**International FP&A Board Roundtable:
The Roadmap for FP&A Transformation**

Wednesday 16 June | 3:30 p.m. – 4:30 p.m. SGT

Panel:

- *Larysa Melnychuk,* Founder and CEO at FP&A Trends Group & International FP&A Board
- *Michael Coveney,* Head of Research at FP&A Trends Group
- *Takeshi Murakami,* Group Finance Manager / Controller at Microsoft Japan

Agenda

- **FP&A Board Maturity Model**: The Roadmap for Transformation
- Characteristics of **Leading State** FP&A Organisations
- **Microsoft Case Study**: Pathways to Digitally-Enabled FP&A
- Conclusions and Recommendations
- Q&A Session

Speakers

Michael Coveney
Head of Research,
FP&A Trends Group

Takeshi Murakami
Group Finance Manager /
Controller, Microsoft Japan

Larysa Melnychuk
Founder and CEO,
FP&A Trends Group &
International FP&A Board

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Michael Coveney

Characteristics of Leading State FP&A Organisations

Michael Coveney
Head of Research,
FP&A Trends Group

- Member of London FP&A Board

- 40+ years in the software analytic business

- Analytics thought leader and author

- Experience in the design and implementation of Business Analytic systems

Takeshi Murakami

Microsoft Case Study: Pathways to Digitally-Enabled FP&A

Takeshi Murakami
Group Finance Manager /
Controller, Microsoft Japan

- Member of Tokyo FP&A Board

- Speaker at the FP&A Trends digital events

- Member of the Artificial Intelligence / Machine Learning FP&A Committee

- Experienced in the IT hardware and Software industry

Larysa Melnychuk

FP&A Board Maturity Model: The Roadmap for FP&A Transformation

Larysa Melnychuk
Founder and CEO,
FP&A Trends Group &
International FP&A Board

- Experienced FP&A practitioner

- Set up the International FP&A Board in 2013

- Expanded the Board into 27 chapters in 16 countries across Europe, the Middle East, Asia, Australia, and North America

- Chairs the Global AI/ML FP&A Committee

- Qualified chartered management accountant (CIMA), chartered global management accountant (CGMA), holder of an FP&A certification

Projects and Initiatives: FP&A Trends Group

International FP&A Board

27 cities, 16 countries and 4 continents:

London, Stockholm, Zurich, Geneva, Amsterdam, Brussels, Frankfurt, Dubai, Singapore, Kuala Lumpur, New York, Boston, Perth, Melbourne, Sydney, San Francisco, Seattle, Chicago, Toronto, Tokyo, Hong Kong, Copenhagen, Paris, Brisbane, Shanghai, Houston, Washington D.C.

FP&A Education

FP&A Trends Online Resource

Global FP&A Webinars and Workshops

Digital FP&A Board Connect Project

FP&A Trends E-Book Series

FP&A Trends Digest

FP&A Strategic Advisory and Research

Best Practice workshops and FP&A consultancy

AI/ML FP&A Committee

FP&A Surveys and Research

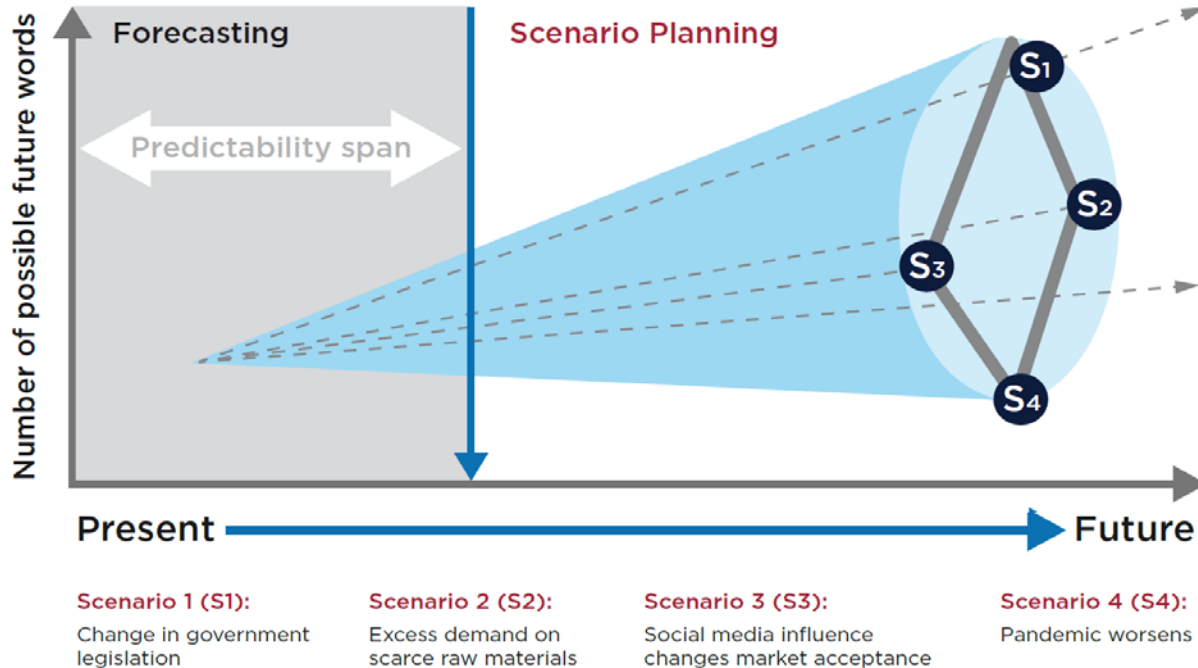- **By Michael Coveney and Larysa Melnychuk**

FP&A Board Maturity Model:
The Roadmap for FP&A Transformation

Larysa Melnychuk

Founder and CEO,
FP&A Trends Group & International FP&A Board
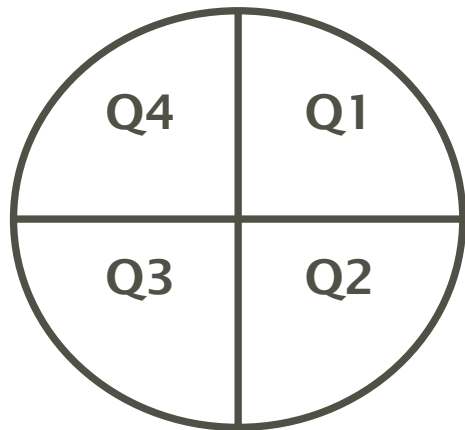
Cone of Uncertainty

Source: Adapted from the 'Uncertainty cone to bound the future' by Paul Schoemaker

Key Challenge for FP&A Teams

Scenario Management in real time, multidimensionally and collaboratively
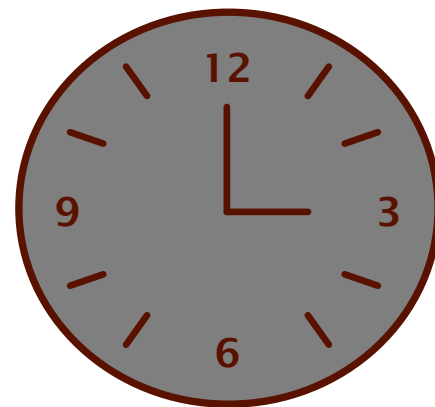
Traditional FP&A

Scheduled approach, One Scenario

Q4 | Q1
Q3 | Q2

- From Scheduled to On-demand
- From accounting to flexible time
- From one to multiple futures
- From finance to entire company
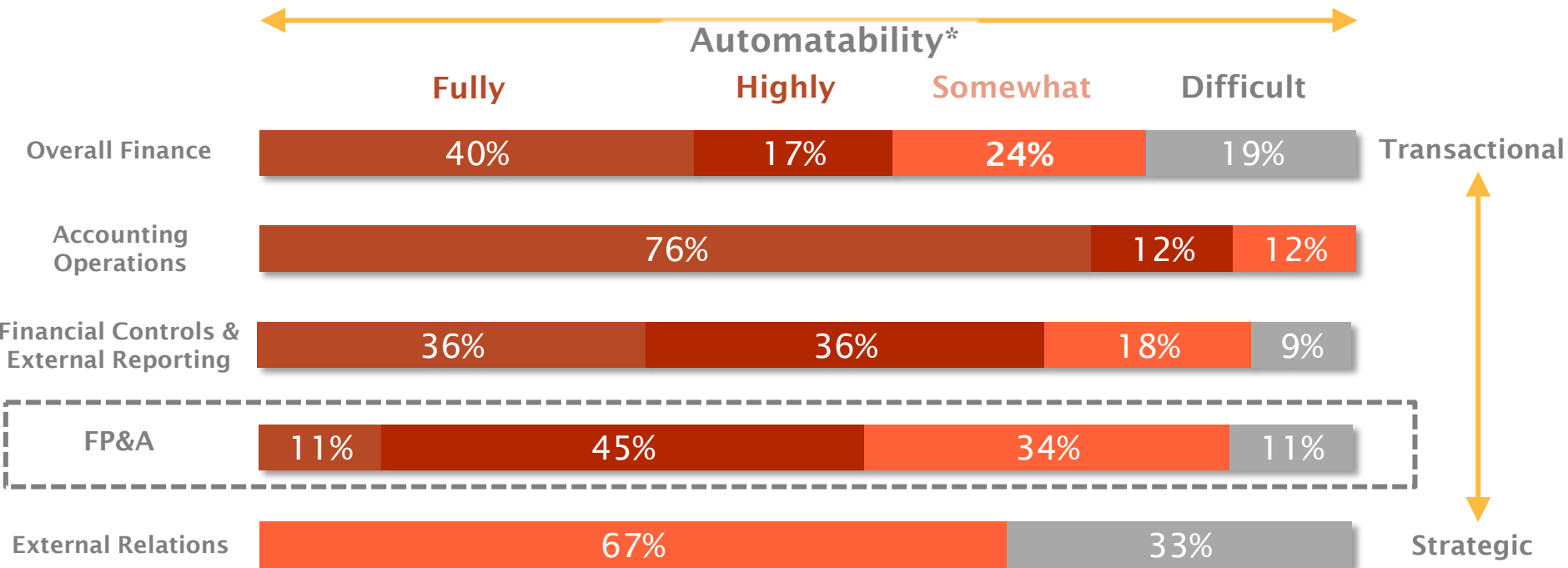
Extended FP&A (xP&A)

On Demand Multiple Scenario Management

2021 FP&A Trends Survey Findings:

- **40%** of organisations report the data they use as 'low' or 'poor' quality

- **48%** of companies still adopt 'last year + x%' when setting budgets

- **31%** of companies use spreadsheets **100%** of the time for planning, **43%** using them **75%** of the time

- **12%** of organisations use a cloud solution

- **11%** of organisations make use of AI/ML with **57%** planning to use it in the next few years

Automating FP&A with Digital Processes

Automatability*

	Fully	Highly	Somewhat	Difficult	
Overall Finance	40%	17%	24%	19%	**Transactional**
Accounting Operations	76%		12%	12%	
Financial Controls & External Reporting	36%	36%	18%	9%	
FP&A	11%	45%	34%	11%	
External Relations	67%			33%	**Strategic**

* Adapted from McKinsey

FP&A Board Maturity Model

	DEVELOPING STATE		INTERMEDIATE STATE	LEADING STATE	
	LEVEL 1 - BASIC	**LEVEL 2 - DEVELOPING**	**LEVEL 3 - DEFINED**	**LEVEL 4 - ADVANCED**	**LEVEL 5 - LEADING**
LEADERSHIP	PLANS AND FORECASTS INFLUENCED BY POLITICAL CONSIDERATIONS CONSERVATIVE TRADITIONAL AND TRANSACTIONAL SHORT TERM AND TACTICAL	DIVERGENCE OF INTEREST BETWEEN CENTRE AND BUSINESS UNITS DEVELOPING OPENNESS TO CHANGE TRADITIONAL AND OPPORTUNISTIC SHORT TERM WITH STRATEGIC ELEMENTS	FORMAL ALIGNMENT OF PLANS AND INTERESTS CHANGE ORIENTATION SLIGHTLY ANALYTICAL MEDIUM TERM WITH STRATEGIC VISION	SINGLE INTEGRATED MANAGEMENT APPROACH EMBRACES CHANGE MODERATELY ANALYTICAL LONG TERM WITH STRATEGIC VISION	FULL ALIGNMENT OF ORGANISATIONAL PLANS AND FORECASTS PROMOTES CHANGE ANALYTIC-BASED DECISION MAKING STRATEGIC FOCUS BEYOND CURRENT PERIOD
FUNCTIONAL SKILLS	ADMINISTRATION ACCOUNTING AND FINANCE	ADMINISTRATION ACCOUNTING AND FINANCE CONSOLIDATOR	ADMINISTRATION ACCOUNTING ANALYSIS TECHNICAL	ACCOUNTING ADVANCED ANALYSIS/DATA SCIENCE ADVANCED TECHNICAL/ARCHITECTURE ADVANCED BUSINESS MANAGEMENT	MULTI-DISCIPLINED TEAM APPROACH ANALYST, ARCHITECT AND DATA SCIENCE SKILLS CONTINUOUS SKILLS TRAINING AND INVESTMENT
BUSINESS PARTNERING AND COLLABORATION	DISJOINTED OR NON-EXISTING BUSINESS PARTNERING LIMITED SOFT SKILLS AND LACK OF CONFIDENCE	FP&A BUSINESS PARTNERING CONCEPT ACCEPTED CONFIDENCE IN COMFORT ZONE	FP&A BUSINESS PARTNER FUNCTION ESTABLISHED PROGRAMME SET UP TO BUILD SOFT SKILLS FP&A REPRESENTATION AT BU MANAGEMENT LEVEL	STRONG FP&A BUSINESS PARTNERING KEY SOFT SKILLS DEVELOPED FP&A REPRESENTATION AT BOARD LEVEL	COLLABORATIVE CHALLENGING, TRUSTED ADVISOR SOFT SKILLS/STORYTELLING/PERSUASIVENESS/EQ TEAM LEADERSHIP SKILLS
PROCESS	NO FORMAL PROCESSES NO INTEGRATION	INCONSISTENT, MANUAL PROCESSES LEGAL ENTITY WITH CENTRAL CONSOLIDATION TRADITIONAL FORECASTING	DEFINED PROCESSES BUSINESS UNIT FOCUS WITH CENTRAL SCHEDULES/GUIDANCE LABORIOUS ON-DEMAND PROCESSES TRADITIONAL AND ROLLING FORECASTS	SOME INTEGRATED PROCESSES BUSINESS AND ACTIVITY VIEW ELEMENTS OF DYNAMIC AND ADAPTABLE PROCESSES ROLLING FORECAST ONLY	INTEGRATED xP&A PROCESSES (VERTICAL AND HORIZONTAL) FOCUS ON PRODUCT/SERVICE LIFE CYCLE ON-DEMAND AGILE APPROACH STRATEGIC / BUSINESS / OPERATIONAL PLANS ALIGNED FORECAST INTEGRATED INTO MANAGEMENT DECISION-MAKING
DATA & ANALYTICS	MANUAL DATA ENTRY NO ESTABLISHED ANALYTICAL DRIVERS BASIC P&L REPORTS	DATA EXCHANGE ELEMENTS BASIC ANALYTICAL AND REPORTING DRIVERS DESCRIPTIVE ANALYTICS MODEL WITH P&L	SOME AUTOMATED DATA EXCHANGE DEFINED ANALYTICAL DRIVERS DESCRIPTIVE AND DIAGNOSTIC ANALYTICS DRIVER BASED MODEL (CAN BE EXCEL) UNCONNECTED MODEL WITH P&L AND CASH	AUTOMATED AND TRANSFORMED DATA EXCHANGE MULTIDIMENSIONAL ANALYTICAL DRIVERS PREDICTIVE ANALYTICS EASY SCENARIO ANALYSIS PART CONNECTED 3 WAY MODEL WITH P&L, CASH AND BALANCE SHEET	NEAR REAL TIME AUTOMATED AND TRANSFORMED DATA EXCHANGE LEADING ANALYTICAL DRIVERS PREDICTIVE AND PRESCRIPTIVE ANALYTICS (AI / ML) MULTIDIMENSIONAL SCENARIO ANALYSIS INTEGRATED 3 WAY MODEL WITH DRIVERS
TECHNOLOGY	FORMS, SPREADSHEETS AND MACROS NO BI TOOL NO COLLABORATION	BASIC PLANNING MODEL AND TOOLS BASIC BI TOOL MINIMAL COLLABORATION	DEFINED PLANNING MODEL AND SYSTEM LINKED TO ERP DEFINED BI SOME ELEMENTS OF COLLABORATIVE PLANNING HEAVY RELIANCE ON IT	DRIVER BASED PLANNING MODEL ADVANCED BI COLLABORATIVE PLANNING SELF-SERVICE PLANNING TOOLS	INTEGRATED, FLEXIBLE, SELF SERVICE SYSTEMS DRIVER BASED MODEL WITH BI BRIDGE AUTOMATED SYSTEMS REAL-TIME COLLABORATIVE PLANNING DIGITAL ON-DEMAND PLANNING (AI/ML)

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Overall Assessment

FP&A Board Maturity Model Status

- BASIC — 15%
- DEVELOPING — 46%
- DEFINED — 27%
- ADVANCED — 11%
- LEADING — 2%
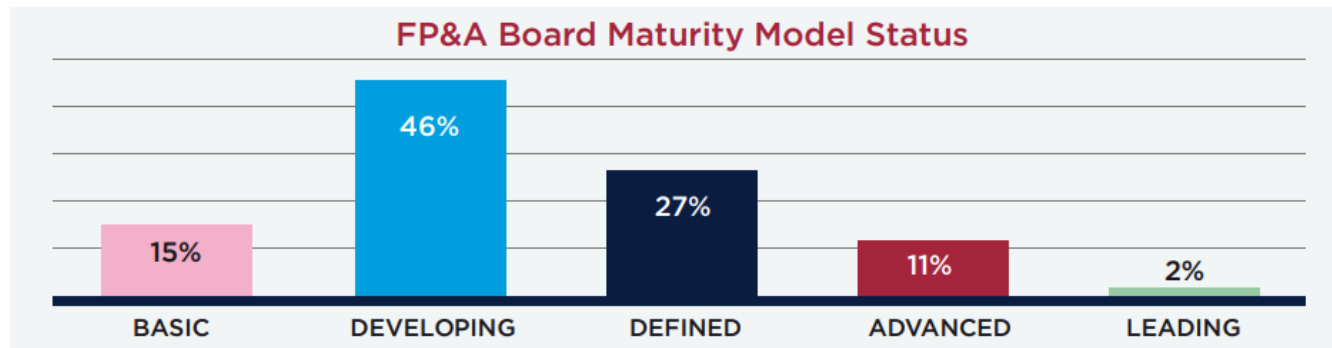
POLLING QUESTION 1

Characteristics of Leading State FP&A Organisations

Michael Coveney

Head of Research, FP&A Trends Group

Traditional FP&A planning practices

Timespan:	• **12 month focus with mid-term updates**
Approach:	• **Separate strategic, financial and operational models**
Control:	• **Negotiated budgets and investments based on corporate 3-5 year plan**
Method:	• **Targets set by ambition and extrapolation of past performance**
Tools:	• **Manual Excel / Consolidation systems.**
Duration:	• **Typically 1 – 3 months**
Output:	• **Single financial plan with corporate set KPIs**

CHALLENGES of UNCERTAINTY

What if our assumptions are wrong?

How do we maintain a single, coherent plan when things change?

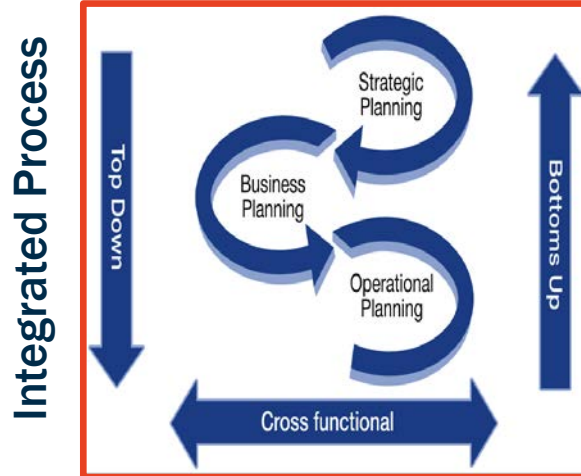What happens if the future does not reflect past trends?

What do we do if something unexpected happens?

How do we speed up the process?

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Leading State: Focus on Integration

Leadership

- **Analytic based**
- **Strategic focus beyond today**
- **Promotes change**

Integrated Process

Leading State: Focus on Agility

Leadership

- **Analytic based**
- **Strategic focus beyond today**
- **Promotes change**

Integrated Process

Data & Analytics

- **Driver-based**
- **Multiple scenarios**
- **Real-time, on demand**
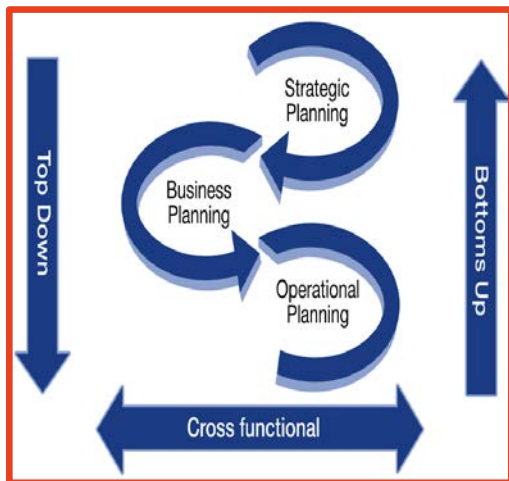- **P&L, Balance Sheet, Cash Flow**

Technology

- **AI/ML**
- **Automated**
- **Collaborative**

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Leading State: Focus on Uncertainty

Leadership

- **Analytic based**
- **Strategic focus beyond today**
- **Promotes change**

Data & Analytics

- **Driver-based**
- **Multiple scenarios**
- **Real-time, on demand**
- **P&L, Balance Sheet, Cash Flow**

Technology

- **AI/ML**
- **Automated**
- **Collaborative**

Business Partner

- **Trusted advisor**
- **Challenging**

FP&A Skills

- **Analyst**
- **Architect**
- **Data scientist**
- **Storyteller**
- **Influencer**

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The Impact on Leading State organizations

FP&A Trends Survey 2020 ~~20~~21

Becoming an Intelligent Enterprise

- 84% base all, or most of their decisions on data

- 71% of C-suite have real-time view of performance

- Forecasts are more accurate 83% of the time compared to an average of 50%

- 9% improvement in time spent on high value activities

- 25% of time is spent on driving actions

- 84% deliver a high amount of strategic value.

- 87% have a strong and positive impact on the bottom line.

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Next Steps

- Review where you are
  - What are the current challenges?
  - Where does FP&A spend their time
  - How do you compare to the FP&A Trends Maturity model?
- Assess your technology platform
  - Does it support scenario analysis, AI/ML, xP&A ……
- Engage with senior management on FP&A transformation
  - Review case studies of leading state companies

POLLING QUESTION 2

Microsoft Case Study: Pathways to Digitally-Enabled FP&A

Takeshi Murakami

Group Finance Manager / Controller, Microsoft Japan

Modern Finance Focus Areas

Financial Analysis & Reporting

Modern Business Management Portal

Tax Analytics Platform

Interactive Financial Statements

External Financial Reporting

Global Reviews on KPI Lake

Customer Lifetime Value Analytics
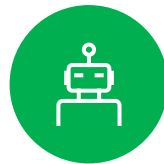
Strategy & Forecasting

Machine Learning Revenue Forecasting

Machine Learning Accounts Receivable Forecasting

Predicting Xbox Game Volume

Real Estate Capacity Planning

Headcount Forecasting

Services COGS Forecasting

Business Process Automation

Finance Operations Chatbot

Credit & Collections Chatbot

Contracts Setup Automation

Financial Management Reporting Automation

Tax Report Automation

MSTravel App

Risk Management

Global Policy Tool

Compliance Predictive Analytics

Blockchain

SmartLink

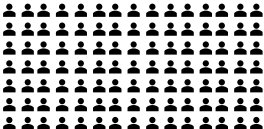General Data Protection Regulation (GDPR)

Travel, Gift and Hosting Compliance

Microsoft

Machine Learning Forecast Accuracy

Forecast accuracy better than traditional bottoms-up process

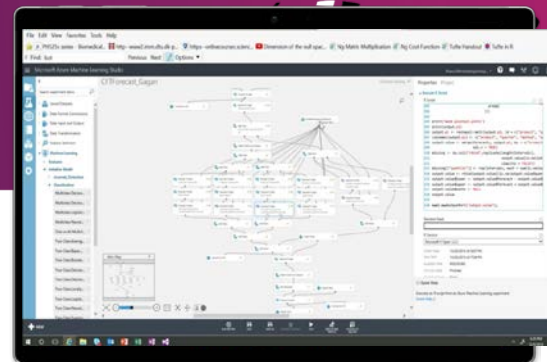| Variance over 6 quarters	ML Forecast	Man Power	ML Superiority
	1.6%	**2.9%**	**1.3%pt**
- Large Enterprise	2.0%	3.2%	1.2%pt
- Small & Mid Business	1.3%	2.6%	1.3%pt

High Resource-Intensive
Longer Cycles (2-3 weeks)

Low Resource-Intensive
Shorter Cycles (2 days)

Microsoft

Centralised Forecasting - ML

Pipeline Method
• Qualified Pipeline
• Historical Close Rate
• Projected Run Rate

Deal Based Forecast
• Similar to QP Method
• Close Rate by Commitment
• Projected Run Rate

Commercial Predict

Machine Learning
• ARIMA, ETS, STL
• Random Forest
• KNN, SVM, GLMNET

Time Series Statistical
• Moving Average
• Exponential Smoothing
• Holts Model

T-n Method
• Historical Run Rate Growth in SMB

Technology Shortens Time to Action

Changes in business partnering model
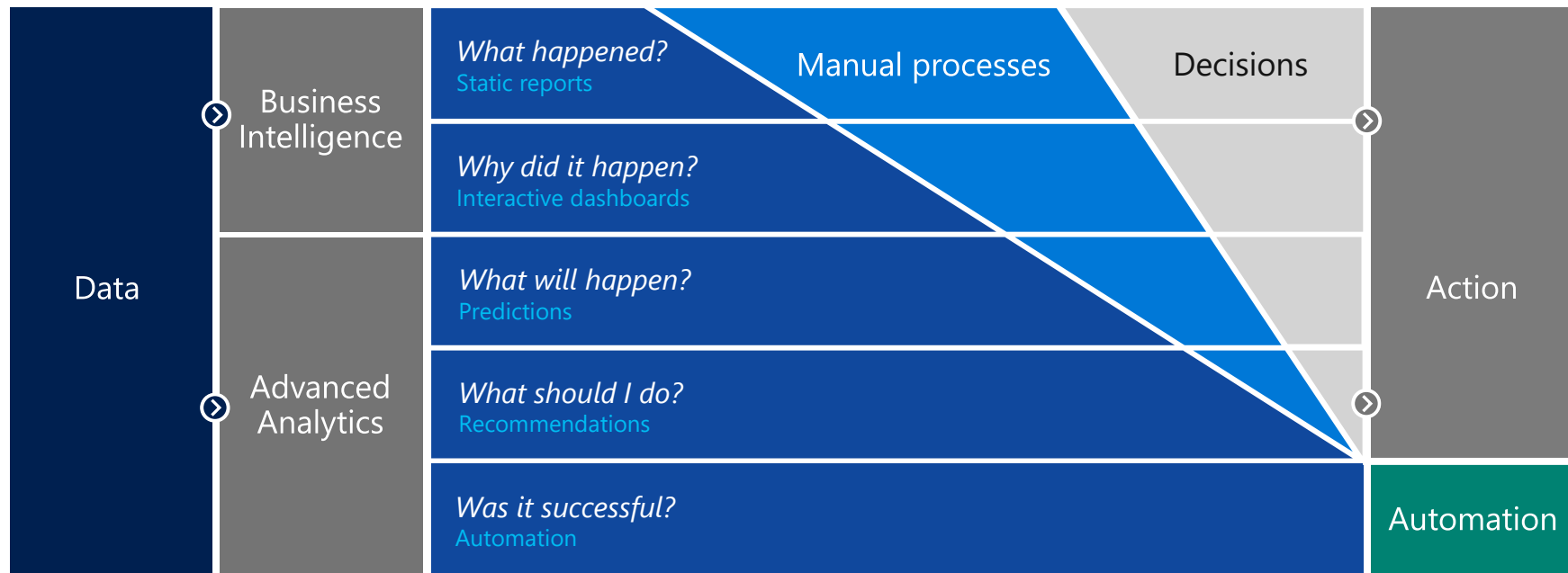
Empowering Finance Employees

Before

Skillset

After

Deep analytical and strategic thinking

Influencing and negotiating

Diverse project management

Advanced business knowledge

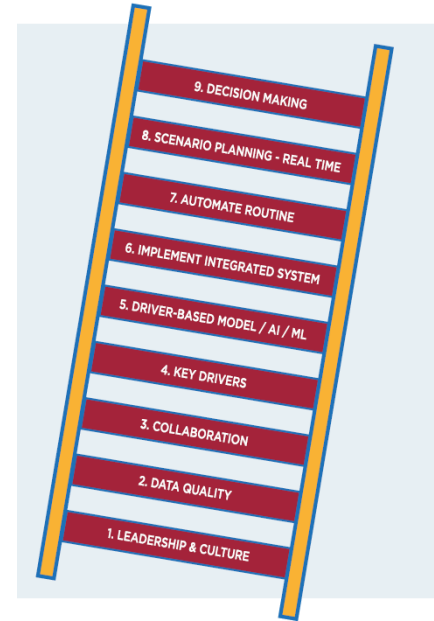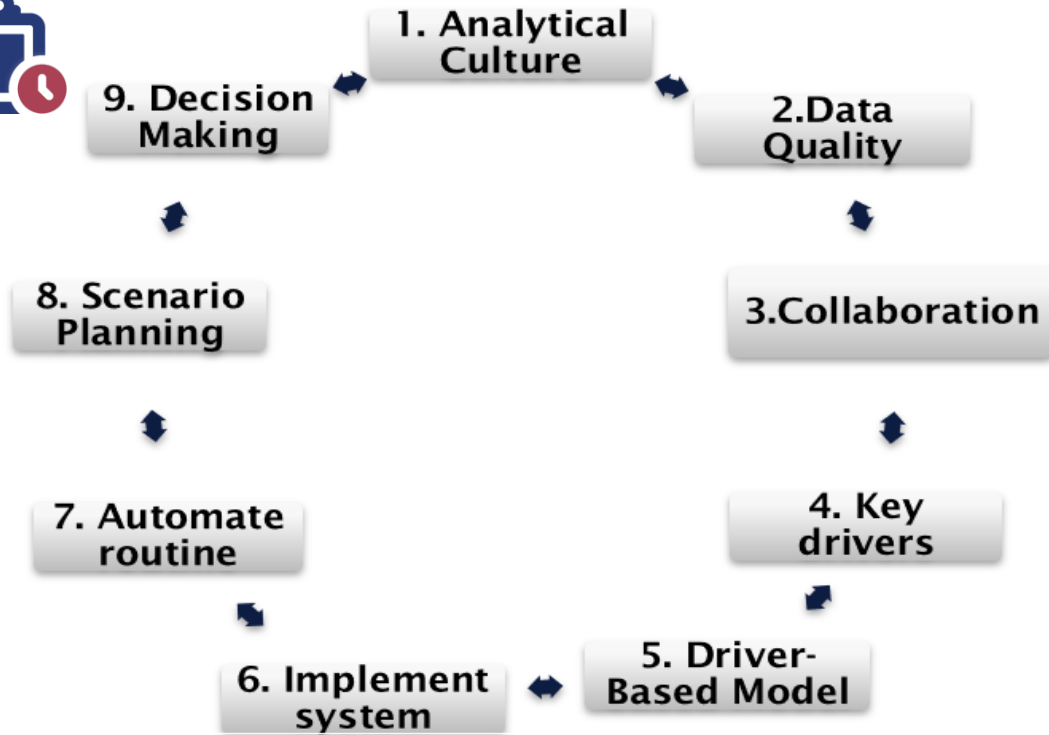Operational thinking

Transactional expertise

Task management

Basic business understanding
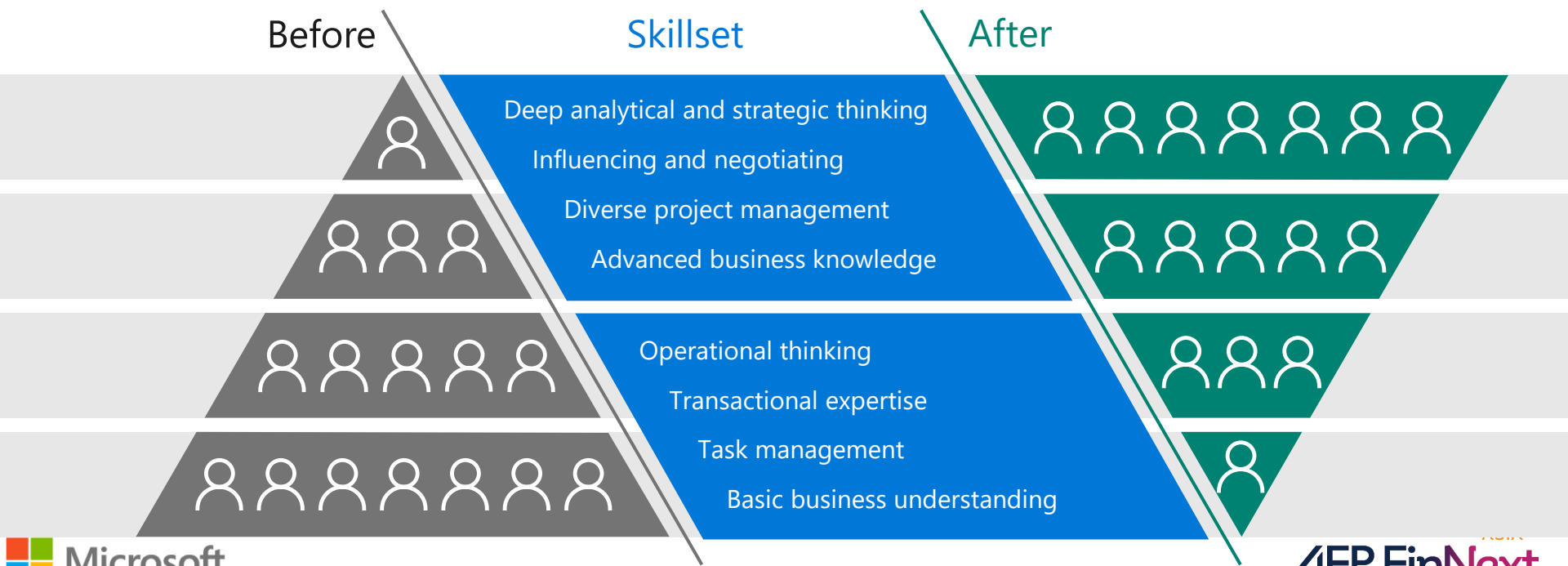
The Roadmap for FP&A Transformation:
Key Takeaways

Q&A Session

Michael Coveney
Head of Research,
FP&A Trends Group

Takeshi Murakami
Group Finance Manager /
Controller, Microsoft Japan

Larysa Melnychuk
Founder and CEO,
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International FP&A Board

Thank you! Let us stay in touch

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