

metapra^xis

FP&A BEST PRACTICES

A BLUEPRINT FOR HIGH-PERFORMANCE

By Richard Freeman



CONTENTS

00	Introduction	03
01	Becoming Operationally Focused and Embracing Speed	05
02	Relying on the Data that Matters	08
03	Supporting Strategy, Not Accounting	11
04	Improving Execution	14
05	Rounding Up	17



INTRODUCTION

Welcome to "FP&A Best Practices: A Blueprint for High-Performance Teams." This eBook is your comprehensive guide to unleashing the full potential of your FP&A (Financial Planning and Analysis) team. Within these pages, we'll embark on a journey through crucial strategies and actionable steps that will elevate your FP&A team's performance and empower them to be the driving force behind your organization's success.

Drawing from the wealth of knowledge presented in our three-part blog series, we have distilled the most vital principles and practices. We'll not only explore these key areas but also provide you with practical insights and strategies that you can implement immediately.

Embracing Operational Focus and Speed

In a rapidly evolving business landscape, we understand the urgency of agile planning and analysis. Our first chapter delves into how your FP&A team can become operationally focused and embrace speed. We'll guide you through streamlining processes, automating tasks, and accelerating decision-making to thrive in unpredictable times.

Data-Driven Decision-Making

The significance of data in today's business world cannot be overstated. In our second chapter, we'll explore the art of relying on data that truly matters. Discover how to distinguish between valuable data sources and superfluous information. We'll help you mitigate biases, leverage operational data, and foster data-driven decision-making at every level of your organization.



INTRODUCTION

Aligning with Strategy

In Chapter 3, we break down the silos that often exist between strategy and finance. Learn how to support strategy effectively, preserving the context of high-level decisions. We'll guide you through aligning FP&A with strategic initiatives, integrating external context, and creating a seamless flow of insights from strategy to execution.

Elevating Execution

In our final chapter, we'll explore how to improve execution within your organization. Dive into the operational aspects of your business and bridge the gap between finance and operations. By understanding operational drivers and fostering collaboration, your FP&A team can drive efficiency, enhance decision-making, and remove cultural barriers that may hinder performance.

Throughout this eBook, we will provide you with actionable "blueprint actions" for each key area, allowing you to implement the principles immediately and transform your FP&A team into a high-performance powerhouse.

So, whether you're a seasoned finance professional or new to the world of FP&A, join us on this journey of growth and excellence. Together, we'll equip your team with the tools, knowledge, and strategies to not only navigate challenging terrain but also to thrive and lead your organization to new heights of success.



CHAPTER 1: BECOMING OPERATIONALLY FOCUSED AND EMBRACING SPEED

Understanding the Challenge

In the face of unprecedented and unpredictable business environments, the role of FP&A teams has never been more critical. The words "unpredicted," "unprecedented," "unplanned," and "unanticipated" have become all too familiar in recent years. These terms have been used to explain nearly every aspect of company performance, from financial successes to challenges and setbacks. As a finance professional, you understand that these uncertain times demand agile and efficient financial planning and analysis. FP&A teams play a pivotal role in providing the planning and analysis necessary to support decision-makers during such periods of uncertainty.

Beyond navigating unpredictable scenarios, FP&A teams have a multifaceted responsibility that includes producing long-term strategic plans, budgets, reforecasts, financial models for acquisitions and divestments, and addressing various ad-hoc requests. This complex and challenging mandate underscores the importance of FP&A teams in driving business success.

Operational Efficiency

Historically, FP&A teams have been tethered to predictable business rhythms, such as annual budgeting, quarterly reforecasting, and month-end, quarter-end, and year-end processes. Unfortunately, the predictability of these processes has often led to the evolution of inefficient and cumbersome



BECOMING OPERATIONALLY FOCUSED AND EMBRACING SPEED

procedures. In many organizations, Excel has remained the primary tool for producing analysis, but much of this analysis goes unused or is simply padding within reports.

A recent [McKinsey report](#) highlights a significant issue: finance organizations now spend 10% more time and resources on FP&A compared to a decade ago, yet they often lag in delivering value. The fundamental question that CFOs, VPs of FP&A, and Directors should be asking is whether the time spent adds value or merely adds up. Many finance professionals admit that their biggest time drain is waiting for, aggregating, and creating the required reports or analysis. This inefficiency hinders the capacity to handle the extra data needed for effective ad-hoc scenario modeling.

Blueprint Action 1: Creating a "Clean Sheet"

To become a high-performing FP&A team, it's essential to start with a "clean sheet" approach. This involves conducting a thorough audit of how your FP&A team supports the business. Key questions to consider include:

- What processes does the FP&A team support?
- What data is used, and where does it come from?
- How are reports and materials produced?

In the world of finance, manual processes should have no place. Producing routine reports using Microsoft Excel, PowerPoint, or ad-hoc Power BI activities is no longer acceptable. If your team relies on such methods, it's time to improve automation or consider alternative technologies. For FP&A to truly support the business, it must work in ways that efficiently scale to handle increased workloads. Embracing speed is crucial. Challenge any impediments that hinder your team's ability to work swiftly and effectively.



BECOMING OPERATIONALLY FOCUSED AND EMBRACING SPEED

Remember to measure, record, and continuously improve the performance of key processes.

In the next chapters, we will delve deeper into the core principles of FP&A best practices, exploring how to rely on the right data, support strategy effectively, and improve execution. Let's start the journey toward making your FP&A team a high-performance force that drives your organization's success.



CHAPTER 2: RELYING ON THE DATA THAT MATTERS

The Significance of Data

"In God we trust. All others must bring data." This famous quote by [W. Edwards Deming](#) underscores the critical role of data in decision-making within a business. While this concept is well-known within the realm of FP&A, not all data is created equal, nor should it be given equal weight in decision-making processes. Several factors contribute to this differentiation:

Data Quality

The quality of non-financial data can vary significantly, depending on the diligence and training of the teams responsible for data recording. Inaccuracies can arise if data capture lacks consistency or rigorous scrutiny.

Context Matters

External data sources may lack essential context or background information, affecting the value attributed to trends or outliers. A change in data capture methodology, for instance, can substantially alter data values.

The Data Deluge

The information technology landscape encourages the capture of all data generated within an organization, creating vast data lakes containing structured and unstructured data. While this is valuable for data scientists, it may not serve the needs of FP&A teams focused on high performance.



RELYING ON THE DATA THAT MATTERS

Base Forecasts on Operational Data

FP&A teams must focus on data that aligns with the logical business model of their organization. This begins with creating a deep understanding of the business model, often depicted using value tree diagrams that trace the drivers of value throughout the organization. By collaborating with other teams within the organization, the aim is to identify data connected to these value drivers, enabling operational insights.

Data external to this model should only be included when it significantly enhances contextual understanding. The goal is to eliminate biases in planning and analysis, using data as a guide.

Removing Bias

Consider a practical example in revenue forecasting. Traditionally, revenue forecasts may rely on subjective inputs from various stakeholders, resulting in forecasts tainted by biases related to factors such as individual performance, market outlook, and compensation structures. These biases can introduce inaccuracies that can't be explained by internal data alone.

Alternatively, automated revenue forecasts based on CRM data and other operational data can eliminate these biases while streamlining the forecasting process. However, the primary objective isn't just accuracy but performance improvement.



RELYING ON THE DATA THAT MATTERS

Blueprint Action 2: Mitigate Bias and Enhance Performance

To implement these principles effectively, consider taking the following actions:

- 1. Base Forecasts on Operational Data:** Prioritize data generated from the operational activities of the business, such as the sales pipeline. Ensure that FP&A teams are focused on the drivers of performance that can be improved through operational changes.
- 2. Supporting Non-Financial Measures:** Acknowledge the importance of non-financial measures in performance reporting. Contextualize data to provide a more comprehensive understanding of operational execution.

By basing forecasts on meaningful operational data and minimizing biases, FP&A teams can contribute significantly to enhancing performance and enabling more informed decision-making. This approach aligns financial planning and analysis with the operational realities of the business, a crucial step towards high performance.

In the following chapters, we'll delve deeper into how FP&A teams can support strategy effectively and improve execution, creating a holistic blueprint for high-performance financial planning and analysis.



CHAPTER 3: SUPPORTING STRATEGY, NOT ACCOUNTING

The Strategy-Finance Divide

In most mature organizations, a natural division exists between the strategy and finance teams. Strategy teams focus on crafting the high-level operational direction of the business, while FP&A teams measure the outcomes of operational execution. Strategy teams invest significant time and resources in generating analyses, scenarios, and plans to support board-level decisions. These decisions often rely on a wealth of data, both internal and external, to build robust business cases.

However, once strategic decisions are made and operational activities commence, the responsibility for tracking progress typically falls to the FP&A team. Strategic priorities are measured using variations of P&L, balance sheet, cash flow, sales, and cost analysis. Unfortunately, this approach often lacks the strategic context necessary to support ongoing strategic endeavors.

Strategic Context

Maintaining the context of strategic decisions is vital for informed decision-making. External datasets may lose relevance when they can no longer be effectively applied to the operational realities of the business. This issue often arises due to constraints in automating the integration of external data with internal finance data, or because of the substantial time investment required for this process.



SUPPORTING STRATEGY, NOT ACCOUNTING

These constraints present significant challenges for FP&A teams. Without access to external context, they may struggle to evaluate the performance of strategic initiatives effectively. Critical questions, such as whether a new product is gaining market share or whether expansion into a new geographical area is generating organic growth, may go unanswered.

Data external to this model should only be included when it significantly enhances contextual understanding. The goal is to eliminate biases in planning and analysis, using data as a guide.

Aligning with Strategy Teams

High-performing FP&A teams take on the responsibility of actively supporting the strategic activities of the business. They break free from the confines of merely looking after accounting and align themselves with the strategy teams to ensure that they can make necessary adjustments to forecasts, budgets, and long-range plans to capture future performance accurately. This alignment enables FP&A teams to anticipate reporting requirements and react promptly to changes.

Integrating External Context

To effectively support strategic initiatives, FP&A teams must swiftly integrate new datasets into their reporting processes. This integration provides the external context necessary to evaluate performance comprehensively. Whether it's market data, competitive intelligence, or industry trends, high-performance FP&A teams recognize the importance of incorporating this information to provide a more holistic view of strategic execution.



SUPPORTING STRATEGY, NOT ACCOUNTING

Blueprint Action 3: Collaborate for Strategic Impact

To implement these principles successfully, consider taking the following actions:

- 1. Align with Strategy Teams:** Foster close collaboration between FP&A and strategy teams to ensure alignment in capturing and reporting on strategic performance.
- 2. Streamline Data Integration:** Invest in technology and processes that streamline the integration of external data into your reporting framework.

By aligning FP&A with strategy teams and integrating external context effectively, your FP&A team can better support strategic initiatives, facilitate data-driven decision-making, and contribute significantly to the organization's success.

In the upcoming chapters, we'll delve deeper into the final core principle of FP&A best practices: improving execution. This will provide you with a comprehensive blueprint for transforming your FP&A team into a high-performance force within your organization.



CHAPTER 4: IMPROVING EXECUTION

A Closer Look at Operations

Traditionally, FP&A teams have often operated at a certain distance from the day-to-day operations of the business. While they handle essential financial tasks such as posting journals, managing intercompany transactions, and overseeing month-end, quarter-end, and year-end processes, they tend to remain somewhat detached from the operational aspects of the business. This separation can be attributed to the perception that FP&A is primarily concerned with cost control and financial reporting.

However, this traditional approach should be proactively challenged. FP&A teams have a unique opportunity to contribute to operational effectiveness and overall business performance by gaining a deeper understanding of the operational challenges faced by the organization. By bridging the gap between finance and operations, FP&A can provide invaluable insights that enhance decision-making and drive improved execution.

Rotating into Operations

One effective way to foster greater knowledge of operational challenges is to rotate finance team members into operational roles within the business. This rotation allows finance professionals to gain firsthand experience of the day-to-day activities, challenges, and opportunities that shape the operational landscape.



IMPROVING EXECUTION

By immersing themselves in operational areas, finance team members can develop a more comprehensive understanding of the processes, workflows, and critical success factors that drive the business forward. This insight is invaluable for those responsible for creating budgets, plans, and forecasts, as it enables them to contextualize financial data within the operational realities of the organization.

Understanding Operational Drivers

Improving execution hinges on understanding the series of actions and activities that create value for the organization and drive revenue conversion. High-performing FP&A teams recognize that operational effectiveness in executing core business functions is a subject they must be well-versed in to achieve high performance.

For example, consider an FP&A team in a business that sells products or services. While the FP&A team may have a comprehensive financial model that includes costs of production, real estate, financing, revenue breakdowns, and more, it might miss the key drivers of performance within the business. These drivers could include the number of customers, the efficiency of sales processes, the effectiveness of customer relationship management, and the time it takes to successfully sell and deliver to customers.

Enhancing Decision-Making

Understanding operational drivers allows FP&A teams to provide actionable insights that enhance decision-making. High-performing FP&A teams are as focused on these operational measures as they are on traditional financial metrics. By offering context and supporting non-financial data, FP&A can play a vital role in improving execution throughout the organization.



IMPROVING EXECUTION

Breaking Down Barriers

Perhaps equally important is the removal of potential cultural barriers between teams. By actively participating in and contributing to operational discussions, FP&A teams can help bridge the gap between finance and other departments, fostering greater collaboration and alignment of goals.

Blueprint Action 4: Embrace Operational Insight

To implement these principles effectively, consider taking the following actions:

- 1. Rotate into Operations:** Explore opportunities for finance team members to gain hands-on experience in operational roles.
- 2. Focus on Operational Measures:** Incorporate operational measures into your financial planning and analysis processes to provide a comprehensive view of performance.

By improving execution through a deeper understanding of operational drivers, enhancing decision-making, and promoting collaboration, your FP&A team can contribute significantly to the overall success of your organization.



ROUNDING UP

In conclusion, this eBook equips you with a comprehensive blueprint to transform your FP&A team into a high-performance powerhouse. By **embracing operational focus, relying on meaningful data, supporting strategic initiatives, and enhancing execution**, your FP&A team will not only navigate the challenges of today's dynamic business environment but also spearhead growth and success for your organization.

As you embark on this journey, remember that these principles are not mere ideals; they are actionable strategies that can drive real change. By implementing the practices outlined in this eBook, your FP&A team can overcome obstacles, seize opportunities, and make a profound and lasting impact on your organization's success.

Let's embark on this journey together, armed with knowledge and insights, to elevate your FP&A team's performance and drive excellence within your organization. The future is bright, and it's yours to shape.



ABOUT: METAPRAXIS

Metapraxi s redefines decision-making by seamlessly integrating systems, enhancing Excel experts' productivity, and extracting deeper insights from existing systems—all at a cost-effective price.

www.metapraxi s.com

Get in touch to find out more.

