ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

AFP® FP&A GUIDE:

Finance Agility: Change Is Part of the Plan

Underwritten by workday.

AFP asked the FP&A community how they think about FP&A's agility. Their combined, qualitative response:

Change needs to be part of the plan. Start with your people and the mindset of not being attached to the status quo, and instead seek out and adjust to new circumstances. Your systems have to be flexible enough to pivot as the business adjusts to challenges that can come from any arena. And your processes need to be streamlined and adaptable to the business needs. Combining a continuous improvement mindset with evolving technology is crucial. **Finance's reaction to a disruptive world is to incorporate agility into its processes.**

Source: AFP FP&A Survey, Measuring Agility in FP&A. Respondents were asked to share their thoughts about FP&A's agility as it relates to monitoring, financial operations, technology and data, or personal and team effectiveness.

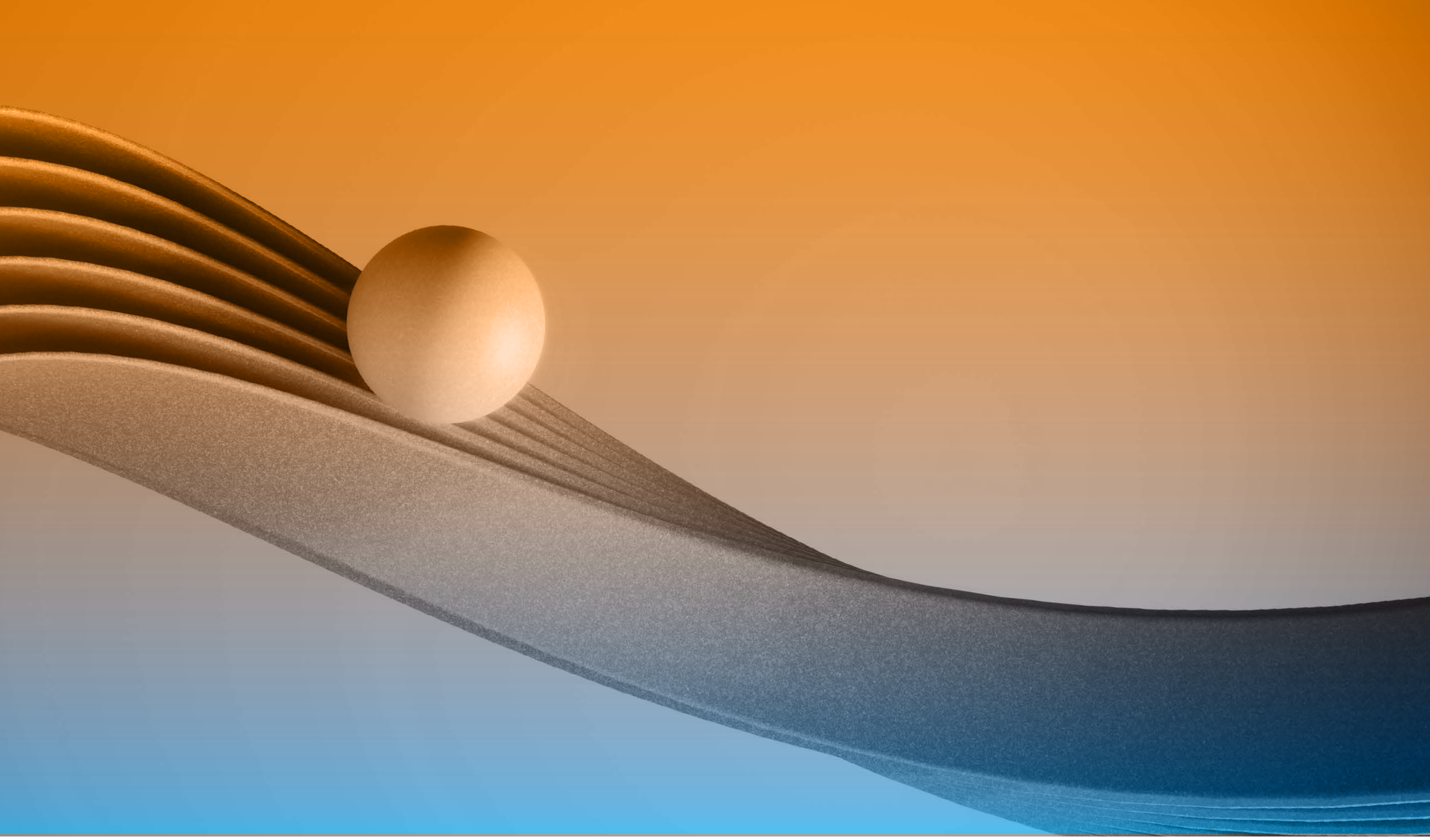
Change and disruption are inevitable; in response, finance must intentionally build agile practices into its work to help develop resilient companies that can meet their goals in the face of disruption. **This guide presents three axes of action to pursue agility, with specific ideas for supporting activities.**

CONTENTS

The FP&A Advisory Council identified agility as a key topic to explore, and AFP has created several content items in this area that support this research, including the FP&A Series, Getting Agile Right for Finance, the 2022 AFP FP&A Survey: Measuring Agility in FP&A, and the webinar, Traits of Highly Agile Companies.

AFP would like to thank the speakers, moderators and members of the FP&A Advisory Council who contributed their experience, expertise and editing to this guide.

AFP works for the benefit of the corporate finance practitioner, and we hope this research will provide you with ideas and inspiration you can apply to your own organization.



As a leading provider of enterprise cloud applications for finance, planning, and HR, Workday is proud to underwrite the AFP® Guide "Finance Agility: Change is Part of the Plan." This report helps the FP&A community establish benchmarks for the industry by providing insights into how finance, planning, and data are uniquely connected as key business drivers.

The world is changing at a faster pace than ever before. So in order to compete today, organizations need to anticipate change and build agility into their plans. That means detaching from the status quo and saying goodbye to spreadsheets, manual processes, and legacy technology.

To stay ahead of change, organizations need to shift to a continuous improvement mindset. And they need a new kind of planning system that supports that mindset—one that's streamlined and flexible enough to pivot as new challenges arise across the business. One that gives you access to accurate, up-to-date data when and where you need it. And one that efficiently automates business processes and gives you intelligent insights into hidden opportunities and warning signs.

Moving forward, the organizations that embrace change will be ones that come out on top. We hope the findings in this report empower your organization to build continuous growth into your plans.

- Workday Leadership

INTRODUCTION

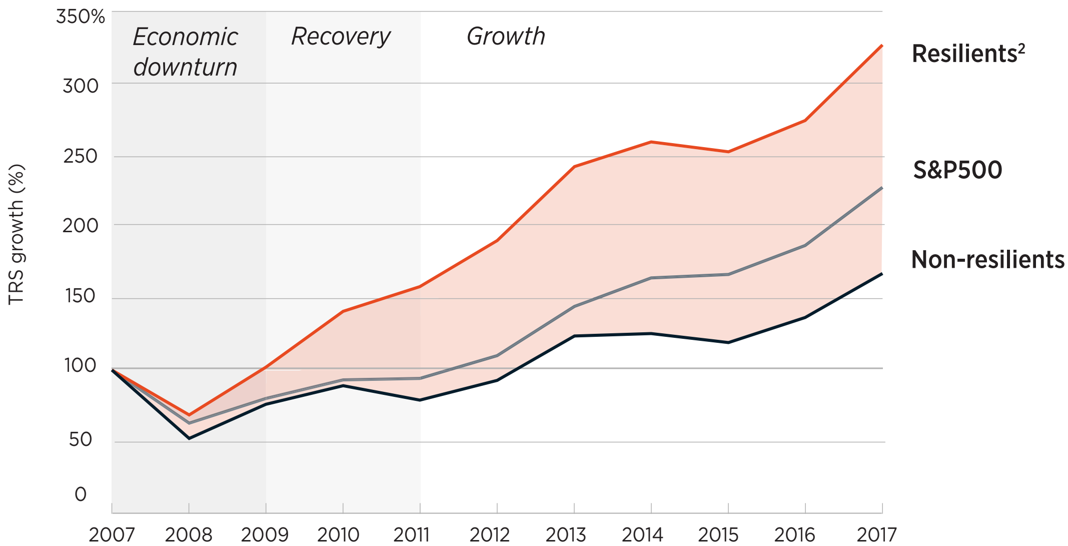
WHY AGILITY MATTERS

The term ***Agility*** implies a mindset open to change, the ability to rapidly assess the environment and the capability for action that effects change. The importance of agility is often seen in adapting capabilities of working toward goals, while ***resilience*** is a complementary term often phrased as the ability to achieve goals in the face of difficulties, such as COVID, supply-chain disruptions and instability.

Agility powers resilience, a relationship that's marked by higher overall survival rates over the long term, and better company performance throughout the economic cycle:

RESILIENT COMPANIES DID BETTER AT THE OUTSET OF THE DOWNTURN AND AFTER

Cumulative TRS performance[1]



Source: S&P Capital IQ and McKinsey & Company analysis

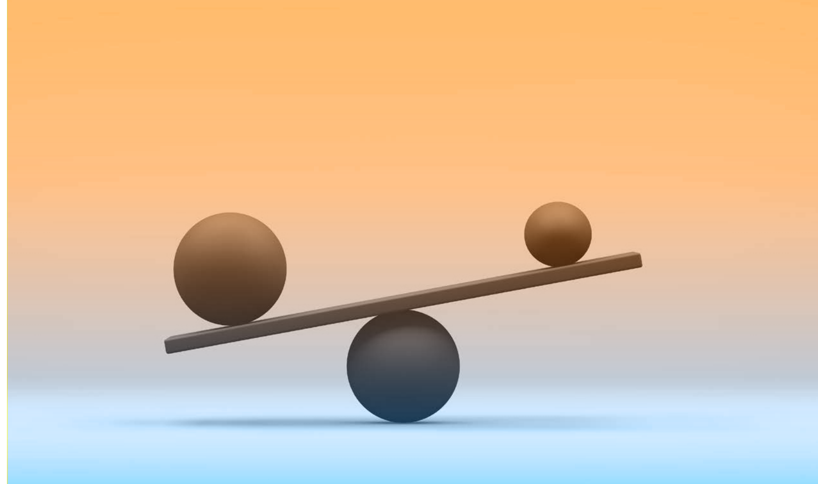
[1] TRS = total returns to shareholders; calculated as average of subsectors' median performance within resilient and non-resilient categories; n = 1,140 companies; excludes financial companies and real-estate investment trusts.

[2] Resilient companies defined as top quintile in TRS performance by sector.

McKinsey & Company writes, "Resilience is the ability to not only recover quickly from a crisis but to bounce back better — and even thrive. **Agile is a way of working that seeks to harness the inevitability of change rather than work against it.** As such, organizations that have fostered agile processes are better able to pivot when the situation demands it. Agility lets organizations respond in ways uniquely suited to each crisis, rather than apply one-size-fits-all, inflexible solutions." Their data shows that resiliency cushions downsides in recessions, and accelerates advantages afterwards.

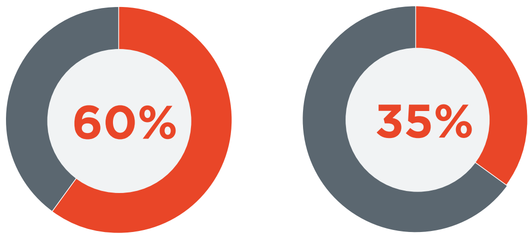
Similarly, Bain & Company research notes that companies scored as more resilient have higher survivability rates than less resilient companies. This is an important finding because the U.S. economy in particular, and global economies in general, enjoying three decades of "relative predictability of the business environment enabled firms to pursue efficiency. Yet this focus on efficiency has come at the cost of increasing structural fragility" as we enter more turbulent markets.

Agile companies outperform because they have a better capability to change internally in a world that is in a constant state of flux. The International Institute of Business Analysis™ (IIBA®) Being Nimble research differentiates between agile (the various development methodologies) and business agility as AFP would define it, calling the latter a "nimble" organization and a scalable capability to sense and respond to change rather than any one methodology. IIBA's study shows dramatic advantages for the most agile companies in performing their best work:



MORE-RESILIENT FIRMS HAVE NEARLY DOUBLE THE SURVIVAL RATE

Survival rate for larger US nonfinancial companies 2000-19



BAIN RESILIENCE INDEX ABOVE 70	BAIN RESILIENCE INDEX BELOW 70

Notes: Survival rate based on nonfinancial companies listed in 2000 and still listed in 2019; excludes firms with less than $1 billion in annual revenue; the Bain Resilience Index is based on the statistical relationship between share price performance during a crisis and variables including scale, growth, margin, leverage, liquidity, capital intensity, and geographic and product concentration.

Source: Refinitiv; Bain analysis

BARRIER TO PERFORMING BEST WORK *	ADVANTAGE TO NIMBLE COMPANIES**
Breaking down big problems quickly enough	+36%
Considers how their role in the organization impacts other parts of the business	+25%
Figuring out what is viable as a solution fast enough	+40%
Properly trained in this new way of doing things	+45%
Feeling empowered or accountable	+48%

Being Nimble, IIBA, 2023, N=436

* Top 5 Presented ** Variance between Most versus Least Nimble responders who answered "never" or "infrequently".

Agile companies need agile finance

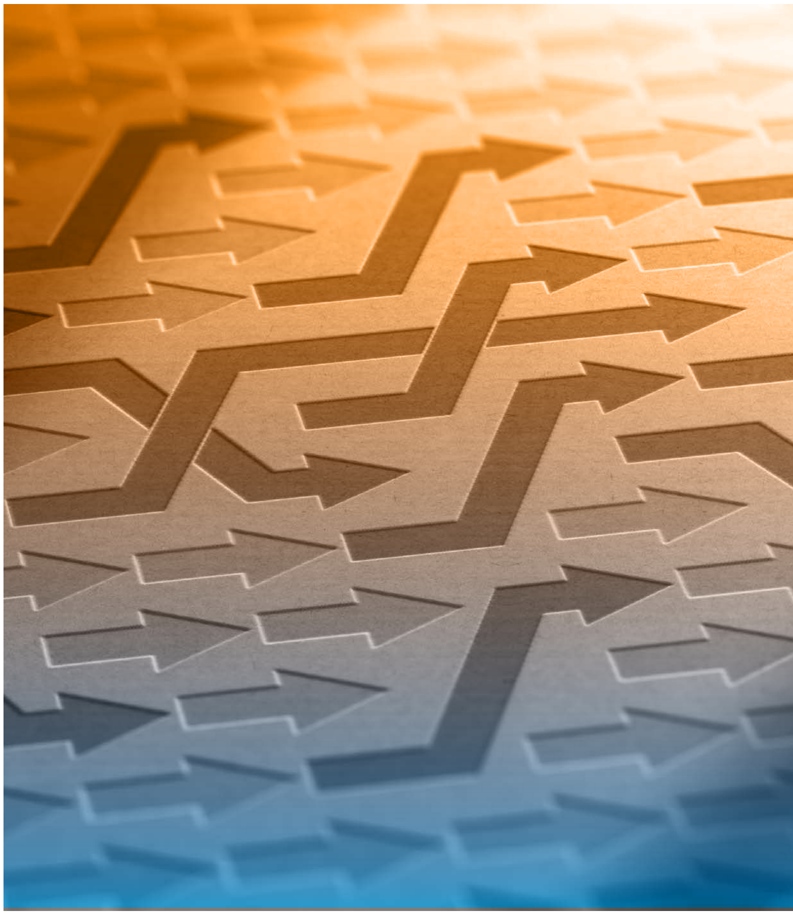
In short, **agile and resilient companies are defined by the agile practices built into the daily work of their employees**, enabling them to have better outcomes than their peers. The question is, how do we build agile companies? FP&A is an exporter of services and capabilities, specifically planning, performance measurement and financial analysis. These are delivered through the combination of finance acumen and processes, a robust and flexible technology backbone and interpersonal skills.

Keith Ellis, Chief Development Officer at IIBA, presented eight practices of agile companies (many of which are presented throughout this document) at AFP's FP&A Series, Getting Agile Right for Finance, and noted how finance plays an outsized role in several of them.

Agile organizations can **balance rigor and consistency with flexibility** in processes, an important challenge for CFOs because they are responsible for financial controls throughout the enterprise. These processes are rigorous by design! Even within FP&A, consistency, standards, governance, discipline, etc. can enhance flexibility and agility. For example, standard metric definitions, enterprise data governance, and a consistent level of planning detail are all foundational building blocks for FP&A that allow others to build in a coordinated fashion. Developing a strong, independent and agile FP&A department then becomes critical for CFOs to deliver financial acumen in an agile way across the enterprise.

Several routine FP&A processes align and support the practices identified by the IIBA report to promote corporate agility. For example:

AGILE PRACTICE	FP&A PROCESS
Assess strategic alignment to the broader business.	The planning process seeds corporate strategy throughout the organization; forecasts can show progress on goals to inform and guide next steps.
Clarify decision impacts that accelerate decision-making	Financial analysis quantifies the impact on the organization of various opportunities and risks.
Define what is both viable and valuable	Partnering with the business to bring both financial and strategic views to operations.



For example, companies look to the CFO organization to provide finance-based insights that align outside risks with internal strategy and capabilities; this is commonly seen in faster planning and forecasting processes that consider multiple potential outcomes. These are best practices for FP&A and key elements of company agility. In fact, the 2022 AFP FP&A Survey: Measuring Agility in FP&A shows that Agile Leaders (those who scored in the top 20% of the survey) can reforecast more than 50% faster than the remaining 80% (or Core Respondents), are more likely to use multiple scenarios in their planning processes, and have playbooks for specific challenges. Agile FP&A gives advantages to its companies.

As owners of the financial planning process, FP&A needs to adopt the stance that **disruption and change are to be expected, and agility is a service FP&A can offer to the company**. To do this, FP&A should build agility into its DNA along three axes of action: finance and business process acumen, personal and team effectiveness, and technology and data platforms.[1]

[1]These are the three necessary skill areas defined by AFP's FP&A Maturity Model.

FINANCE & BUSINESS ACUMEN

FINANCE CAN ACCELERATE OR INHIBIT AGILITY IN THE ORGANIZATION

Finance owns the fiscal calendar with its agenda and rhythms; therefore, finance wields massive influence in defining the ways in which people spend their time in the planning cycles, many of the metrics of success, the depth of analysis into the business and related conversations, and the level of risk the organization is willing to take. This impact goes far beyond just delivering the numbers, so FP&A must consider whether its processes and performance management systems add to agility or detract from it.

Flexible Processes Can Speed Up the Pace of Business

Svenja Amrhein, Global Head of Finance, Pharma Research and Early Development at the biotechnology giant Roche, described several ways the Roche Pharma division has built flexible processes into its FP&A:

"Increase speed by making decisions at the lowest level. Like many companies, we had mandated a traditional, bottom-up planning process and multiple reforecasts during the year. However, the plan was filled with lowballing of estimates and over-delivery of results, and the mid-year reforecast did not add value relative to the effort required to produce it, so we changed to ***event-driven planning***. Now, the product team, which includes FP&A, makes their plan and simultaneously defines the events that are significant enough to trigger the team to reforecast. Examples of such events include a competitor coming into the market, extending the product to new markets, or a change in the sales projection.

"Here is how it might look: The product team reconvenes as necessary to examine impacts to a particular product — not the whole portfolio. For some products, there may be no major events during the year and so only one touchpoint is needed to validate the outlook. On the divisional level, we look at the roll-up from the product-level affiliates; simultaneously, the finance group creates different models (e.g., probabilistic) for the sales projection and adds new portfolio entries with centralized assumptions. Then the team overlays the different forecasts to discuss outliers and define the final forecast to be shared with the group. At the group level, we look at the forecasts from the different divisions and have regular transparent dialogues between the Group CFO and the Division Finance Heads to discuss consolidated risks and opportunities.

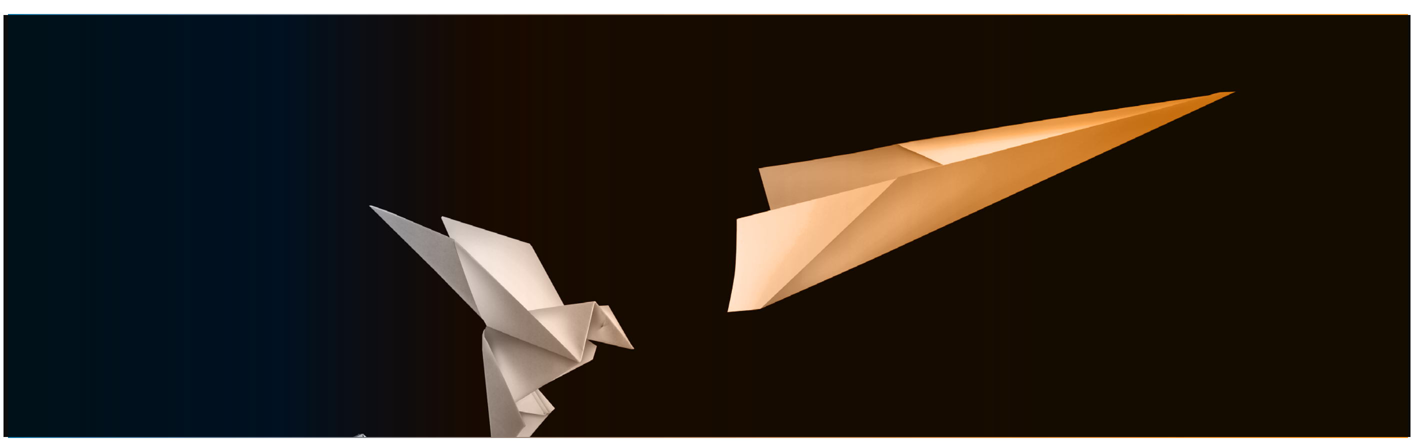
"On the divisional level, we look at the roll-up from the product-level affiliates; simultaneously, the finance group creates a probabilistic model on the base business plus new portfolio entries to centralize the assumptions for these unknowns. Then the teams overlay these two different forecasts to discuss outliers and define the final forecast to be shared with the group. At the group level, we differentiate additional issues for discussion, such as on-market issues, patent loss exposure or launching in the future, each of which would have different approaches.

"This has changed the conversations from us asking low-level questions such as, 'Do you plan 100 or 110?' Now we discuss what really impacts sales, the forecast and the key events. And our business partners are not busy with finance processes three or four times per year. They can spend more time listening to the market, studying the competitive landscape and being really close to the customers.

"Increase stability in a disruptive world with long-term ambitions. In the past, the whole company would wait for the annual set of official goals coming from the top and then develop their own goals to fit that framework. Now, we have ***defined 10-year ambitions*** for the company overall and each division based on foundational principles; we define our own tasks, deliverables and experiments that align with these long-term ambitions. We work in what we call outcome-based planning, which is very close to outcomes and key results (OKRs) and have 90-day cycles that allow for small adjustments to maintain alignment with the ambitions.

Agile leaders are **20%** more likely to say:

"FP&A considers a range of decision factors to balance short and long-term investment needs."



"Create and recreate flexible processes that fit the current requirement. Here is one example: Roche Diagnostics had a challenge to develop and deliver Covid tests quickly during a time of great uncertainty. Prior to our agile transformation, we would have asked the business for weekly or monthly sales and cost projections. Instead, we recognized this would take significant effort without producing real accuracy, so instead, we ***built scenarios describing the potential evolution*** of the pandemic, including the risks and options that could lie ahead. We populated the scenarios based on signals from the market and the sales figures from our internal systems. Freeing the business partners from unnecessary projections enabled them to keep focused on bringing these tests to market and not get lost in finance processes, and we delivered alignment across the organization.

The following is an example of what simple scenarios can look like. The slide is courtesy of Oliver Wyman Consulting. AFP also has published a Guide to Scenario Planning with supporting tools.

Building Scenarios

In the short term, firms should understand and evaluate the impact of different scenarios on their financial performance — this is the first and most important step in preparing for an uncertain future driven by inflation, global risks and disruptions.

IMPACT OF DIFFERENT SCENARIOS ON COST AND SALES OF AN AVERAGE MACHINE MANUFACTURER[1]

			Profit/Loss (P/L) Impact [1]		
Area	**Scenario***	**Impact**	**Likelihood**	**Costs**	**Sales**
Economical Factors	Increasing prime interest rates	Possible deceleration/decline of inflation rate, but driving financing costs	●	↗	→
	Further increasing material prices	Higher overall costs driving inflation	●	↑	→
	Economical slowdown/recession	Declining demand may reduce inflation rate	●	↘	↓
Energy Transition	Accelerated "Greenflation"	Costs for renewable energy and sustainable value chains drive inflation	●	↗	→
	Investments in Renewables	Increasing demand may drive inflation	●	↗	↗
	Gas shortage	Unclear impact on inflation, supply shortages could drive inflation	●	↘	↓
Labor Market	Salary increases	Higher overall costs and increased demand are likely to driving inflation	●	↑	→
	Labor shortage	Labor shortage negatively impact supply and drive inflation	●	→	↘
Political Instability	Trade war/ increasing tariffs	Increasing cost for exported and imported goods increase inflation rate	●	↗	→
	Regional military conflict	Unclear effects on inflation - broken supply chains to increase inflation while a possible recession could mitigate inflationary effects	●	↑	↓
Pandemic	Shutdowns in Asia	Disrupted supply chains to increase inflation	●	→	↘

***More scenarios to be evaluated**

Likelihood rating: ● Very likely ● Possible ● Unlikely, but conceivable

P/L impact: ● Positive effect on profits ● Negative effect on profits ● No effect ● Cost effect as a result of changing sales

"As another example, we ***changed the structure of our budget review meetings*** for Roche Pharma. These were intensive two-day meetings where the whole business came together with lots of slides. Of course, preparations to craft the story with supporting materials began long before the meeting. We all know what happens: Numbers at aggregated levels do not tie out to country-level preparations, people add layers of security (sandbagging), and data discrepancies creep into the process. Now, we bring together pools of countries and they present to each other. They hear about the risks and the opportunities, where the market is heading and how they can work together on issues. Finance may only have one or two slides because these are working sessions, not reporting sessions. This is still a finance-supported process but with more substance and a forward-facing focus. And no one misses the tons of slides."

Agile leaders are **20%** more likely to say:

> **"FP&A can reallocate budgets/funds as opportunities change."**

Manage Your Performance Management

Clarity focuses the mind and reducing the number of key performance indicators (KPIs) and metrics can focus everyone on the most important aspects of your business. Fewer KPIs mean less metric clutter and less effort to compile them all. Agile means focusing on the right work and allowing that definition of work to change.

Reduce the number of metrics and reports. Steve Beam, Expert Partner, Bain & Company, explains the challenge of performance reporting:

"Measuring things is easy; measuring the right things is a challenge. An organization left to its own devices will measure everything, explain nothing, and not have a clue as to where the money comes from or goes. I see clients who are drowning in meetings and models, reports and reconciliation, and a culture of risk aversion/risk avoidance. Sometimes they purposefully hide behind all that noise. What's the fun in that? We are supposed to innovate, challenge, provide decision support, and take risks.

"FP&A is doing so much planning and reporting in detail, they have little time for the analysis, decision support, strategic insights, business partnering and developing the financial acumen of other departments. Poorly designed metrics lead to more reconciliations, more meetings and more confusion without driving a major decision. I have seen legacy metrics that exist because the CFO five years ago asked a question, and the team still produces it just to be sure they are prepared. ***Here is a plan for agility: Set a goal to eliminate one-third of your work, streamline one-third of the work, and optimize your toolset to do the rest.***

"We are seeing that ***best-in-class FP&A organizations track seven to 10 KPIs or metrics at a corporate level.*** That's it. And most of those are not finance outputs. They are in process: backlog, conversion rates, supply chain risks, talent. If the company is tracking within the right tolerances, the KPIs will produce good financial results. We have had similar results for budgeting and forecasting, ***reducing the number of budgeting lines*** from 500 down to 30 items. To do this, you have to know the business and know your critical outcomes, then go upstream to measure the critical path items that lead to those outcomes.

"It is tough to balance the desire for simplification against the desire for increasingly granular and multidimensional views. There needs to be some healthy friction in those discussions around what level of materiality is acceptable versus valued versus producible in a very tight cycle and timeline. The authority to streamline reporting has to flow from the top down, establishing a benevolent dictatorship approach versus hyper democracy in the metric library. And remember, the people in the C-suite often do not realize how much work went to preparing the materials for reports and reviews versus how little is being used."

The Lifecycle of Metrics

If agility relates to changing circumstances, then your performance management systems need to be able to change over time to ensure continued alignment with objectives and operations. While it is easy to create a metric or report, it is often difficult to remove it once established. However, **there is a cost in the time and effort to collect the data and produce the report, and additional costs in the time it takes to review a sea of measurements.** To maintain a lean and clean performance management library, it is helpful to think about the three steps in the life of metrics and reports:

Creation: Ensure new metrics align with strategies and business objectives and propel the business into action; talk to your partners. Compare to existing reports or the analytical framework for redundancy or conflict, and delineate the data source and production method. Define obsolescence upfront, such as project end, targets achieved, and recurring versus ad hoc measurement.

Maintenance: Validate the utility of metrics against internal and external benchmarks; automate collection and reporting. Note utilization during meetings and discussions.

Retirement: Evaluate your metrics library through periodic reviews (spring cleaning!) to prioritize and eliminate based on correlation to goals and outcomes; measure usage via downloads and consolidate as necessary.

Enable funding of business outcomes, not projects. While we have the ability in our performance management to focus on projects and budget-related spending, IIBA's research suggests FP&A should remember that projects are steps to a desired outcome of delivering value to the customer. FP&A metrics and processes should allow for modular projects to be measured as sprints with the focus on whether they are achieving long-term ambitions (as Amrhein explained for Roche) rather than for the sake of the project itself. Keith Ellis explains:

"You have to be able to step back and ask, 'Do we understand what our customer value chains look like, and are our actions creating value?' If the unit of work is always a project, teams end up prioritizing that project rather than delivering value for the customer. That is not agility. In fact, it's very limiting. Instead, one technique to consider is funding smaller pieces of work inside a project and thinking of them as experiments and ways to achieve outcomes. This really allows organizations to change their collective minds and more easily end work that is not creating value.

"From the finance standpoint, budgets aren't fixed but may be reallocated based on changing situations. Funding may be released based on metrics or milestones, or perhaps there is a mid-year process to change where that money goes. Project ABC maybe is not working, but XYZ is knocking it out of the park and we should put more money there."

Ellis suggests three ways of thinking about agility in what you track:

1) Where have I built my capacity to have an honest broker of value? Often that is a role for finance.

2) Is there a prioritization method to measure progress, and is it based on politics or objective methods?

3) Are we truly set up to pivot and end work that's not valuable? Because sometimes the best thing we can do is just stop doing something.

PERSONAL & TEAM EFFECTIVENESS

A DYNAMIC, LEARNING ORGANIZATION

Jenn Zinschlag, Partner at Artemis Executive Search, noted in the AFP webinar, Traits of Highly Agile Companies, "Agility is not only reacting to what leadership is asking but also what your staff wants and needs. Do they get to be who they want to be, and are they motivated? All the technology in the world, all the finance and business acumen will get scrambled if you don't take care of your people." Leadership commitment and employee engagement are critical for creating the culture and structure of agile organizations.

Create a Culture Open to Challenge

If Peter Drucker was correct and "culture eats strategy for breakfast," then FP&A needs to define and create the agile culture it wants. Staff mistrust, turnover, and unengaged employees who simply follow routines are anti-agile traits!

Agile leaders are **24%** more likely to say:

> **"Culturally, FP&A has the ability to adapt well to changing circumstances."**

Develop psychological safety on the team. Wassia Kamon, VP of Finance and Corporate Controller at the Low Income Investment Fund (LIIF), defines this as a "team as an environment where everybody feels empowered, encouraged and equipped to be themselves. They feel okay raising their hand and saying, 'Hey, I need help.' They feel okay being vulnerable. This goes beyond gender, race or ethnicity; it also includes introverts and extroverts, people from different industries, different schools, and a mix of optimists and realists."

IIBA's research lists "Respectfully challenge to grow" as one of their eight practices of a nimble organization, and defines it as the ability to support empowered, autonomous teams that respectfully challenge the status quo and product direction.

Keith Ellis says, "This is easy to overlook. It is also statistically one of the most important things to think about. Are we effectively challenging ways of work? Are we enabling the funding of business outcomes?"

Agile leaders are **26%** more likely to say:

"**FP&A has safety to voice opinions/suggestions without fear of the negative.**"

This was the highest score for agile leaders in the entire survey.

Develop good leaders. Kamon notes that high turnover reduces agility due to a lack of depth of relationships or knowledge of company processes. She notes that people leave bad bosses before they leave their job: The Pew Research Center's 2021 research found that 57% of Americans said that they left their job because they felt disrespected. Her advice: Invest in leadership and help them demonstrate high emotional intelligence, a growth mindset and good management skills.

One change is to move ***from managing and directing to coaching and empowering.*** Show your employees that you trust them to get the job done, encourage them to work efficiently and challenge them to produce better outcomes. Leaders should encourage critical thinking by asking leading questions and checking in enough to guide without micromanaging the result. Kamon recommends that leaders set up planned milestone check-ins, set clear expectations, provide resources (e.g., training, resources, connections to experts) and be available throughout the process. Growth plans should be tailored to the individuals on the team.

Engender a team ethos of continual improvement. Teams develop this capability so it is accepted and expected. This includes in-meeting roles where some challenge the dominant thinking (the "devil's advocate" role), post-meeting debriefs and critical analysis, set times for personal feedback and improvement, and leaders who demonstrate personal growth and development.

Svenja Amrhein noted how Roche established long-term ambitions supported by short-term actions; this ***allows for experimentation*** with low actual or emotional investment. Steve Beam notes that frequently for finance "the cultural pursuit of the perfect strategy with the perfect initiatives often delays the start of improvement initiatives. What works is to ***start with a specific ambition:*** What do you want the future to look like, operationally or personally? How long do you feel your budgeting process should take? Should forecasting be done once a week or twice a month?" Then search for tactics that build a roadmap toward your ambition."

Agile leaders are **26%** more likely to say:

> **"FP&A is open to continual improvement, e.g., experimentation, new methods, disruptive ideas."**

Design the Organization for Flexibility

Ellis advises businesses to mindfully build capacity for change within the finance function itself and throughout the organization: "It is not the role of the CFO to chase out every detail of a change within the organization, but it is FP&A's role to ensure there is sufficient business analysis capacity within the organization to meet the needs of the strategic change agenda." A focus on ruthless efficiency of staffing resources creates fragility when disruption happens; conversely, the structure of the team and supporting teams can aid agility.

Succession planning becomes progression planning. Org charts are not static, and Kamon advises planning for change in your people strategy: "Succession planning mindset is just about being proactive about the eventual departure or transition of key players within your team. With progression planning, you are always on the lookout to nurture high-potential individuals and make sure your whole team is prepared for change. This requires you to ***develop your staff beyond their current duties*** and to be looking forward to changes as learning opportunities. Leaders can create opportunities for intentional exposure to new people, projects and opportunities; the hybrid work environment has created more silos and reduced opportunities for exposure throughout organizations.

"A simple tool that I have used is called the ***Now/Next/Later Career roadmap*** [shown in the figure below]. The idea is to think about what is needed this year (now), in the next two years (next), and then in five years (later), and to plan it across the three dimensions of technical skills, soft skills, and general knowledge and education. Here is a simplified example for an early career analyst, but this framework can be adapted for anyone at any level."

	NOW	NEXT	LATER
TECHNICAL SKILLS	Basic Reporting	Excel Advanced Features	Scenario Modeling
SOFT SKILLS	Presentation	People Management	Business Acumen
GENERAL KNOWLEDGE OR CONTINUING EDUCATION	Company Knowledge	Industry	Competitive Landscape

Avoid key person risk. Kamon notes that you can enhance agility and promote success planning by ensuring that your processes and systems do not rely on just one person. You want to make sure that your systems are well documented, there is cross-training on your team, and everybody feels okay dealing with the task at hand. Nothing limits agility like the phrase, "The one person with the login rights is on vacation!"

Avoid working above capacity. Frank Chou, FPAC, CTP, Senior Manager, Corporate FP&A at EVgo, sketched out the challenges: "When you are flexing to a hundred percent or more, you forget the 'A' in FP&A. There is no time for analysis! If you're constantly churning through activity, you don't have the time to step back, analyze, think, digest results, and then come up with a comprehensive narrative that can be easily understood and really help have that impact on the business."

Additionally, the team lacks the ability to simultaneously deliver on commitments and address surprises, get ahead on work, explore new ideas or develop their own growth.

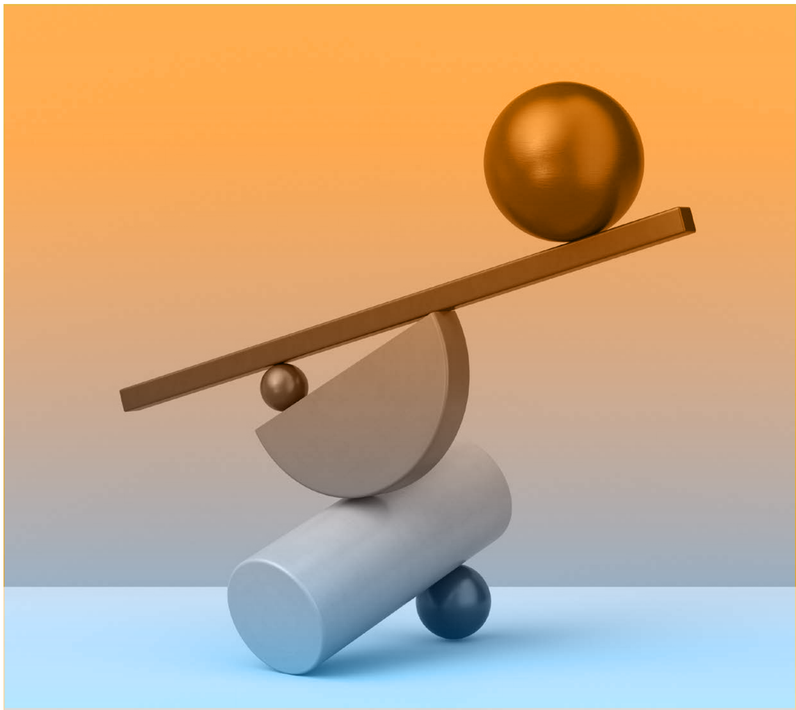
Contributing factors to overcapacity include inadequate staffing and inadequate skilling of the FP&A teams, both areas where agile leaders scored 23% higher than core respondents. Survey respondents indicate this may be due to FP&A being overwhelmed with too many priorities, as well as the inability to manage the scope of requests. Chou says, "I think in general, FP&A teams don't like to say no when there's a request from the CFO or a business partner. We want to have that voice at the table and also be a contributor, ***so we stretch ourselves further to meet additional demands of a business partner."***

Agile leaders are **23%** more likely to say:

"**The FP&A team is adequately skilled.**"

"**The FP&A team is adequately staffed.**"

Develop flexible teaming. Developing project teams has long been a way of addressing challenges while introducing work (content) opportunities, leadership development opportunities and networking. IIBA's research says that agile organizations should be able to dynamically assign and acclimatize specialized talent to a team in order to navigate uncertainty. Amrhein explains how they accomplished this at Roche:



"First, we experimented with ***self-organized teams*** that work on the same topic to find synergies; it was very successful but limited to specific challenges. Then, we expanded that to have one big team, called the Enterprise Center of Excellence, a large self-organizing group of 160 colleagues that have the purview to look at everything within a division and headquarters level. Suddenly we could look at topics that cut across functions and standardize what is core and common. We could focus more efforts on the highly specialized needs. It also improved our interactions with the business by presenting a cohesive finance organization and bringing together skills that crossed borders and products."

TECHNOLOGY & DATA

BE GOOD BACKSTAGE TO BE GOOD ONSTAGE

Being agile and able to handle the unpredictable requires that you handle the routine work efficiently so you have time to flex and change; it also means that your talented staff can effortlessly access your data assets. FP&A's ability to deliver its services and insights on stage to business customers requires a reliable, scalable infrastructure operating backstage, a platform that allows FP&A to accomplish the work, and access to good data with minimal curation, i.e., ease of data access, query, extraction, consolidation, transformation, augmentation, reconciliation, formatting, and eventually reporting and analysis.

Of the three axes of action measured in the Agile Survey, technology and data is the area of greatest advantage for the Agile Leaders, scoring 31% higher than Core Respondents. And this looks to become more important in the future, as today's data structure and tools become the launching point for more advanced artificial intelligence and predictive tools.

A Solid Platform for Launch

Platform = Good data + Good tools. It is difficult to separate these elements because tools connect or house the data. The challenge is well-known, as Mario Vasquez, Senior Director, FP&A at E.W. Scripps, says:

"We've all heard a variation on the saying that your analysis is only as good as your data, or garbage in, garbage out. You need to have trust in your data, and it must be delivered on a timely basis and with minimal curation. Taking too long to format your data is equally as bad as not having access to the data at all! FP&A software offerings are continuing to grow. I keep seeing new ones every single year at our AFP conference and the adoption seems to be on the rise. Now you need to ensure your staff knows how to use them! Otherwise, you run the risk of your people actually degrading the data and deriving the wrong insights."

Below are some of the ***capabilities*** practitioners look for in their FP&A platforms to help them see, react and pivot quickly, as presented in the AFP FP&A Survey, Measuring Agility in FP&A:

- Controlled access to timely, trusted, managed data.
- An end-to-end planning tool that is robust, flexible, easy to use, cloud-based, collaborative and administrated independent of IT.
- Automated data collection that can populate models and reports and have triggers and alerts on KPIs.
- Scenario planning, with contingencies and playbooks.
- Version controls for comparisons across versions/ scenarios.
- Flexible planning models, including driver-based and rolling forecasts, with predictive and probabilistic tools.

Below are some agile ***practices*** for your data tools and platform, from the AFP FP&A Guide, Get Your Data Right:

- Business needs drive data initiatives, not the other way around.
- Develop a hub-and-spoke model for your data with controlled data at the core and flexibility in how it is applied at the edge.
- Develop a hub-and-spoke model for your team with a strong core of expertise and a broad coalition of support. Communicate clearly and constantly across this team.
- Select the right use cases that allow you to experiment, expand and build capabilities as you expand.
- Data changes your people strategy, such as who you hire, how you deploy them and what work they perform.
- The critical skill is critical thinking; don't simply accept current processes or instinctively follow the numbers produced by a "black box" model.

Agile leaders are **44%** more likely to say:

> **"FP&A has tools required for rapid planning & analysis."**

Agile leaders are **34%** more likely to say:

> **"FP&A has access to trusted data on a timely basis with minimal curation."**

Agile leaders are **21%** more likely to say:

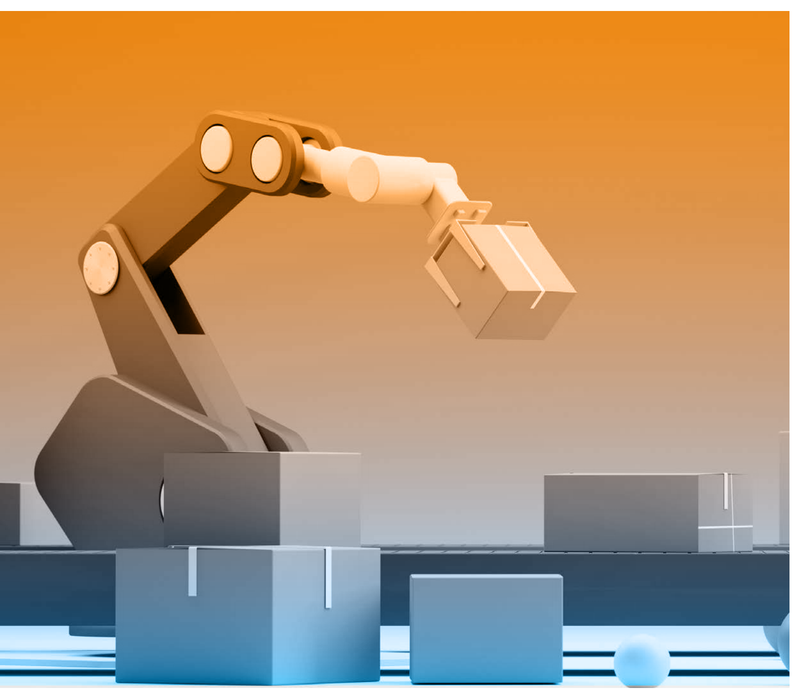
> **"FP&A has good skills for the tools we have."**

Prepare for the Next Stage

Define the ambition for human and machine work. The cycles between "what do we do now" and "what do we do next" are shrinking to the point that our "backstage" technology projects need to be conceived as ongoing infrastructure improvement programs. In fact, this was one of the key tenets of the original agile manifesto for IT development!

FP&A can improve its current and future agility by implementing effective data platforms today and continuously tending them through evolving forms of artificial intelligence, predictive and prescriptive analytics, and yet-to-be-determined forms of automation. What is clear is that higher forms of automation are built on foundations of trusted data, and sophisticated skill sets are built on basic skills combined with a vision of what can be accomplished, experimentation and learning. The sooner FP&A establishes this cycle, the sooner FP&A can deliver agile services for a more resilient company.

Amrhein lays out how Roche is thinking about the opportunity for digital: "We ask, what can machines do really well, and where should we as human beings focus our time and energy to get the best of both worlds? I think we often confuse digital with building a dashboard, but it is understanding opportunities of machine learning, data mesh, etc. We now create projections with algorithms as support. Of course, that means you need to understand the technologies, and so we have to build up a digital academy to help people learn about this better."



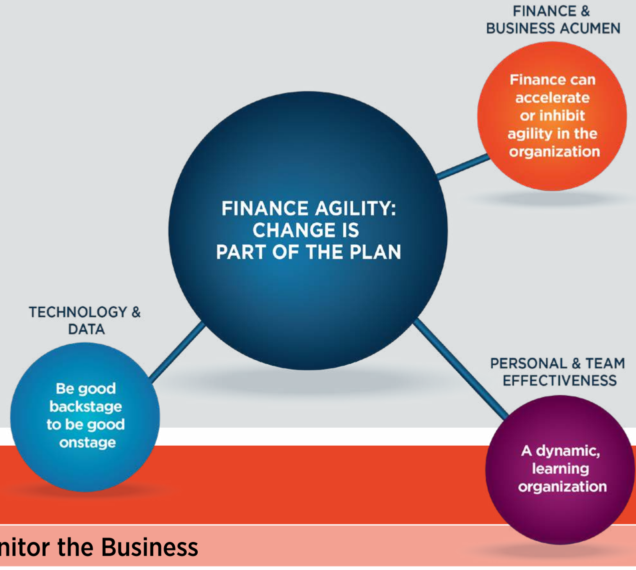
A vision, platform and pilot project can launch advanced digital strategies. Steve Beam provided this example of how a company built an automated forecast that reduced workload for FP&A and improved accuracy for the company:

"We had a large consumer products client in 180-plus countries. They completed a significant effort to streamline their processes and rationalize their work, and then a small group within the organization felt that they should be able to forecast better and faster. They asked: How can we unlock additional value from the technology investments that we've put in place? Why can't we forecast the major drivers of our Revenue, P&L and income quickly, in a global standard way sooner and start to have some conversations earlier in the month on reallocating capital, marketing or investment decisions?

"They started working on an automated forecast. They stood up a test model in about four weeks, and then released an improved version two days later. Progress built upon itself as the company started to leverage some basic algorithms to leverage external drivers, such as weather, commodity prices, and the IMF's views on economic growth in various markets. They looked at internal drivers, such as volume mix margins and supply chain constraints. Over the next six months, they rolled it out to each country. Today, it is about 98% accurate from revenue through the P&L in the major areas. And they went from forecasting once a month to now walking in on Monday morning and having a plan and a forecast that can launch real conversations about how they are tracking and what risks and opportunities exist. Talk about creating agility and value for the business!

"These efforts begin with an ambition, a goal and a willingness to build it up over time. And they develop their own momentum because once you start attracting this type of human capital and talent, others flock to it and want to be a part of it. I would encourage every level of organization and companies of all sizes to play with these concepts. And it's not that expensive. There's a lot of technology out there already and a lot of different techniques within this approach that still apply outside of predictive analytics and AI."

SUMMARY



FINANCE CAN ACCELERATE OR INHIBIT AGILITY IN THE ORGANIZATION

Flexible Processes

- Make decisions at the lowest capable level.
- Reallocate capital via long-term stable ambitions, short-term testable tactics.
- Adapt flexible processes for specific needs, e.g., event-driven planning, scenarios planning, optimizing review meetings.
- Develop strong relationships with the business.

Monitor the Business

- Concise (fewer) KPIs, metrics and reports drive clarity and reduce clutter and effort; eliminate unproductive meetings.
- Metrics have a lifecycle that includes retirement.
- The metric regime should tie to business outcomes, not just project completions.

A DYNAMIC, LEARNING ORGANIZATION

Cultural Mindset

- Develop psychological safety on the team, including a team dynamic of transparency and collaboration.
- Develop good leaders who move appropriately from managing and directing to coaching and empowering.
- Engender a team ethos of continual improvement, allowing for experimentation and setting a vision of improved operations.

Organizational Design

- Succession planning becomes progression planning by developing your staff beyond their current duties.
- Avoid key person risk by cross-skilling employees, simplifying processes and democratizing data to avoid a single point of failure.
- Avoid stretching teams above capacity by ensuring adequate staffing, skilling and work prioritization.
- Develop flexible teaming.

BE GOOD BACKSTAGE TO BE GOOD ONSTAGE

Good Tools & Data

Ability to access trusted data with minimal curation:

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- Develop a hub-and-spoke model for your team with a strong core of expertise and a broad coalition of support. Communicate clearly and constantly across this team.
- Select the right use cases that allow you to experiment, expand and build capabilities as you expand.
- Data changes your people strategy, such as who you hire, how you deploy them and what work they perform.

Prepare for the Next Stage

- Develop baseline capabilities and skills today and build on their foundations.
- Define a vision and strategy for both human and machine work.
- Test your way into advanced strategies.

In addition to the speakers mentioned in the document, AFP would like to thank the members of the FP&A Advisory Council who contributed to this effort: **Marcus Gadson, FPAC,** Finance Director at Wellpath; **Philip Peck,** VP Finance Transformation & Advisory Services at Peloton Consulting; and **Hector Rubalcava, FPAC,** Director of FP&A at Press Ganey.

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Bryan Lapidus, FPAC, director of FP&A Practice for the Association for Finance Professionals (AFP), has more than 20 years of experience in the corporate FP&A and treasury space working at organizations such as American Express, Fannie Mae and private equity-owned companies. He is the staff subject-matter expert on FP&A for AFP, which includes designing content to meet the needs of the profession and helping keep members current on developing topics. Lapidus also manages the FP&A Advisory Councils in North American, Asia Pacific and the Middle East and Africa, which act as a voice to align AFP with the needs of the profession.

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