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AFP® GUIDE TO

Orchestrating the Mindshift: The Transition from Accounting to FP&A

FP&A GUIDE SERIES



ORCHESTRATING THE MINDSHIFT: THE TRANSITION FROM ACCOUNTING TO FP&A

Financial planning and analysis has its origins in accounting. For many years, a robust accounting function sufficed for many organizations concerned with preparing a budget, reporting the numbers, and filing SEC documentation. In recent years, organizations realized they needed staff with finance skills to improve forecasting and modeling and to work with the business; FP&A was quickly becoming its own function.

Today, FP&A is growing more attractive to accounting personnel for two reasons. First, FP&A has fewer regulations to follow, making it less of a bureaucratic maze. That leads to the second reason, which is that FP&A is more conceptual, making it attractive to accountants who are seeking the intellectual challenge of forecasting and planning while reducing compliance burdens.

However, for accountants interested in making the transition to FP&A, many questions remain: What skills can they bring to their new role? Which new skills do they need to acquire, and how do they go about doing it?

The transition is not always a seamless one. According to Johnnie Goodner, VP of finance and treasurer, the switch may require a learning curve. “First,” said Goodner, “there are FP&A fundamentals that must be learned and applied. Second, it takes time to evolve from a record-keeping

mindset into a more analytical mindset.”

Yet many agree there’s a lot that accountants already bring to the table, especially in internal transitions. “For example, they have the detailed knowledge of the company’s financial systems, which often translates into the inside track on how and where to dig into details, as well as nuances in the data itself,” said Gaileon Thompson, FP&A, CTP, senior vice president of business planning and analysis at Citibank Global Consumer Technology. “Both accountants and FP&A professionals need a strong understanding of financial and accounting principles, impeccable ethics, and a willingness to dive into the details.”

When Rachel Yau, CPA and head of finance, ASEAN, joined the FP&A team at Boston Scientific, she brought with her an understanding of accounting concepts such as revenue recognition criteria, knowledge of the ERP system, and her orientation toward detail. “I could go into the ERP system and find out the detailed posting in the cost centers or expense line driving any abnormality,” she recalled. Of course, that alone was not enough. After she made the switch to FP&A, Yau found that she needed to improve her Excel financial modeling skills; she also had to build up her product, business, and industry knowledge and develop better soft skills such as communication, negotiation, interpersonal skills, influencing skills, business partnering and business acumen.

Michael Powers, financial controller at ABT Associates, also began his career in accounting. He switched to FP&A at the same time that he graduated with an MBA. “I saw FP&A as a very dynamic part of the organization,” he said. As Powers was going through his MBA program, his two favorite courses were capital budgeting and working capital management. At the same time, he also completed an ERP implementation project. When the FP&A position opened up, Powers saw a chance to apply his new education and technology skills. What he brought was a firm understanding of the chart of accounts and an understanding of the sub-ledgers. Powers’ familiarity with the ERP meant he was familiar with the nuances of the company’s internal settings; he was actually more up to date than his FP&A colleagues, who still used the old context, which meant he knew the timing of when data would become available. This was useful not just at the telecom company where Powers initially worked, but in other settings as well.

At GROWMARK, the FP&A team of six includes three former accountants. According to John Fruin, manager of FP&A, “Accountants have a solid background in financial principles and methodology. They understand relationships between variables. They know how

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“With the right training and mentoring, FP&A skills can be learned.”

to structure a project, identify the needs, and have the endpoint in mind. Their thought processes are logical.” The former accountants also bring an eye for accuracy and an understanding of what’s behind the numbers. “They have an aptitude for ‘investigative’ work,” he said. At the same time, “in order to be more effective in their FP&A roles, they need a more in-depth understanding and practice of capital expenditure analyses, and an orientation to look forward.”

According to Thompson, ultimately, “Whether it’s a hard or easy transition depends on the individual and their aptitude to think more strategically, be more forward-looking, and embrace the business partnerships required of an FP&A professional.” She added: “With the right training and mentoring, FP&A skills can be learned. I firmly believe that the ability to be successful is more about the individual than the profession they’re coming from. The question is, do they understand what (if any) skills gap exists, and if so, do they have a strong and explicit willingness to close the gap?”

Peter Geiler, a finance director at a healthcare company, has worked in both accounting and FP&A roles. He also says that the ability to switch depends on the person’s innate qualities. “Some can make a successful transition when they shift focus from historical record-keeping to estimating the future and staying current on strategy.” Some don’t. “Three CPAs I currently work with are still thinking they need to get a budget or forecast down to the penny,” he said. “The ease of transition depends on the individual’s ability to quickly grasp the differences between the two disciplines.”

Managing director of FP&A at Goodwin Procter—a top 50 global law firm—Jon Kanter also cautions against making generalizations. That’s particularly true for global accounting designations. In the U.K., a chartered accountant is not the equivalent of a CPA in the U.S. The coursework and exam go far beyond technical accounting knowledge. “They are trained in business law, study case studies in general management, risk management and how to improve controls. It’s a lot broader than just accounting,” Kanter explained. “The designation attracts

THE LEARNING CURVE

While accounting professionals bring a lot of knowledge to the FP&A role, FP&A executives with and without accounting backgrounds say there are some knowledge gaps that must be bridged.

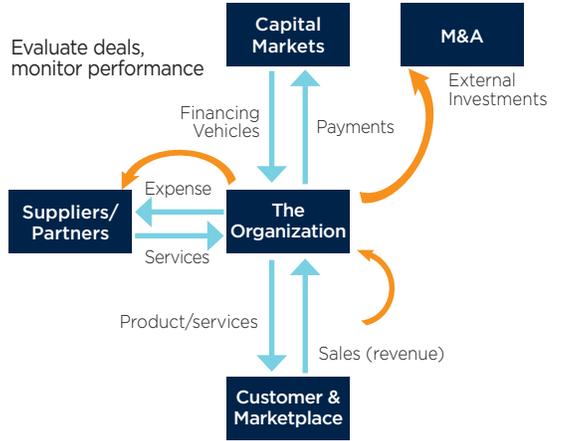
CAPITAL REPORTING	CAPITAL ALLOCATION
Historical	Future
Investors	Business partners
Financial reporting	Management reporting

CAPITAL REPORTING TO CAPITAL ALLOCATION

The CFO is the steward of company capital and separates that responsibility among various roles. Accounting faithfully records how money was spent and reports externally to shareholders, while FP&A is concerned with how the next dollar will be spent.

- Historical to forward-looking.** The nature of accounting is in the very name, to give an account of what happened and create a clear record of resources available. In the capital flow diagram pictured here, resources flow among different parties, and there is a need to understand where the money is at different points in time. Accounting records the transactions; FP&A is consumed with question of where the company should to put that money to work in order to create the most value for the to provide the most benefit for customers and the best long-term returns.
- Change in audience: Investors to business partners.** The two functions also serve different internal and external constituents. Accountants provide information to management but also reports to shareholders, creditors and regulators, according to Larry Maisel, founder of the finance and performance management consultancy DecisionVu Group. FP&A serves management and the business leaders who want a blend of financial and operational metrics.
- Financial reporting to management reporting.** While they both report, the format for accounting is standardized and must comply with set rules, such as GAAP or IFRS. Management reporting is not bound by these rules, and therefore can create reports that suit management and are tailored to different users throughout the organization and may include visualizations, dashboards and scorecards. Accounting reports are a snapshot of the company’s financial state at a given point in time and may be signed (or attested) by company executives for their accuracy; FP&A can be a lot more forward-looking and less precise. “While FP&A can talk about the future, when accountants make projections, they do so within a defined set of protocols. They can’t talk about ‘alternative outcomes,’” said Maisel.

Capital flow



Accounting captures the flow of capital and ensures proper financial reporting
light blue

FP&A analyzes the past flows and helps management consider the next action
light orange arrows

CERTAINTY	AMBIGUITY
Precision	Directional
Granular	The big picture
Differing views of materiality	

FROM CERTAINTY TO AMBIGUITY

Accountants are called on to create the historical record which becomes the basis for future analysis. FP&A is working with an unknown future.

- **From exactly accurate to directionally right.**

Accounting requires a very high level of accuracy, especially for publicly traded companies, and much effort and time are spent sorting out numbers and ensuring correctness and accuracy. Meanwhile, according to Tom Russell, CFO of Fresh Products, LLC, “FP&A, a forward-looking discipline, can never be 100% accurate. Answers that are ‘directionally correct’ and meaningful are more important. This distinction appeals to people who prefer to look at the big picture of a situation.” This is magnified when speed of analysis is critical to making a decision, Russell added.

“FP&A executives need to deal with ambiguity, whereas accountants are trained to eliminate uncertainty and develop a single version of the truth,” Axson said. “The key is to know when the forecast [or model] no longer makes sense and adapt. This sort of dynamic is hard for many accountants; it’s not something they were trained to do.”

According to David Axson, managing director for CFO and enterprise value at Accenture Strategy, the most fundamental difference between accounting and FP&A professionals is that accountants, “are concerned with detail, accuracy and being right.” However, “as soon as you start looking forward, detail becomes less important. In fact, the more detail you put in the forecast, the more likely you are to be wrong.”

This requires a different personality trait among FP&A. “To succeed, finance professionals have to accept that they’ll be wrong and then get back up and make the next play. Successful finance professionals are able to pivot on the fly,” said Michael Trzuppek, interim CFO of Sound Transit.

- **From the granular to the big picture.** Russell, who made the transition from FP&A, to accounting and back into FP&A, said that in his experience, people who can focus on the big picture make the most successful transition from accounting to FP&A. “Additionally, a person must be nimble, able to switch priorities quickly and distill important data from noise. The least successful ones are those who focus on just the ‘P’ in FP&A and can’t draw conclusions and analysis from the data.” 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 connect that to the entire enterprise.

Added Kanter: “While accountants pay great attention to detail, sometimes they can’t quite let go when you want them to step back to see the bigger context.”

- **Deciding what’s material.**

1. **Not too small to care.** According to Maisel, accountants may dismiss small variations that do not meet their materiality thresholds. However, FP&A may see small variability and identify it as a potential start of a trend or business change. “It can then put this item under surveillance and capture that KPI or unique data to see whether it’s an anomaly or an inflection point,” said Maisel.
2. **Too small to care.** On the flip side, some things may not be worth examining. “Accountants generally understand how the financials work in the G/L,” Geiler said. However, they need to develop skills such as changing focus from detail to materiality. “For example,” he said, “if travel expenses account for only 1% of salary, why spend time developing travel budgets for airfare, hotel, rental car and meals by individual? The travel expenses could more easily be forecast as a percent of salary or a fixed amount per employee.”

FINANCE FUNCTION	BUSINESS RELATIONSHIPS
Internal function	Partnership
What	Why

FROM INTERNAL FINANCE TO BUSINESS RELATIONS

“In FP&A and finance, you work with business leaders throughout the organization, and you have to look at the world through their eyes and adapt to it,” Trzuppek said. “Accountants, early in their career, typically deal with other accountants.”

- **Internal function to Building a business partnership.** Jason Logman, principal of Digital Enterprise Analytics at The Hackett Group says the difference between the two areas comes in the role FP&A plays as a business partner. “Professionals are no longer just responsible for auditable results, but for driving the business forward,” he said. “That’s where we see the bigger issue, especially for long-term accountants.”

“FP&A needs to have the ability to sit across the table from a marketing or operations executive and align him or herself with their interests,” Logman said. “The challenge for FP&A is how to better lead and influence, how to talk about the business and better relate and connect with the business partners.” Logman notes that business leaders don’t come to FP&A; often, FP&A needs to approach them first. “To get a seat at the table you need to be proactive: ‘here’s what I’m seeing in your business and here are the opportunities,’” he said. “And that means not only what can be done overnight or in a couple of days or even a quarter, but what can be done long-term to demonstrate value.”

Whether that effort is successful or not depends on the finance executive’s personality, acknowledges Trzuppek. In finance (vs. accounting), professionals have to develop those skills earlier on in their career. “You have to have enough emotional IQ to understand that you have approach each leader in a different way.” This is where a lot of former junior accountants struggle during the transition. Accountants, early in their career, typically interact with other accountants.

- **The “What” vs. the “Why.”** “As you move into FP&A, it’s more about identifying opportunities than reporting what happened,” Logman said. “You need to understand the business drivers and care less about the 50th decimal point. You can improve your forecast and analysis,” he said. “But your true value is aligning yourself with the business perspective. Historically, accountants have been focused on getting the numbers right versus driving insight, whereas FP&A is less about the results and more about understanding the drivers of the business both historically and prospectively.”

“Accountants give you the balance sheet and the income statement. They tell you whether you did better or worse. Whether you should be happy or sad. But they don’t give you the insight as to why,” said Maisel. “FP&A gives you that insight. It’s much more important to understand why you’re happy or sad,” he said. “FP&A provides the narrative. Accounting provides the numbers.”

“To be successful in the FP&A field, executives have to have a certain level of intellectual curiosity to ask the questions about what’s behind the numbers or the situation,” Maisel said. “They need the ability to understand the implication from detail and not get caught up in the details but see the picture that’s emerging from it, i.e., is there a direction or a pattern that can help you infer some insight into the organization? That’s a different mindset than worrying about things being properly controlled.”



FP&A: A Stepping Stone

Even if accounting professionals don't want to make FP&A their new permanent home, there's value in making a stop in FP&A as they develop their accounting and finance careers. Goodner says he's seen a trend among accountants to move into FP&A for a limited time, and then return to more senior accounting or controllership positions. "What they are able to do is use FP&A as a career enhancer," he said. "The FP&A line on the résumé commands a lot of respect. It's a differentiator. It means you are not only a CPA but have also acquired a strategic way of thinking," said Goodner.

"Having FP&A experience is valuable for everyone," added Russell. "People can go back to accounting or into operations, business development, or any business area. The ability to see the big picture and focus on areas that create value is useful in all areas of business, and that is a skill learned and developed in FP&A."

According to Thompson, "Accountants transitioning to FP&A, for any length of time, will have invaluable exposure to the key components of FP&A, such as building business relationships, gaining experience in strategic planning, delving deeper into the drivers of performance, and enhancing analytical skills. "This type of experience can help any professional take their career to the next level inside the accounting and finance functions, as well as transition to other areas like risk, product management or sales," she said.

"Even if accountants just do a quick rotation in FP&A, having the certification and experience is great," Powers said. "The FP&A role is often on the front lines of a company. Just having the hands-on time and related certification is important. The role offers an ability to see the business from a key location—with interactions that span the business and management levels."



HOW TO GET FROM POINT A TO POINT B

Clearly, there are a lot of valuable skills accounting professionals can bring to the FP&A role. Yet there's also a lot they must learn. They need to get comfortable with discomfort. They need to develop business partnership and the analytical skills required to connect the dots and see the bigger picture. They need to shed their allegiance to rules and think outside the box, and they need to shift their mindset from reporting on what happened to why it happened—and what's likely to happen going forward. These are all hard things to learn. Some can be learned on the job. Some through internal training initiatives and mentoring programs. And many can be acquired through intensive professional education and certification programs.

According to Trzupek, when accounting professionals make the decision to switch to FP&A, the first piece is to engage in formal continuing education programs. Right now, the only corporate FP&A-specific certification program is offered by AFP. "It gives accounting professionals a chance to delve into the FP&A world and learn the required skills in a very concise and organized manner," Trzupek said.

The second piece is acquiring skills through training—internal and external—and developing the necessary soft skills through leadership courses. According to Trzupek, the third piece is identifying mentors within the organization. "A mentor can talk through some of the difficulties early in the career," he said. Trzupek said he had several mentors throughout his career, and now he happily mentors others.

"As an accounting professional, you have the foundational knowledge to move into an FP&A role," said Jim Kaitz, CEO of the Association for Financial Professionals (AFP). But there are skills that must be acquired in order to be successful in the FP&A role. That's one of the key reasons AFP developed the Certified FP&A Professional designation, an intense and "immersive" FP&A learning system followed by a rigorous two-part test. Areas covered by the system include gathering and interpreting information, how to communicate financial concepts to people outside finance, and using technology to build and interpret financial projections.

“What the FP&A certification does is help bridge the gap between accounting and senior FP&A executives’ expectations,” Kaitz said. “The learning system helps accounting practitioners understand the demands of the FP&A profession and change their mindset to fit these new expectations.” For example, in accounting, at the end of the day, the credits and debits add up. That’s not the case with FP&A. “In FP&A, it’s more about ambiguity and measuring uncertainty in the budget and the forecast. It’s a different mindset,” Kaitz said.

Changing the mindset also includes changing the way accountants work with their peers. That’s particularly true for those parts of the learning system that deal with communication skills and how to interpret numbers, and how to build the relationships with non-financial business partners. According to Kaitz, collaboration with the business is finance’s number one priority in driving the organization’s profitability. “The certification gives accountants a way to address and develop an appreciation for those skills,” he said.

Thompson strongly believes that continuing education and programs like the AFP certification can help accounting professionals make that necessary switch. “I often think that accounting professionals may not fully realize just how different FP&A is,” she said. “Training and certification can help to raise awareness around those differences and help accounting candidates understand whether FP&A is truly a good fit for them. If, after understanding the nature of FP&A, the accounting candidate wants to pursue the transition, then training and certification also helps to deepen their understanding of FP&A, and helps the candidate understand where they have strengths, and where they need to perhaps expand a skill set or two.”

The Hackett Group’s Logman said that going through the certification process is “a good start to get your critical core skills.” The other piece is developing the softer skills that allow FP&A professionals to put themselves inside the business partner’s framework. “You start with figuring out where you can add value,” he said. To figure that out, “I suggest you get into the business. Visit the store. Or the plant,” said Logman. That’s especially true for professionals in corporate FP&A who are more removed from the business units. “It’s about digging deep, understanding what’s driving the results and having key conversations with the right internal customers.”

Ultimately, the learning is never done. In order to acquire new skills, David Buley, chief financial officer at the Association of Independent Schools in Australia, believes in the process of continual learning. “I think it is imperative for your career to not only keep ‘sharpening the saw,’ but occasionally ‘change out the blade’ or even ‘replace the saw with an improved model,’” he said. “What this means is continually scanning your industry and exposing yourself to new things, attending conferences you might not ordinarily go to and contributing to forums and blogs to test out your ideas.”

He himself has attended two AFP Annual Conferences and found that he was exposed to new concepts and themes he could not have found in his home country. “Australia and the U.S. are at different stages of maturity with respect to concepts such as mobile payments, fintech, and even the ongoing use of checks” (almost extinct in Australia). “Exposure to how colleagues in other countries approach these issues enables everyone to look over the horizon,” said Buley.

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Skills Set: A Checklist

ACCOUNTING	FP&A
CAPITAL REPORTING	CAPITAL ALLOCATION
Historical	Future
Investors	Business partners
Financial reporting	Management reporting
CERTAINTY	AMBIGUITY
Precision	Directionally correct
Granular	The big picture
Differing views of materiality	
FINANCE FUNCTION	BUSINESS RELATIONSHIPS
Internal function	Partnership
What	Why

CONCLUSION

While there's a lot of knowledge accountants bring to FP&A as they make the transition, there are also many skills they must acquire to make the switch successful. They need to learn to be comfortable with ambiguity—i.e., giving up rules and precision for being directionally right—to turn their gaze forward, and to develop strong ties with business partners.

There are various ways to learn these new skills: the FP&A certification program, going out into the business, internal training and mentoring, and learning on the job. How easy the transition is ultimately depends on the professional: Is he or she eager to learn? Do they like to ask the “why” questions? Do they recognize the gaps in skills?

The skill gap may be there, but there are many ways to make the switch. The prevalence of former accountants in the ranks of FP&A executives is evidence that it's a transition worth making.



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ABOUT THE AFP®

The Association for Financial Professionals (AFP) is the professional society committed to advancing the success of its members and their organizations. AFP established and administers the Certified Treasury Professional and Certified Corporate FP&A Professional credentials, which set standards of excellence in finance. Each year, AFP hosts the largest networking conference worldwide for over 6,500 corporate finance professionals.

4520 East-West Highway, Suite 800
Bethesda, MD 20814
T: +1 301.907.2862 | F: +1 301.907.2864