answer that minute, but we do need to communicate when we will answer" in order to show care for the partner without being overwhelmed ourselves.
- **Collaborate:** Show mutual respect of the expertise of others. Our partners may not understand our numbers, and we don't want them to reject our words out of fear of turning us off. We need to demonstrate that our analysis serves their goals.
- **Influence:** Help stakeholders and teammates to make a decision and feel like they benefitted from the interaction with you. Influence is not restricted by the level of seniority.
- **Problem solving:** Vetter advises that we assess a problem, pause to ask the questions we need to ask, take in the information, and return with a well thought-out solution. "It is okay to not know the answer right away," she explained. "The other person is not asking for an answer right away. That is a stressor we often put on ourselves."
- **Show leadership:** Provide confidence that you have the experience and capabilities to help the team achieve their goals.
- **Exhibit project management:** The ability to pace work and deliver value demonstrates competence, control and caring.

It's hard to find all of these traits in a single person, and even harder to find them naturally. Vetter has ideas on this as well. First, consider a team approach that allows a finance department to deliver expertise in each area. Second, "Education does not always mean technical," and "CPE is not enough." We need to train ourselves on all skills to become a cherished advisor. Our stakeholders need that from us.[6]

[6] Read the full article, "From Cost to Service Center: Becoming a Cherished Advisor."

THE ROADMAP FOR FP&A TRANSFORMATION

What do leading organizations do that's different from the rest? AFP took up this question in the FinNext Asia session entitled, "The Roadmap for FP&A Transformation."

Larysa Melnychuk, founder and CEO of FP&A Trends, laid out an opportunity for FP&A to reclaim and repurpose time. Her research echoes a familiar message: 40% of organizations still report data of poor quality; 74% use spreadsheets intensively for planning (more than three-quarters of their process), and only 12% are using cloud technology. Optimism for efficiency is on the horizon, however, as 11% have started using artificial intelligence (AI) and machine learning (ML) for planning, with 57% of organizations planning to do so in the near future.

The characteristics of leading state organizations

Today's typical organization has a 12-month focus when it comes to setting a budget and tends to have separate strategic business and operational plans. "And those practices work okay, but once it's outside of the planning cycle that we're used to, all sorts of challenges present themselves," said Michael Coveney, author of "*Budgeting, Forecasting and Planning in Uncertain Times*."

Coveney cited six areas in which leading organizations differ from the pack. The first is **leadership**. Organizations in the leading state recognize they can't predict the future, and therefore change the cultural mindset to focus on answering the following questions: How do we change what we're doing at the moment? What are the analytics telling us? What are the facts telling us? And how do we adapt?

The second difference is that leading state organizations have **integrated processes** — the strategic plan, business plan, and different operational plans are all aligned and combined as one. This requires FP&A to spend time with the different operations rather than create a process that simply changes numbers in a cell.

In leading organizations, "What we find is that typically FP&A will work alongside, whether it be logistics, manufacturing or HR, and they will talk with those organizations, asking what information they need to make decisions at a detailed level. And quite often, what happens is we end up building models that support those needs. But those models are directly linked to the overall business plan, which is

directly linked into the strategic plan. We end up with one plan," said Coveney.

The third area is in the use of **data and analytics**. Leading organizations typically have a driver-based plan, which allows them to simply change a few of the drivers to create a complete P&L, balance sheet and cash flow forecasts for the organization. There are several benefits to this simplification. You only have to change a few numbers for this model to work, which simplifies maintenance and effort to update the model.

Also, a driver-based plan enables these organizations to run scenarios and sensitivities. What happens if something changes, for example, whether an exchange rate changes or supplies are suddenly reduced by 10%? What does that mean for the business? The system can then work out the implications for the organization as a whole, and from that, plans can be formulated to either mitigate or take advantage of the situation.

The fourth area relates directly to the third: leading companies have **technology and systems that run in real time**. "You can't do this in spreadsheets, you can't do this in simple consolidation tools. It requires a proper platform that is collaborative [so that] the whole organization is planning together," Coveney said. Common benefits of enterprise resource planning tools include a centralized, managed, single source of data that flows across the organization to create a consistent base of reporting and analysis; and decentralized, role-based access for security and usability. That also becomes the springboard for the next round of advancements, including AI and ML capabilities.

"We're seeing a tremendous increase in the use of these technologies, and it's having a big impact on accuracy," said Coveney.

The last two items return to human elements for FP&A. Fifth is to lean into the elements of being a **business partner and trusted advisor**. FP&A needs to challenge the organization, asking, "Do those plans really make sense? Is that forecast really accurate? Do the facts support where we're going?" This is a delicate balancing act: supporting the operating teams while being skeptical and asking difficult questions.

This leads to sixth item, the creation of **new FP&A skills** to accomplish all the preceding steps. To do this requires three roles to be filled: the architect, the storyteller and the influencer. The architect will apply their financial expertise to the data models and technology platforms to see what it means for the business. Then the storyteller will take that information and put it together in such a way that sorts out the key signals within the avalanche of noise surrounding the organization and take meaningful action. It is the sum total of these efforts that allow finance to have the technical, informational and persuasive clout to influence the organization.

The impact of leading state organizations is impressive: 84% of them base all or most of their decisions on data, 71% have a real-time view of business performance for the C-suite, and their forecasts are accurate 83% of the time, compared to an average of 50%.

How do you get to that leading state? "It happens one step at a time," said Coveney.

Success requires addressing all six areas. Some companies will be at a mature level when it comes to leadership, but because analytics is letting them down, they're back at the basic state. Culture is a hard area to address and requires years of experience and persistent effort from leadership. Analytics is the easiest element to see, and while you can change that quickly, you need progress on all levels. The six elements should provide you a roadmap of where to work.

DIGITAL TRENDS: **A MICROSOFT CASE STUDY**

Our business environment is changing dramatically. Smart devices, smart office, autonomous vehicles … new environments are boosting the creation of tons of data every day. Our challenges vary from surging data, legacy systems and inadequate tools, to not being able to cope with the growing business complexity, which will eventually lead to human errors, and even generate bigger problems like a governance risk and other threats. To overcome these challenges, Takeshi Murakami, group finance manager at Microsoft, Japan, explained how Microsoft instituted four areas of focus.

1. **Financial analysis and reporting:** using business intelligence tools to automate reporting, increase agility in the business decision-making process, and move away from Excel.
2. **Strategy and forecasting:** developing AI and ML to forecast capacity and demand planning.
3. **Business of process automation:** includes leveraging a chat bot for basic Q&As to improve agility and efficiency, automatically setting up contracts and tax reports.
4. **Risk management:** One example of this is compliance of predictive analytics; they capture the unusual transaction automatically by AI, flag it and raise the alert.

Murakami stated that while accuracy is very important, what is also important to take note of is the amount of time saved. To create a quality forecast the "traditional way" took the team "roughly two to three weeks" and involved a significant number of people and many sync meetings to finalize the numbers and storylines. "It's a very time-consuming process," he said. "It also involves the judging up and down of the numbers, meaning it is biased. If you leverage and shift 100% to ML, we'll need just one or two people, and it can be created almost in real time and without any bias."

"In Japan, we used to have like 60 people and spend a huge amount of time doing the forecast,"

FINANCE FOCUS AREAS

FINANCIAL ANALYSIS & REPORTING

- Modern Business Management Portal
- Tax Analytics Platform
- Interactive Financial Statements
- External Financial Reporting
- Global Reviews on KPI Lake
- Customer Lifetime Value Analytics

STRATEGY & FORECASTING

- Machine Learning Revenue Forecasting
- Machine Learning Accounts Receivable Forecasting
- Predicting Xbox Game Volume
- Real Estate Capacity Planning
- Headcount Forecasting
- Service COGS Forecasting

BUSINESS PROCESS AUTOMATION

- Finance Operations Chatbot
- Credit & Collections Chatbot
- Contracts Setup Automation
- Financial Management Reporting Automation
- Tax Report Automation
- MSTravel App

RISK MANAGEMENT

- Global Policy Tool
- Compliance Predictive Analytics
- Blockchain
- Smartlink
- General Data Protection Regulation (GDPR)
- Travel, Gift and Hosting Compliance

Murakami said. "But now we're able to free up 58 of those people and let them work on the more value-added tasks. This is happening worldwide in Microsoft."

How do you turn the data into action in the quickest way possible? By cleaning up the data and creating a single source of truth. "It is critical that we work on cleansing the data, creating consistent definition taxonomies," said Murakami.

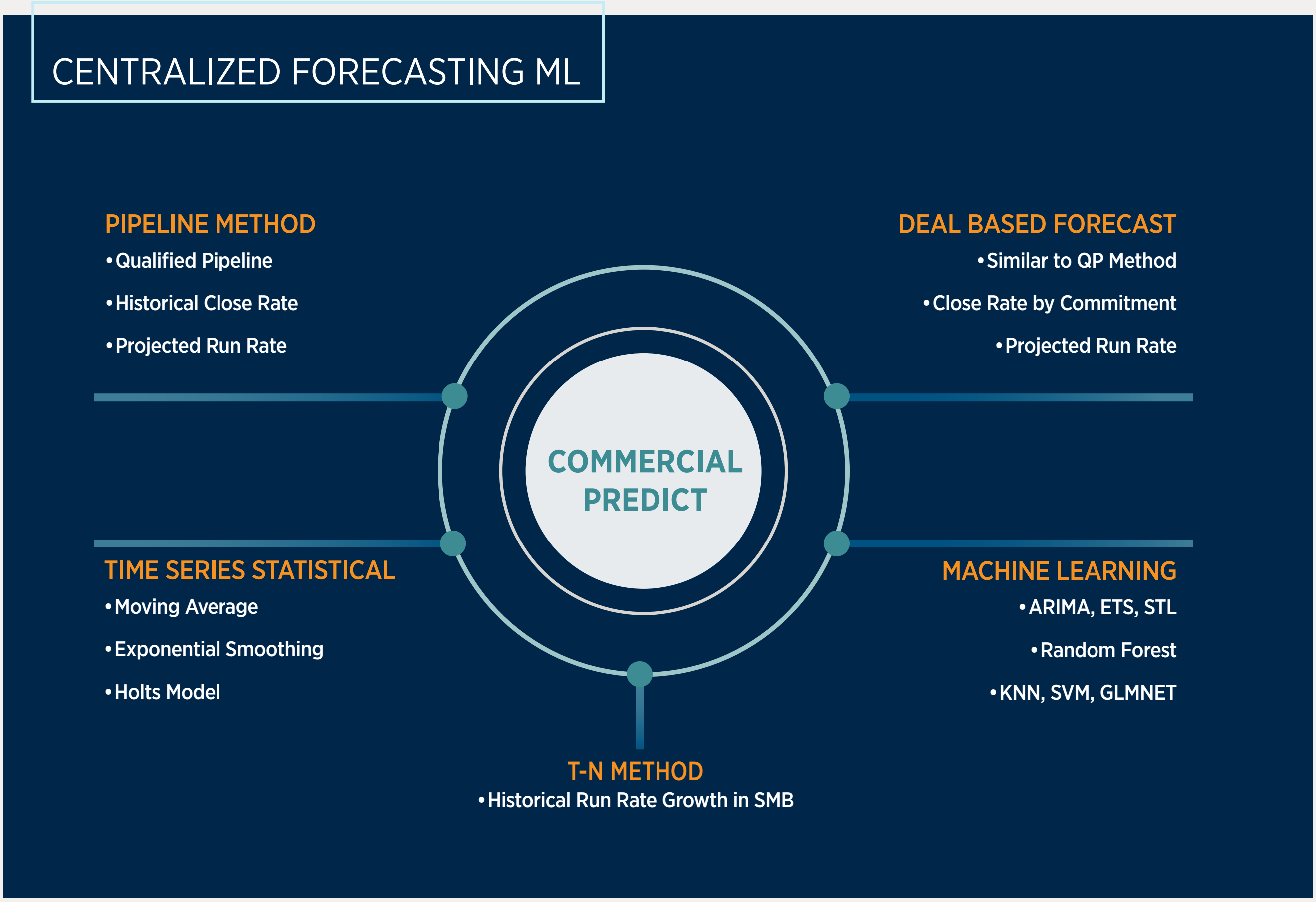
"Machine learning enables us to learn from the past to predict the future," he said. "The distance between data and action is much closer now."

Turning the data into action and, more importantly, adding value to the business in a fast and relevant way has been a long journey for Microsoft. "And we're still struggling to get this improved further," said Murakami. Making the change requires a strong leader to drive it and a process to run it.

Here is how it works: The ML models join the expertise of data scientists with the application of the finance team. Our data scientists built an ML model where we use the customer-view data from our CRM and historical close rates to each of the different stages of the deal and pipeline. An ML model would apply the close rate to the current pipeline to be the forecast while applying trend projections and statistical (probabilistic) methods. There are about 20 to 30 models in the tool, and the final output of the forecast from the ML will triangulate among four or five of these logics. The AI works on top of ML to pick the most relevant logic for the country.

This modeling was done centrally at our headquarters in Washington, D.C. (in the U.S). We learned that a finance professional and a data scientist need to closely work together to finetune and improve the model. The finance person is not proficient with the statistics or the machinery model, and the data scientist is not proficient with the business. So, the key thing is to work together to improve the model. And once we get the final output, we can transition the forecast into Excel or a BI tool to share with the business.

Just how big of a role of finance can really play in driving the business is an open-ended question. "I'm really excited about all the great changes coming for finance professionals," said Murakami.



IMPLEMENTING AN EPM PLATFORM: **GRADIANT CASE STUDY**

Gradiant is a leading global solutions provider and developer of cleantech water projects for advanced water and wastewater treatment. Gradiant moved its headquarters from the United States to Singapore in 2018. In 2019, the company began a period of rapid growth, expanding their business into India, China, Malaysia, and Australia, and incorporating entities in Indonesia, Thailand, and Vietnam. The company's planning, budgeting, reporting and consolidation processes became increasingly complex, calling for a new and innovative solution.

The Gradiant team originally wanted to set up an Enterprise Resources Planning (ERP) solution; however, after some research, they decided that an Enterprise Performance Management (EPM) solution better suited their environment and global setup. The EPM tool allowed for global scalability and flexible, autonomous use for a team that was located all over the world. They selected Jedox Cloud.

The journey began with two goals

Two primary goals were established as measures of success. One, they wanted to save time throughout the planning process. And two, they wanted to achieve a single source of truth.

The initial project phase

Operationally, they wanted minimal support from IT as they moved from on-premises to 100% cloud deployment. There was no need to purchase hardware or set up local servers, and system integration was effective, as evidenced by single sign-on authentication. Training for the power users was available both remotely and locally on-demand from the finance project team.

Functionally, Gradiant achieved the following in its initial five-week phase:

- A detailed cash flow model was set up that allowed for the analysis of cash sources and use of cash movement.
- The automatic handling of counter-party entity data flow based on holding legal entity and elimination at a group level.
- Full P&L statement reporting, cash flow standard reporting and balance sheet. The finance team is currently performing the consolidation processes for 30 entities with plans to expand that capability further.
- With some expert-level support from the vendor to enhance the model, the team was also able to implement sales models beyond previous capabilities, plan to a granular level with opportunity names by market or sales rep, create business models, and understanding cost of sales.
- The planning team estimates 80% of their time was redirected from facilitating manual processes to focusing on higher value activities.

Resources

Because they opted for the cloud, the Gradiant Finance and Operations team was able to lead much of the implementation themselves via the web, using only one Gradiant team member and one vendor team member working collaboratively. The functional and consolidation model build was primarily supported by Jedox, with other models requiring only 40% support from Gradiant.

Saving time

With an EPM solution, Gradiant's budgeting cycle became much more systematic. Prior to implementation, they went through multiple rounds of iterations with spreadsheets, which became difficult for their team to consolidate. Now, their data is cleaner, easier to access, and their budgets and plans have become faster to process.

Single source of truth

Deployment of a modern EPM solution required the team to create a central repository where all relevant stakeholders could access the right data in real time, providing more efficient and accurate planning. As a bonus, re-platforming the data paved the way for the creation of a Center of Excellence, providing opportunities to further their knowledge, skill sets and professional development.

One tip to pass on

Gradiant realized later in the project that the capabilities of the EPM tool were more extensive than originally thought, and opportunities of digitizing their business were broader than anticipated. In the later stages of implementation, understanding the depth of functionality the platform offers made the process smoother.

Next on their digital journey

Some of the elements from the initial phase of the EPM implementation were delayed to ensure a greater focus on the primary deliverables. These elements included consolidation, customized cash flow and a sales model. The finance team plans to group these with a requirement to create global bank balance models in phase two.

After that, Gradiant's team wants to expand use of the EPM into operations and other business units with plans to extend to the rest of the company's operations for truly extended planning and analysis.

To do this, they'll need to convert Excel templates to web-based templates and, wherever possible, automate the loading of data. They also have plans to implement rolling forecasts to provide continuous forecasting for 12 months, along with enhancements to their consolidation reporting.

WHAT HOLDS FINANCE BACK FROM ACHIEVING THIS VALUE IMPERATIVE?

AFP's Asia/Pacific FP&A Advisory Council (FPAAC) discussed this value-driven model, and what is preventing some organizations from achieving it. In rapidly developing markets, CFOs spend time focused on building the accounting control foundation in their organization. While that may have been the original definition of value, once that area becomes settled, **they may be unable to transition their mindset from accounting to the value-focused areas. CEOs and boards of directors may change financial leadership to fit the required skill set as business needs change and mature.**

Risk aversion is inherent to so many people in finance, and there is a **fear of being exposed for what they do not know**. "As we move away from the controlling side to more forward-looking, we must step away from the things that we can control, and with it the need to be 100% guaranteed and defensible, into more things that are unknowable," said another member of FPAAC. "**It takes a little bit of being comfortable with not knowing the answers.**" Historically, the finance function faced an asymmetrical risk/reward tradeoff. The benefit of taking a risk and offering an outlook or opinion beyond the core finance-defined area was relatively small with respect to the downside of not focusing on getting financial matters correct. The separation of FP&A from other finance teams, the elaboration of its mindset and skills, and the ability to bring finance data and expertise to the business creates a new operating model for CFOs, one where they are sought as strategic players.

Contributing to risk aversion is a change to the tools and materials of how finance creates value. "I have noticed **an inherent fear about whether or not we in finance have the skill set to understand the data from a business perspective**," one FPAAC member said. "Do we have the technologies? Do we have a grasp on the technologies? Are we willing to let go of hugging that data sense and simply trust the information?" Finance's quantitative background should make it a cheerleader for data-driven decision-making, but this can only happen with investment in high-quality data and tools that can access that data.

However, the solution is never in the technology itself. "**The challenge is that we do not have people to implement the technology and all the adequate tools in the market**," said another FPAAC member. "You must have internal champions so that the implementation of tools can be business-led and business-owned." Finance must seize the mandate of a value-driven function.

CAREER PATHS TO AND THROUGH FP&A

Career pathing is the process used by individuals to chart a course for their professional direction and development. But, the pace of change is so fast in consumer markets, business organizations, the technological landscape, and, well everything else, that it leaves many people scratching their heads. How do you plan a career at all? In AFP's research and this handbook present examples of how people have moved into and through FP&A.

Through this, we have learned the importance of pivoting quickly, continuously adding skills and experience, and sometimes redrawing the trajectory of our careers. We can do this by creating a flexible plan of where we want to go, building strong networks along the way, and maintain a growth mindset. The conclusion: **a career is seldom a ladder of vertical promotions in one office, but rather a network of direct and indirectly related moves.**[7]

This table shows a summary of several career paths explored in the following pages:

[7] A fuller elaboration of navigating careers can be found in the AFP Guide to Finance Career Pathing.

Kayla Davis, Vice President of Mergers and Acquisitions at ABM Industries

Kayla Davis' role as vice president of mergers and acquisitions at ABM Industries, a leader in facility solutions and a Fortune 500 company, has provided her with a fresh perspective. "When I worked in corporate financial planning and analysis (FP&A), my day-to-day focus was on the company's short-term strategy for earnings and investors," she said. "Now, as part of the strategy team, my focus has shifted to long-term growth and prioritizing initiatives that will drive the most value over the long-term, including inorganic growth. Having both of these perspectives helps frame how I advise on capital allocation in balancing short-term and long-term priorities — and it creates a strong partnership between strategy and finance."

In her nearly nine years with ABM, Davis has progressed through a variety of roles that have included accounting, FP&A, and business strategy. A common theme throughout her career has been the appropriate use of data and information, a topic she spoke about at AFP 2020 with Megan Weis in the session: Data-Driven Decision-Making. "Leveraging data can be a significant advantage," said Davis. "Being a data-driven organization can help us better understand where our weak points are (in capabilities and markets) so that we target where we want to be."

You were the director of FP&A and are now the head of M&A. How does this fit into your overall career plan?

Looking back at how I have approached my career goals, I would say that I have pursued a breadth of experience in various finance roles, and then developed depth in those roles. Finance is the toolset I use as I pursue my personal passion: to have a lasting, positive impact in everything I do and on every person with whom I interact. While I grew up in finance, I have been fortunate to step out of the CFO organization to be a part of our strategy team, which opened up opportunities to solve complex business challenges by partnering with our operations team. I applied my finance skills and gained some new ones while expanding my understanding of how we operate.

How does your FP&A background help in your new role?

In the FP&A role, I learned a great deal about what impacts our bottom line and how business decisions impact shareholder returns. Analysis of financial results gave me a deep understanding of how different parts of the business contribute to our overall performance, and what the areas of opportunities are.

What else (besides FP&A skills) would someone need to get up to speed in this role?

Working as part of the strategy team, I am gaining a better understanding of the needs of our operations team, including what will help them make better decisions and how to deliver real value to our clients. Combining both perspectives helps to screen companies and evaluate a good fit for us. It is not only about the numbers; it is also about enhancing our capabilities to deliver on that value.

FP&A is often involved in the post-M&A integration; what can be put in place at the start of the process to make this easier down the road?

There are two opposing forces at work in M&A: change takes time, but everyone has a strong desire to realize value as soon as possible. The way to balance this is to start thinking about integration early in the process, before the deal has closed. Early in the process, we work closely with our FP&A team to understand the synergy potential so we can refine our assumptions along the deal lifecycle and start to create specific plans that we can execute when the papers are signed.

There is a lot of literature about how hard it is to create value through M&A. What advice do you have for getting this right?

A critical early step is to understand what it is that you are buying and how it fits into your overall strategic vision. Creating value through M&A is about having the ability to continue to grow the acquired business, and that determination cannot be done in isolation. Having a cross-functional team engaged throughout the lifecycle of a deal should help ensure you are investing in the right type of business, and lock in the anticipated gains.

Johan Van Zyl, FPAC, Senior Vice President of Data and Process Automation and COE Director, Marsh McLennan

Please describe your career path.

From the beginning of my career, I set a goal for myself: **"Five years in a position and then I need to move. If I don't move up, I move out."** I started my career working for an auditing firm, where I subsequently learned that auditing didn't interest me. I enjoyed the analysis of the clients and the business aspect of it, but I did not enjoy the ticking and bashing that came with it. I followed a good friend and respected colleague who moved to Gen Re (General Reinsurance Corporation) where I worked on system integration and reporting efficiencies. When I felt I learned all I could there, I joined Alexander Forbes as a financial manager in their Personal Lines division, a short-term broker in South Africa.

Several years and several moves within the group later, Alexander Forbes Risk Services was acquired by Marsh McLennan, which presented me with an opportunity get involved with the work that goes along with the acquisition deal. This was also the first time I was able to get into the differences among FP&A, controllership and treasury; in my experience inside smaller offices, a divisional finance manager handled all of those functions. It was then that I decided I enjoyed business analytics and working with the business more than "the accounting of old."

The new, combined team asked me to take on the FP&A leadership role for Africa. There were a lot of changes that came with the acquisition: We changed core accounting, fiduciary and enterprise planning management systems, and also adopted a new accounting system — U.S. GAAP accounting versus international GAAP.

After a couple of years as the Africa Regional FP&A, I had the opportunity to move to Australia as the head of FP&A for the Pacific Region. It was a much larger operation, twice the size, and an acquisition doubled it again.

We started an international project to look for a BI tool for the lending group division in the U.S. I travelled to New York to help with the initial proof of concept and dashboard build. It was a small team; there were initially just three of us that built the whole model. From there I was recruited to head up the process automation team for the Center of Excellence. I felt that if I wanted to learn everything about the group and the different parts of the business, the Center of Excellence had a wider reach. My job is of an almost IT-type technical level, which provides me with a very deep understanding of how to efficiently restructure and structure the business model locally, and know how to structure the teams to get the greatest benefit. And with that, I've got the ability to look at the company as a whole.

Looking ahead, at some point in my career path, I want to be a CFO. Almost all of the Marsh McLennan CFOs have an exceptional technical knowledge of the business, which provides an understanding of how everything fits together in a way that allows them to quickly find and address issues and have pointed discussions.

We just covered almost 25 years of your career progression and peeked ahead as well. Is there a common theme or a common lesson that you've learned?

The first lesson is to always put your hand up. Whenever I progressed, it was because I put my hand up to ask for or volunteer for assignments, especially when somebody else was not willing or able to. You can work extremely hard and prove yourself capable, but often people remain in a position because other people love them in that role. If you don't raise your hand when the opportunity arises, you're never going to move up.

Also, I've always been very upfront with my bosses about my desire to learn and ambition to take on more responsibility.

You can work extremely hard and prove yourself capable, but often people remain in a position because other people love them in that role.

Continuous development is probably one of the most important things. It does not reflect well if someone on our team is not engaging or showing initiative. It's not good if we need to continuously push them and say, "Listen, you need to go study this," because there's a tool in there that they need to know more about in their role.

The FPAC certification was a tremendous boost. For a lot of us, we learned finance at university years ago. We never learned the practical way of applying it, and the practical thought behind it. Earning the FPAC qualification was a reapplication and refocusing of that knowledge. **It was the only qualification that really helped define the FP&A side of things.** It helps you think about, "Okay, what's the good way?"[8]

As FP&A, our responsibilities and our asks are going to increase because these tools have become easier to access. It is up to us to continuously drive our development and our learning, otherwise we are going to stagnate. If you want to move up and move on, put your shoulder to the wheel and develop.

In your career, you would like to become CFO. If you were to describe the next-gen CFO, the CFO of 2025 or of 2030, how would you describe the key traits, the key experiences of that role?

Future CFOs need to have a far stronger technical understanding. In the past, a CFO would have a team member who would prepare this and that. But going forward, that work will utilize machine learning and data from BI tools. So, you're going to have smaller teams, and the CFO is going to have to know how to navigate the sea of data. The CFOs will have more in-depth insight into the numbers and of all aspects of the company, and will talk less about expense growth, more about the analysis of all the key factors of that, whether it's currently sitting in operations or sales ops.

Not all companies will make this transition. In a way, they're going to stagnate because they're still going to do a lot of tasks that are not value-add.

If you don't have automation or machine learning available to you, your workload is going to increase quite a lot because the ask for information is increasing. The expectation to know what's happening, and to know it immediately is going to create a lot of pressure on CFOs and FP&As. **They're going to either have to develop the teams and tools or risk having people who are, "Jack of all trades, master of none."**

8 Learn more about AFP's Certified Corporate FP&A Professional (FPAC) certification.

Tracy Butler, CFO, ePacs Flexbiles

I started doing high-level data analysis at the UN in Geneva. At that point, I thought I would always be a generalist, looking at information, providing data intelligence and insights to the organization. Then, before I knew it, I got into treasury, purely by chance and a need of the healthcare organization I was working for at that time. Then, later on in my career, I did my tour of duty, got into risk management and revenue management, and then did a full circle back in FP&A before I was promoted to CFO.

Some career advice

In the early stage of your career, when you are just out of college, people really focus on the quality of your work. You've got to learn the basics; you've got to know how to walk before you can run. Gather the right certificates, learn the right skills, and get the right training, those are absolutely important. You cannot really provide business insights without experience, and without knowing the fundamentals.

Then, as you move up in your career, the soft skills really start to come into play. They become even more important if you want to advance, because if you do not have the skills to communicate, then it doesn't matter how solid your technical skills are: the data is meaningless to other people. If you cannot build the trust and relationships, you cannot get better insight and support the customer in the mission. If you don't have some leadership skills, you cannot really manage people and move forward in your career.[9]

[9] FP&A senior position descriptions may be found at the AFP Career Pathing page.

Weng Hong Yong, FPAC, Executive Director, City Mental Health Alliance and Fellow, Singapore Center for Social Enterprise

How did you get into FP&A?

I graduated from Nanyang Technological University with a degree in accounting and, instead of going into auditing, I decided to go to work for a commercial company: Singapore Technology Group. For the next eight years, I worked in financial and management accounting roles, during which time I also worked for Nestle and Asia Pacific Breweries (S) Pte Ltd. (APBL), and then Heineken after it acquired APBL.

The experience I gained in corporate finance was extremely enriching. I had the opportunity to play an active and lead role in the company's regional expansion through organic growth and M&A. Besides heading teams in pre-deal due diligence and post-deal integration, I was involved in fundraising and investor relationships. As part of the succession planning to become finance director of APBL, I also had the opportunity to represent the company on boards of listed companies and joint ventures.

After stepping out of Heineken in early 2020, I joined the Singapore Center for Social Enterprise (raiSE) as a fellow, where I help social enterprises shape their business strategy, improve business performance and explore business expansion opportunities. I also recently joined City Mental Health Alliance as their executive director for the Singapore chapter. This is a startup with a vision to create mentally healthy workplaces and inspire health creation in businesses.

How has your FP&A background made you a better all-around businessperson?

Having played the FP&A role in a regional leadership capacity, transforming the traditional management accounting function to active business partnering, I've come to recognize the importance of a few key tactics all FP&A professionals should engage in:

- Get out from behind the desk to engage your business in understanding the market, the customers and the competitors — be externally focused.
- Be curious and do not accept things at face value.
- Be a catalyst for change: agile and adaptable.
- Speak out, respectfully.

Mixing the above with strong data analysis enables good quality insights that make sense to the business. There's more to it than the technical skills of accounting and data crunching. FP&A plays a unique role in converting accounting or technical financial language into a meaningful business story that makes sense to any businessperson. Now that I have stepped out of finance into a lead role in a start-up, I find that my past experiences are of great help in engaging meaningful business conversations in a totally new field.

Keyur Shah, Senior Finance Director, FP&A COE, APAC, Johnson & Johnson

How did you get into FP&A as a line of work?

I started my career with Johnson & Johnson back in 2000 in India. I was always passionate about numbers. One of my first roles was in FP&A as a senior analyst; I really enjoyed that role. From there, I rotated through a variety of roles and spent about eight years in India. Then I came to the U.S., where I served for two years at the corporate headquarters heading FP&A as senior manager for medical devices. After that, I worked as commercial finance director and supply chain finance leader. And now I'm heading FP&A COE. After I completed my work in the U.S., I was given a few options, one of which was a unique role in Singapore, where I would be finance director over a cluster of four markets. I was successful in the interview and chose to come to Singapore.

How are you developing talent in FP&A?

In terms of developing talent in FP&A, we have a very robust onboarding plan for all the new employees. We have orientations they have to go through for the first seven days, 30 days, 60 days, and 90 days. Then, once people are in a team, we encourage them to get a different certification, including an FP&A certification.

We also encourage our people to build digital skills in four brackets. First is automation, second is visualization and storytelling, third is diagnostic — this entails descriptive skill sets such as how are you going to do a deep dive analysis of what happened, why did it happen, and trying to create insight and analysis from that. And the fourth bracket is what we call "advanced analysis"; it's more about scenario planning and also a certain statistical regression modeling.

We want to play the role of talent incubator. We bring a lot of young talent into our group, develop them and protect them.

Ken Fick, Vice President, FP&A, Citrin Cooperman

Describe the career path that led you to where you are today. How did you get into FP&A as a line of work?

My path has been a long and winding road. After receiving my bachelor's degree, I entered Circuit City's Finance Management Training Program in Richmond, where I was able to rotate into different finance roles every 9-18 months—internal audit, bank supervisor, and strategic planning.

That was my first foray into the world of planning. I have an endless curiosity and am interested in any type of planning position (strategic, financial, operations, etc.) that allows you to think about the art of the possible beyond the constraints of the actual. The idea of working to change and influence the future, to set targets and achieve the desired outcome, was fascinating to me and I wanted to learn more.

After a couple years, I accepted a position in Capital One's FP&A group, where I furthered my FP&A education by adding the complexities of the heavily regulated but hugely profitable consumer finance industry. That is also where I decided I needed to get into management consulting.

Capital One hired consultants for a variety of reasons, and they would frequently come to my cube to ask me detailed questions about various processes, metrics and ideas on how a very complex organization like Capital One functioned…all the things FP&A handles. I also saw they had a direct line to the decision-makers, so my next career step was to earn my MBA with the intention of becoming a management consultant. Success! I joined FTI Consulting, one of the largest forensic, litigation and corporate restructuring consulting firms in the world.

Why forensic accounting? I knew I could learn a lot from people smarter than me and feed my desire for continuous learning. I spent almost seven years at FTI, learning from some of the world's leading economists, accountants and finance minds. It was hard, extremely stressful, a long commute, frequent unexpected travel, long hours and political. It was difficult in so many ways, and at the same time I would not have traded it for the world.

The idea of working to change and influence the future, to set targets and achieve the desired outcome, was fascinating to me and I wanted to learn more.

In 2010, I left FTI for my and my family's health and sanity. Over the next eleven years, I became a senior director of corporate finance and FP&A, managing director of a consulting firm, CFO of a marketing agency, and director of strategy and transformation at mid-sized consulting firm. And now I am at my current position as the vice president of FP&A for a large specialty consulting firm.

Of your many roles, FP&A seems to be where your heart is. Why is that?

I thrive in the art of the possible. FP&A is the only area I know that allows me to be curious, to learn, teach, influence, observe and directly see the effects on a single enterprise. All this must be done with little direct authority but significant influence. Having great ideas and producing good work means nothing if you cannot communicate it effectively to the people that matter and effectuate change.

I have bounced back and forth between working within an enterprise and as a consultant for most of my career. However, the only difference between FP&A and management consulting is the ability to focus your energy on driving change on a singular entity and then seeing the results. In management consulting, you can do the same thing but do not always get the chance to see what happens next and why.

The best FP&A professionals I know travel a winding road. They tend to have a high comfort level with ambiguity and are able to hone their business skills through flexibility, increase their tolerance of uncertainty, and most importantly, they very rarely say no to new opportunities. Confidence only comes from trying and knowing that whatever the outcome, you know you can make it work.

GLOSSARY OF FP&A TERMS

This glossary is a companion to the FP&A Handbook; if you recognize or frequently use the terms below, you might be in FP&A!

annual operating plan (AOP)/plan of record (POR)
A roadmap for operating your organization, and often the first year of the long-range strategic plan, this business-wide document defines the financial, physical, human and intangible resources to be allocated to achieve your business's short-term goals. It also includes key activity cadences (e.g., bi-annual strategy review sessions, quarterly operational reviews, annual budgets, monthly forecasts) and deadlines. FP&A contributes to the development of the AOP, and throughout the year compares actual performance against this plan.

assumptions
The collection of explicitly stated (or implicitly presumed) specifications about market conditions, competitive criteria, conventions, choices, allocation methodologies and other non-variable elements on which any model or plan is based. Highlighting assumptions creates a shared understanding of the basis, which then allows users to create and execute against that basis, prepare scenario alternatives off that basis, measure performance, and update forecast models when assumptions are challenged or changed.

benchmarks
A business improvement and strategy tool that compares the performance of your entities to identify performance gaps, set goals and implement best practices. Typically, one entity benchmarks itself against competitors or leading standards to set goals and targets.

bottom line
A company's earnings, profit, net income or earnings per share (EPS). The reference to the bottom line describes the relative location of the net income figure on the bottom of a company's income statement, in comparison to the top-line sales number.

budget or budgeting
The process by which enterprises align and allocate resources for deployment in a fiscal period to achieve their goals. Budgeting supplies the execution path for the plans with a detailed, operational and short-term view. Where planning provides "what is possible," budgets outline "what is expected" from the business with KPI implications for different functions of the enterprise, and the financial resources available to support that expectation, based on the approved annual plan. Often synonymous with or a subset of the annual operating plan.

business acumen
Clear understanding of how strategy, risks and decisions impact business performance; how the business operates, including the key priorities, measures and market forces that impact the business; and the flow of resources internally and externally across the business. Those who aspire to become a finance business partner and strategic leader must develop business acumen.

business mindset
An approach to work that focuses on adding value to the business, in contrast to focusing solely on work that ultimately benefits the finance organization. It requires the flexibility to balance business goals with corporate finance goals, guardrails and guidelines over both the short and long term.

business model
The design and operations of an enterprise to create, deliver and capture value for stakeholders and shareholders and to remain financially viable.

business partners/partnership
A collaborative relationship across departments, adding value to company performance, and ideally establishing effective and efficient cadences for the cross-functional interlocks. This may describe either of the following:

The finance practitioner who supports the business as a trusted partner and collaborator, while supporting the CFO agenda through effective challenge, analysis and administration of finance processes. This is the finance business partner (FBP).

The counterpart to the finance practitioner in the any function in the company (e.g., IT, marketing).

collaboration
Interactive working relationships, within functions and/or across different functions, that drive business performance. Effective collaboration is closely linked to soft skills such as empathy and understanding different perspectives, and is key to a successful business partnership.

communication skills
The right information presented to the right person at the right time in a consolidated, readable format. It is FP&A's responsibility to present the numbers and the financial/quantitative analysis, and to explain/demystify them so those business partners without financial expertise can understand and act on them.

customer analysis
Understanding the key drivers of customer needs and desires, company interaction and financial impact, such as ROI, investment, cost of acquisition, pricing, channel, lifetime value and attrition.

dashboard
The display of multiple, short-term tactical operational measurements or metrics. The data is intended to be dynamic and current as it may checked often (daily, intraday), and ideally it is automatically gathered and presented. The data may be visually represented and depict comparison to targets or standards, e.g., daily sales, production volume. Dashboards contrast with scorecards that have longer-term metrics.

delivery strategy
The strategy and execution of delivering your product or service to the customer including the use of resources, cost and impact on both the customer and business. To understand the financials, FP&A needs to understand the operations and ways a business creates value for the customer.

drivers, key drivers
The inputs variables — actions, processes, other factors — that impact organizational, operational or financial objectives. Companies should choose drivers that can be identified, measured and influenced through company activities. Key drivers are the small number of drivers that determine the outcome of your business. For example, rainfall may have a significant influence on farm yields; however, it cannot be influenced by strategy and is therefore not a key driver.

estimating
The art and science of approximating unknown quantities, actions or values. For FP&A, this is often about future capital flows. Estimations use historical information and knowledge, combined with a set of assumptions and a calculation process. Estimations can be bounded by a +/- rating of confidence to guide their usage. All forecasting and modeling require estimation; therefore, FP&A requires comfort with ambiguity.

favorable/unfavorable variance
A common comparison of actual results to a standard, such as previous year, previous forecast, budget, plan, etc. Note: This is the preferred language over variance reports that indicate increase/decrease or higher/lower as it is more consistent to the desired outcome, e.g., a decrease in revenue is unfavorable to a budget, but a decrease in expenses is favorable.

financial planning
The direction and financial objectives of an organization; it provides forward-looking guidance. When done correctly, financial planning is the distillation of business planning. Inputs may include customer demand, asset lifecycles, maintenance plans and delivery and associated resourcing and workforce forecasts; outputs may include cash flow, income, and balance sheet impacts (debt or other funding requirements).

forecasts, rolling forecasts
The projection of operational and financial performance over a period of time. A budget or plan shows what a company wants to achieve, whereas a forecast presents an honest assessment of what a company is likely to achieve given current circumstances. It may blend actual data with future expectations to produce a full-year or fiscal-year forecast. Alternatively, a rolling forecast moves from a fixed forecast period to one that adds new periods (month, quarter) to replace completed periods and provide a fixed forecast horizon instead of a fixed end date.

forward-looking
The mindset of FP&A is to help make decisions and to allocate resources for the future; examinations of historical actions and results should be taken with a view toward aiding future decisions. Reporting with forward-looking perspective is essential for shareholders and analysts to understand the value to be created and captured by the organization.

insights
Beyond simply reporting information and observations, FP&A strives to add value to data and reporting by including interpretation and acumen. It may require telling the story behind the numbers to provide a fresh revelation(s) that influence next steps.

key performance indicators (KPIs)
A metric that indicates the level of performance required to

achieve a defined objective in a certain activity (value driver). A company will have many measures and metrics; use of the word “key” indicates it is one of a small number of indicators that have an outsized impact on attainment of corporate goals.

long-range plan (LRP)
A company’s strategy and supporting actions as viewed over a multi-year time horizon; it often involves complete sets of financial statement projections. FP&A may help to create those future pro forma statements or help to transform the strategy into near-term goals.

margin
A measure of money made, usually expressed in total amounts or as a percentage of revenue or net sales. The use of percentages allows for comparison over time, companies and industries. The most common margin ratios are gross margin (gross profit as a percentage of revenue) and net margin (net income as a percentage of revenue).

metrics, measures
Measures are numerical values that can be applied to almost any X; they are a statement of fact. Metrics are a step more sophisticated, which is achieved by adding business context (often a second measure) of process or market to tell how well something performs, or by describing attributes. For example, the number of customers is a measure, the number of customers in a given market is a metric.

month/quarter/year-end close
Refers to a hard system date and time after which no further

entries can be made to ledger accounts. Financial and management reports leverage these close dates as the actual results.

profit and loss statement (P&L)
Revenue and costs (expenses) directly and indirectly allocated to a specific business, operating unit, product or manager.

performance management
The setting of targets and measuring of achievement as compared to a defined benchmark. This is a common tool for FP&A teams to track, report and provide insight on business performance; over time, FP&A must verify the need, data and standards of all parts of performance management.

resource allocation
Assignment of resources (capital, people, assets) to managers (or businesses) to achieve goals. A key mission for FP&A, it is performed through decision support, planning, performance management, financial analysis, investment or capital planning, etc.

return metrics
Metrics that compare investment options by estimating the expected financial benefits versus costs. Examples include net present value (NPV), return on investment (ROI), internal rate of return (IRR), and payback/breakeven. FP&A is expected to know how to calculate, evaluate and apply the suite of return metrics.

scenario planning, scenario analysis
Ideation and analysis of possible future outcomes, including simulating the impact of complex changes on the business (change multiple assumptions simultaneously) and robust evaluations of alternative courses of action. FP&A usually supports the development, evaluation and contingency planning resulting from scenario analysis.

scorecard
Scorecards report long-term strategic vision, goals and objectives. Similar to dashboards, except the scorecard reports KPIs that are evaluated over longer periods than dashboards as the data does not change quickly, e.g., market share, profitability, turnover rates, customer wins, performance vs. industrial standards. The methodology of a "balanced scorecard" usually covers four dimensions: financial, internal business, innovation and learning, and customer.

sensitivity
Measuring the impact on a model result or output (the "sensitivity") to a change in a single input variable. FP&A will test a model or plan to understand impacts and stresses on goal attainment.

storytelling (with numbers)
Communicating quantitative information in a way that provides context, meaning and purpose in order to achieve memorable and actionable results. Often described as the ability to tell a relatable story ideally with compelling impact for reflection and action by the audience. This is an important component to effective communication and partnership.

strategic planning
A process to enact the strategy — how a company creates and captures value —over a time horizon by setting priorities and targets, building capabilities, and allocating resources. Often, both are qualitative and quantitative in nature.

target setting
Creating specific, measurable, actionable, realistic and time-bound (SMART) indicators of performance to measure progress. Alternatively, targets may be frequently discussed, ambitious, specific, and transparent (FAST) to drive strategy execution.

top line
The first line on an income statement, usually sales or revenue. A common-sized income statement will show other expense and margins as a percentage of the top-line number.

volume/rate/mix analysis
A financial analysis that explains variances by separating performance into contributing factors: volume (item quantity), mix (product or customer mix change), and rate (price or cost). The insights it provides aids management in the making of business decisions and strategy adaptation regarding promotion and pricing, product portfolio management, and more.

waterfall analysis
A type of graphical presentation and analysis that shows the key steps in a journey from one point to another as either additive or subtractive on the way to the final result. Examples:

A customer waterfall analysis walks the viewer through key steps in the customer journey, such as promotions, discounts, optimizations and new product launches.

An earnings waterfall analysis may show a starting point of revenue, decreasing steps for costs, increasing steps for savings or unexpected income, ending at a final income metric.

Association for Financial Professionals: FP&A Handbook

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The topics in this guide are intended for education and reflect the state of practice for corporate finance. While not intended as study materials for the Certified Corporate FP&A Professional exam, it does relate exam knowledge domains.

To see the full PDF of knowledge domains, view them **HERE**.

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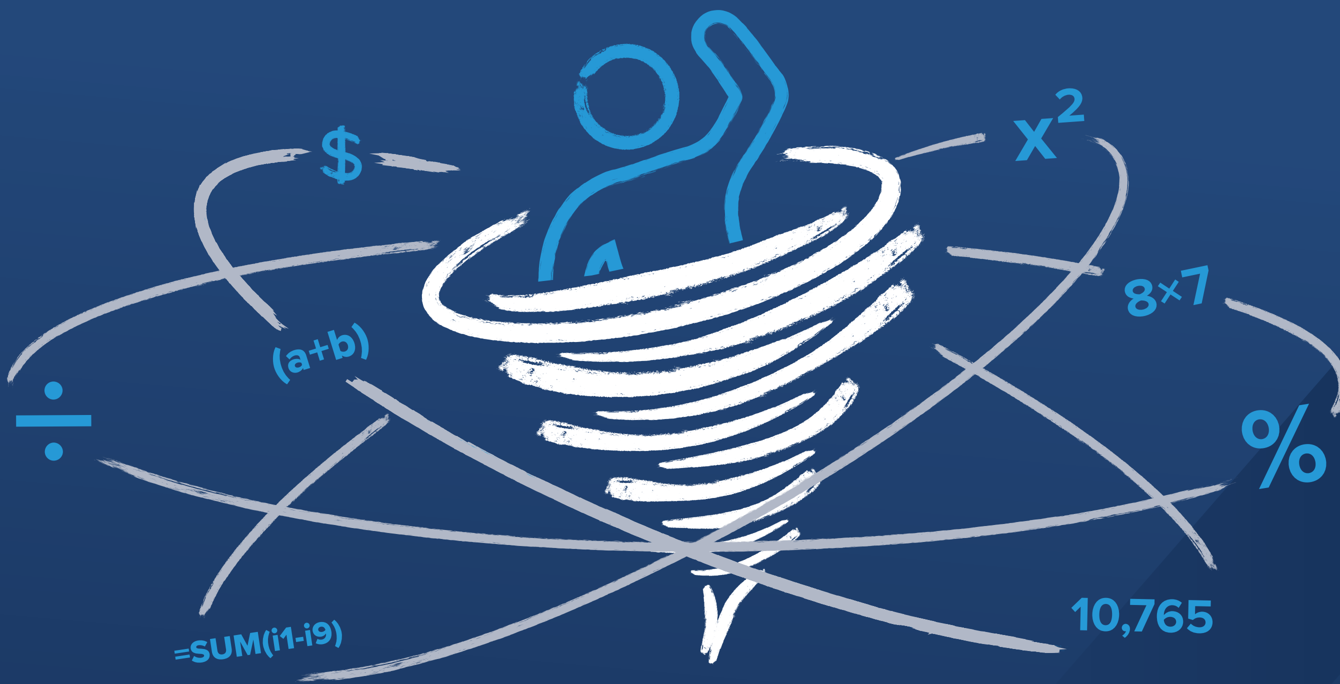

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