Future of Planning, Budgeting, Forecasting and Reporting

Global Survey 2022

Insights from the FSN Modern Finance Forum on LinkedIn

FSN®
The Modern Finance Forum

“

Predictive analytics expected to be the norm by 2030

Sage

Gary Simon
CEO FSN & Leader of the Modern Finance Forum
LinkedIn

Ben Collins
Senior Director of Financial Services, Sage Intacct

Dear Colleagues

We are very excited to bring you the results of FSN's "Budgeting, Planning, Forecasting & Reporting" Survey 2022, which shows how these core financial processes are likely to develop to the end of the decade. We would like to say a special thank you to the senior finance professionals from 450 companies around the globe who took the time to contribute their views. It is gratifying to note that this survey confirms that many organisations are emerging strongly from the travails of the pandemic. Improvement initiatives suspended in early 2020 have now largely been completed, with around 40% of organisations reporting that they have managed to make substantial improvements to their planning, budgeting and forecasting (PBF) processes. A similar percentage have effected significant changes to their reporting processes as well. But this still leaves 60% of organisations who will need to accelerate their transformation efforts if they are to remain agile and competitive.

In an era of increasingly fast-paced decision-making, the need for speed is paramount, especially around forecasting, as organisations seek to forecast more frequently and accelerate strategic decisions. However, businesses need to take care to keep financial reporting and PBF in step, since these processes are critically intertwined, and decision-making can only proceed at the pace of the slowest part of the performance management cycle. More crucially, the research hints that accuracy is being sacrificed for the sake of speed.

Fascinatingly, the research points to a very significant reduction in the use of stand-alone, disconnected spreadsheets, for PBF and reporting by the end of the decade, with a commensurate shift to specialised CPM and PBF applications. This is part of a broader shift that we've seen away from spreadsheet-based processes – with financial professionals recognising that even Excel has its limits. ERP solutions will also grow in popularity for reporting and consolidation by 2030. In fact, the CPM market is expected to grow twofold and the use of Best-of-Breed applications by 1.2 times their present level, with ERP usage for consolidation and reporting expected to grow by 60%. However, all of this projected growth is contingent on companies having the right skills and the time to implement more advanced and specialised applications.

Predictive analytics is seen as the next natural step in the development of planning, budgeting and forecasting, with a full 71% of survey participants expecting it to be the norm by 2030. However, this is only achievable if organisations can transition away from disconnected spreadsheets to more specialised PBF applications supported by the necessary time and skills to implement them.

Although there is considerable enthusiasm for predictive capabilities, including artificial intelligence and machine learning, the finance function is clearly concerned that these advanced techniques and accompanying algorithms are transparent, maintainable and easy to use by finance professionals.

Transformation leaders (around 12% of the population) are showing the way forward. Organisations that have transformed clearly outperform organisations that have not commenced their transformation journey across a wide range of measures. They demonstrate comprehensively that transformation works, but even for these leaders, data quality remains a stubborn and unresolved issue. Nevertheless, transformation leaders have completed the groundwork and prepared the way for predictive analytics. They look set to increase their advantage over their less agile contemporaries by the end of the decade.

We trust that you will find the survey's findings set out in this document thought-provoking and interesting. But, above all, we hope that the contents of this report will inspire you to explore and discuss with your colleagues how you can make renewed strides in finance transformation by 2030.

Regards,

Gary Simon & Ben Collins

Gary Simon
CEO FSN & Leader of the Modern Finance Forum

Ben Collins
Senior Director of Financial Services, Sage Intacct

Executive Summary

Challenging the status quo - shifting from spreadsheets to strategic solutions

01

The need for speed

The pandemic recovery is neither speedy nor even. Each country, city, community or organisation has had to face different challenges in order to return to a position of stability and growth. While it is clearly not possible to prepare for an unprecedented event, those organisations that had invested in modern efficiencies in their finance function fared better during, and now after, the most pressing crisis of a generation.

33% of finance functions have made significant changes to their PBF process in the last 3 years.

As the world changed, companies were forced to change with it, and this meant near-constant re-forecasting to provide vital insight to underpin strategic decisions. Under this extreme duress, it became clear that PBF and reporting are both vital and underinvested. So now, senior finance executives are urgently trying to speed up and simplify the process in order to survive in a rapidly changing landscape.

At first glance, FSN's Budgeting, Planning, Forecasting and Reporting 2022 appears to show little progress in the number of organisations taking their PBF transformation seriously, but in fact there is a returning momentum amongst previously paused projects. While the number of companies making significant changes to their PBF processes remains at around 33%, those that have completely transformed them in the last year have almost doubled from 5% to 9%.

This is an encouraging sign of progress, but there remains a large proportion of organisations that have so far failed to make substantial inroads into the transformation of budgeting, planning and forecasting. And unfortunately, the lag between PBF and reporting is causing bottlenecks in the analysis and adjustments, which is delaying decision-making.

Making time for transformation

Most companies looking to catch up with their transformed competitors are as yet unable to commit the requisite time to carry out the changes. Three quarters of organisations have less than 3 months available to effect transformation, most of them far less than even that. But perhaps more worrying is the lack of focus on data accuracy. Only 65% of finance executives think data accuracy will need substantial improvement before the end of the decade, far less than the 85% who want it to be speedier. This belies the results of the Agility in Planning, Budgeting and Forecasting survey 2021 which found that less than half of organisations could forecast within a reasonable range of accuracy.

Companies are coming to the realisation that spreadsheets simply aren't adequate tools and are increasingly turning to technology solutions to bolster their capabilities.

At least some of that inaccuracy is a result of inefficient processes, and there are substantial inefficiencies in the use of stand-alone spreadsheets for complex PBF functions. Thankfully, the trend continues to be towards more effective methods of budgeting, planning and forecasting, with a groundswell of interest in Corporate Performance Management (CPM) systems, Best-of-Breed (BoB) solutions and spreadsheets connected to a centralised database.

The picture is similar in relation to consolidation, with a steady flow towards more efficient and effective methods of financial reporting as the decade progresses, especially ERP systems. However, these shifts are not likely to be the final nail in the spreadsheet coffin. The pace of change and the ubiquity of this method will continue to have their place, but this gradual shift is an important part of the transformation of PBF and reporting systems.

AI predicted to be the norm by 2030

As organisations make the change to more efficient and effective systems, they will incorporate a far more advanced selection of tools including predictive analytics, artificial intelligence and machine learning. The desire and vision are definitely there (three quarters believe predictive analytics will be the norm for organisations by 2030) but considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, substantial uptake in predictive analytics will require a major effort of will and resources.

If, and when, they take up the predictive analytics mantle, finance professionals are adamant that it must not be a “black box” of indecipherable algorithms understood only by systems analysts and data scientists. They want ownership of the systems that they will use for PBF and be able to change and flex them within the function itself.

Right now, the majority of finance executives don’t believe software vendors have a compelling enough business case for machine learning and AI. But if they consider the needs of the finance function of the future, then there may be accelerated uptake as the decade progresses.

With these new technology resources, finance functions can become faster and better at forecasting and planning, but these technologies won’t be taking over the finance office on their own. There remains an intense demand for skilled PBF professionals, with the emphasis on skills rather than headcount. 73% of finance executives say they will be unable to meet their objectives without significant specialisation and upskilling. Half recognise that automation of finance processes alone will not liberate enough time to meet their objectives, and 45% say that a shortage of finance talent will hold them back.

The wave of AI and machine learning technology has created new opportunities to add value within the finance function without losing headcount, if they can acquire the necessary skills to draw out the best and most competitive insights.

Transformation leaders extend their lead

For those companies that have already put in the time and resources to transform their PBF processes (“Transformation Leaders”), the rewards are clear. More than half have also transformed their reporting processes, thereby minimising the insight bottleneck, and they are more likely to consider Corporate Performance Management systems to deliver their PBF process.

Transformation leaders are 4 times more likely to be using advanced PBF techniques like scenario planning, zero-based budgeting and rolling forecasts than their laggard counterparts. And speed or ease of use is no longer at the top of their improvement list because these demands have largely been satisfied.

However, transformation leaders have the same issue with accuracy of data as those organisations that have yet to start their transformation journey. It seems the data torrent is a double-edged sword, adding depth of insight but frequently at the cost of manageability.

This year has been another one of transition for many organisations as the post-COVID clean-up continues and proactive strategies replace reactive ones. Planning, budgeting, forecasting and reporting proved their worth during the crisis, but finance professionals shouldn't be complacent as the threats recede. This essential part of the finance function is ripe for transformation, and companies need to accelerate their efforts if they are to achieve their ambitions by the end of the decade.

Sage Intacct Response

Finance and Accounting teams are working longer and harder, and being pressured to do more in less time, and with more frequency. Yet, through it all, they are still using the same manual processes, relying on the same error-prone spreadsheets, and chasing emails, offline Excel workbooks, and colleagues to bring all the pieces together. Traditional business processes are changing, so why aren't planning processes evolving to keep up?

It's time to prepare for what's coming next before it gets here. Forward looking companies are modernising their planning processes with purpose-built applications. It only takes a couple of weeks to assess current gaps, determine the team's needs, build a plan, select the right solution, and move beyond the manual drudgery, the risk of errors, the long days and late nights.

02

Speed is of the Essence as Transformation Recovers

Constant change requires real-time insights

Speed is of the Essence as Transformation Recovers

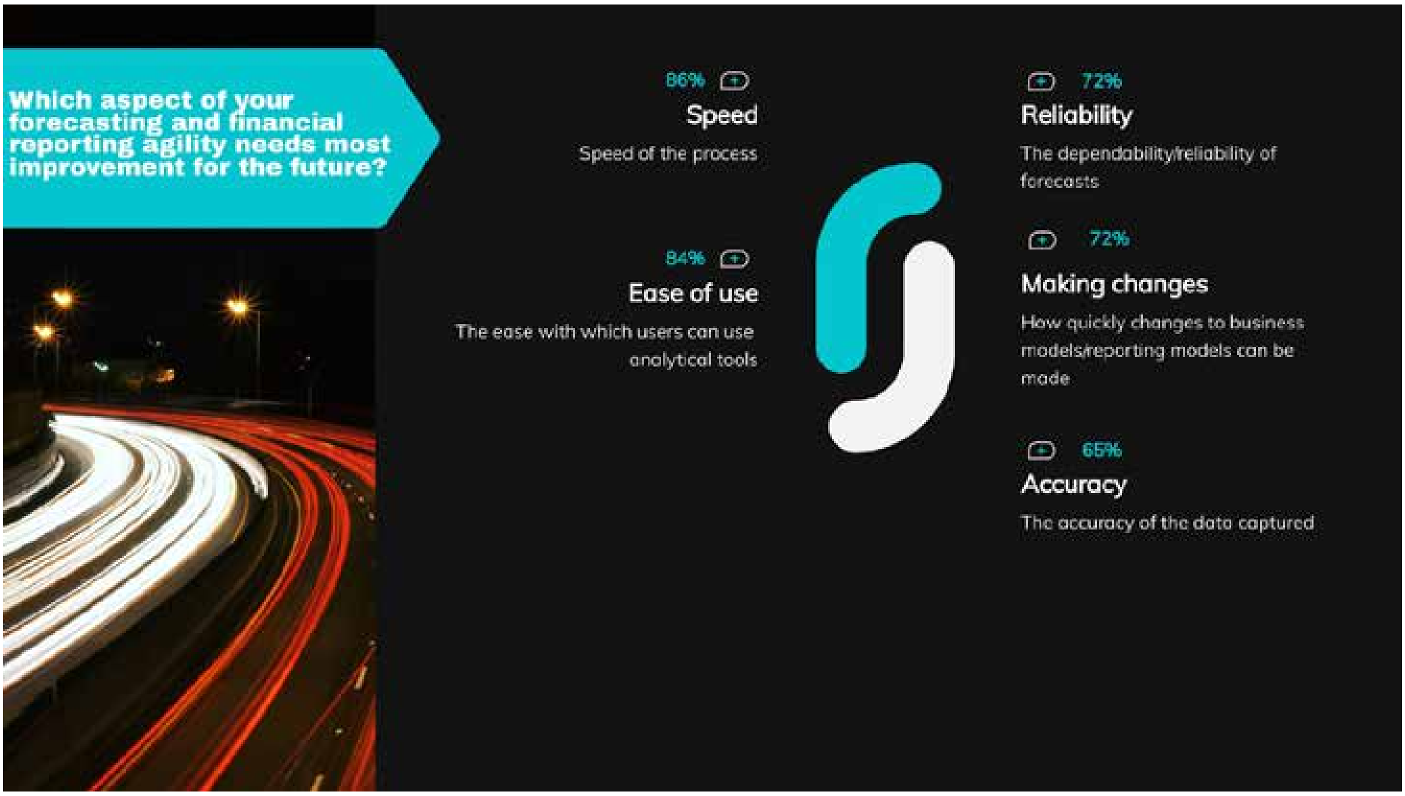
Two years on from the start of the COVID-19 pandemic, and the corporate backdrop has changed irrevocably. Remote working is embedded in almost every organisation; consumer behaviour has adapted to accommodate pandemic lockdowns, job market upheaval and rampant inflation; and companies have had to pivot at short notice to keep up with the changing environment. The pressure is on planning, budgeting and forecasting as organisations seek to maintain their grip on a rapidly changing business landscape, and so there is a renewed urgency to speed up reporting and planning processes. There are signs that transformation initiatives held up by the pandemic are recovering, but there is now greater urgency as organisations seek to make up for lost time and power ahead.

Urgently seeking speed

FSN's Budgeting, Planning, Forecasting and Reporting 2022 survey found that the part of forecasting and financial agility most urgently in need of improvement is speed and ease of use. 86% of senior finance executives urgently need to speed up the process, followed closely by 84% who require "easy-to-use" analytical tools.

This urgency has come about because organisations can't plan or execute strategic initiatives without the insight that planning, budgeting and forecasting provide. But the external environment has been changing so rapidly over the last 2 years that the parameters need to be adjusted frequently, hence the need for speed and agility. Without it, organisations will be depending on out-of-date intelligence and will lose any competitive advantage they may have had.

FIGURE 1: THE NEED FOR SPEED TAKES PRIORITY



But while finance executives are scrambling to accelerate the PBF process, financial reporting is holding up decision-making. FSN's 2021 Agility in Financial Reporting & Consolidation survey found that financial reporting was slower and less agile than forecasting, leading to bottlenecks in analysis and adjustments, which delays decision-making.

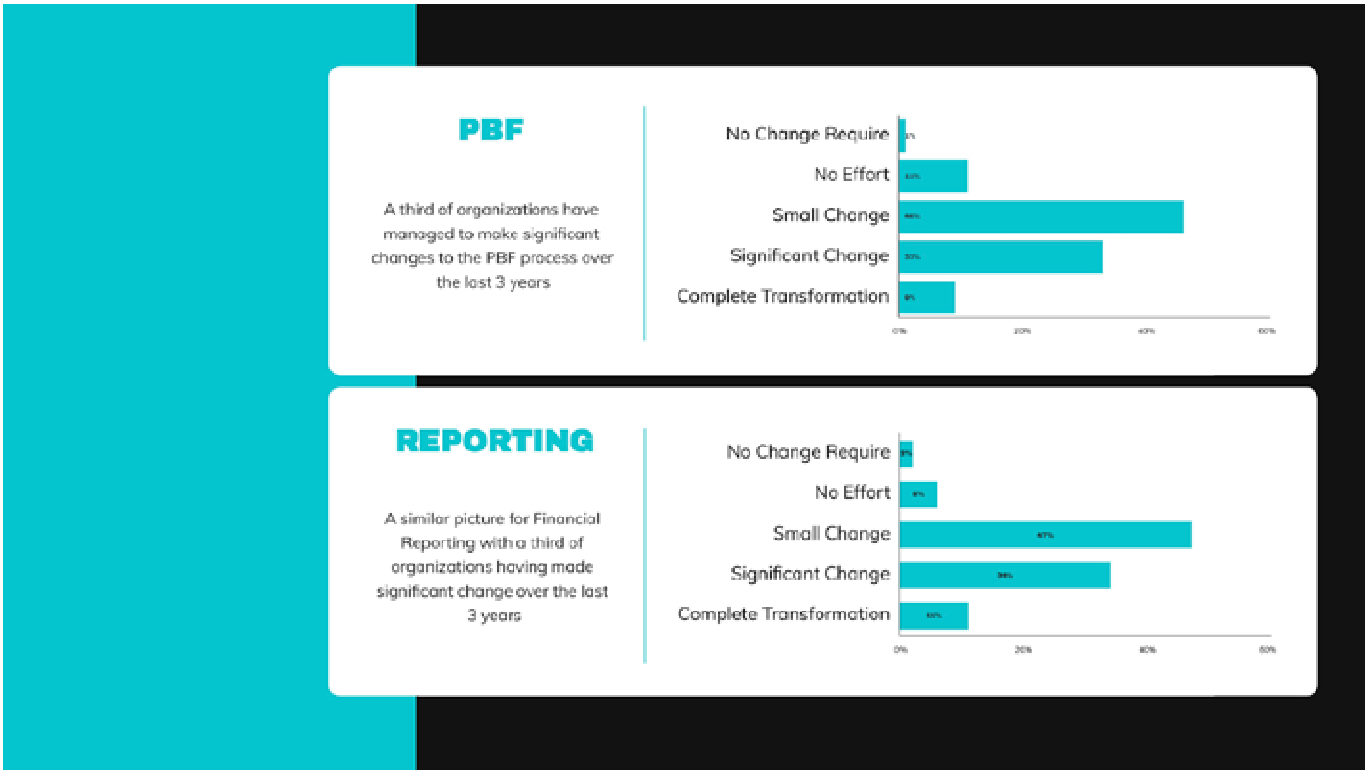
This is not being addressed with any sense of urgency. The current survey found that finance executives expect forecasting to require the most investment between now and 2030, while statutory reporting languishes at the back of the investment queue.

Transformation is recovering

***Just 9%** of finance functions have completely transformed their PBF process over the last 3 years.*

Across the PBF and reporting processes, there has been little change in transformation momentum since last year. The current survey finds that 33% of finance functions have made significant changes to their PBF process in the last 3 years, and a further 9% have undertaken a complete transformation, reflecting only a slight uptick in transformation numbers from last year. A very similar picture emerges for financial reporting, with 34% making substantial changes, 11% effecting complete transformation and the remainder falling behind even as competitors surge ahead.

FIGURE 2: TRANSFORMATION IS RECOVERING



However, the figures are not as discouraging as they might first appear. FSN's 2020 research looking at automation in the finance function found that 41% of projects already under way at the beginning of the pandemic were delayed between 1 and 2 years. The current research suggests that the recovery of these projects is well under way and that new projects that were about to commence when COVID struck are also being resurrected and slowly picking up speed.

Indeed, those that have completely transformed their PBF process in the last year have almost doubled from 5% to 9%. It seems that the few companies that have been fortunate enough to devote resources to transformation have pressed ahead.

The renewed urgency in the post-pandemic environment to speed up and simplify the process of planning, budgeting and forecasting is driven by the need to forecast more frequently to keep up with the social and economic upheaval of an uneven recovery. This is behind the need to accelerate reporting processes. But financial reporting can't keep up, and this is affecting decision-making, which is critical to business stability and growth. However, the overall picture shows two thirds of organisations languishing behind. If companies want to achieve their 2030 ambitions, they will have some catching up to do.

***Only 11%** of organisations have completely transformed their financial reporting - if companies want to achieve their 2030 ambitions, they will have some catching up to do.*

Sage Intacct Response

While the benefits of modern planning solutions are numerous and impactful, it can sometimes be difficult to secure buy-in from the executive team. There are likely a few areas of potential improvement that will resonate with your key leaders and stakeholders. Does the leadership team complain about long delays during the month-end close to produce financial reports? Are they pressing the finance team for data analysis and insights that takes weeks to deliver? Is the team frustrated by manual number crunching, the constant fear of errors and rework? These questions can expose some very real pain points – and making that pain a real, shared experience is the first step to securing buy-in for investment.

Focus on the most obvious pain points as the crux of the eventual solution. Modern, self-service, cloud planning solutions automate the manual work and enable the finance and accounting teams to deliver financial insights faster and easier. Errors can be snuffed out and prevented by intelligent tools and automated checks and balances. People across finance and accounting can work faster, do more, and be more productive, giving them more job satisfaction and more time to focus on the fun, strategic work.

With Sage Intacct, Halstatt dramatically reduced the time and effort required to prepare their forecasts.

Eliminating a Budget 'Nightmare'

Halstatt is a family-owned diversified investment company with headquarters in the south-eastern United States. *"Budgeting and planning used to be a nightmare,"* according to Amanda Goebel, one of the firm's senior accountants. *"You often have multiple tabs in a huge Excel workbook, and if 1 formula is off, you have to spend hours or days trying to figure out what's wrong."* Now, instead of moving data back and forth between complex spreadsheets and an accounting application, Halstatt can easily share data across the natively integrated Sage Intacct solution and better collaborate with key stakeholders. *"It saves us many, many hours because we don't need to have meetings and send multiple emails back and forth with different budget versions. We could probably do budgets in a week, instead of a month."*

03

Catch-up Looks Challenging

Temporary 'fixes' are not a long-term solution

Catch-up Looks Challenging

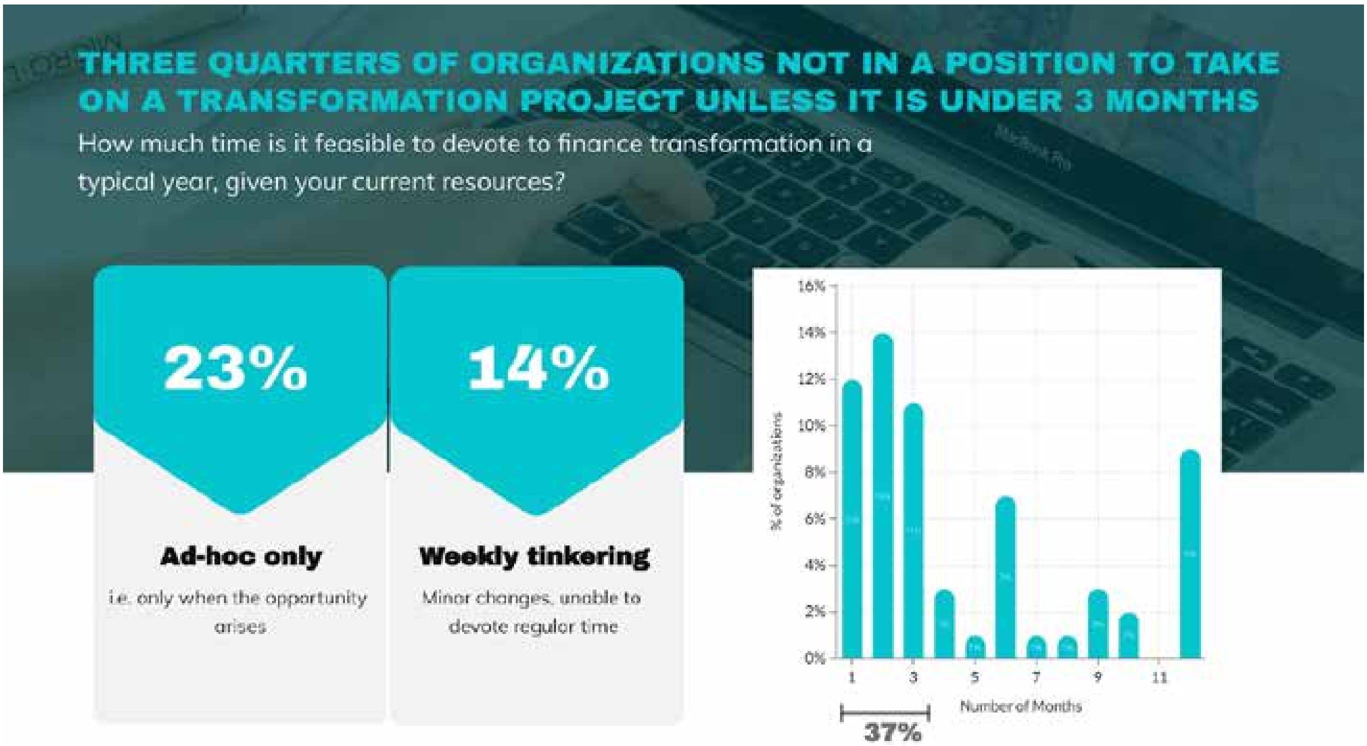
75% of organisations unable to take on a transformation project unless it can be completed in under 3 months.

If organisations are really determined to improve their PBF process, reporting speed and agility, they aren't showing it. 75% of organisations say they are not in a position to take on a transformation project unless it can be accomplished in under 3 months.

Given their current resources, 37% of organisations say they can spare less than 3 months to effect a transformation of the PBF or reporting processes. In addition, 23% admitted to only being able to make ad hoc changes when the opportunity arises, and 14% can only commit to weekly tinkering with their PBF or reporting processes but only to make minor changes and are unable to devote regular time to overhauling their systems or processes. This doesn't bode well for transformation projects that typically require a longer time frame and more intensive transformation actions.

Perhaps more concerning than this lack of time is the lack of regard for accuracy. Only 65% of senior finance executives say the accuracy of data captured requires the most improvement over the next decade, well behind speed and ease of use. FSN's survey last year showed that this is not an aspect of PBF they can be complacent about. The Agility in Planning, Budgeting and Forecasting survey 2021 showed that only 43% of organisations could forecast revenue to within +/-5% accuracy, and only 39% could achieve similar levels of forecasting accuracy for earnings.

FIGURE 3: ORGANISATIONS STRUGGLE TO MAKE TIME FOR TRANSFORMATION



To tackle the concerning problem of data quality and accuracy, many finance executives seem intent on passing the buck to machines or IT owners. 79% wanted to increase automation, and 78% are looking to invest in closer links with the IT function to improve data quality management and skills. Three quarters also want to put in place clearly identified “process owners” across the enterprise. At the bottom of data quality shopping lists is a dedicated role/team for data quality in finance or even an enterprise-wide team focused on data quality.

***Only 43%** of organisations can forecast revenue to with +/-5%.*

If transformation is going to happen across planning, budgeting, forecasting and reporting processes, organisations will need to commit time to it rather than rely on short-term solutions that make no real lasting change. Importantly, this needs to include data accuracy, which can’t be neglected as it affects every aspect of the insight and decision-making process. Whereas the trend for finance functions has previously been towards independence of data ownership and management, it seems finance executives are increasingly leaning on IT for answers and to ensure their data is accurate and trustworthy.

Innovative real estate start-up speeds budget forecasting and eliminates 3 days a month of manual data entry.

Knock Upgrades to Sage Intacct Planning

Knock, an innovative real estate firm empowering people to swap homes more freely, relies on a financially complex business model. Knock's entry-level QuickBooks and Excel systems for accounting and budgeting were outmatched by demands for in-depth reporting and agile planning as the company grew its customers, products and markets. *"We were unable to slice and dice financial information in QuickBooks. Every financial analysis we did had to be downloaded into Excel with a lot of manual manipulation to analyse data,"* said Megan Dunne, Knock's head of finance.

Knock's move to Sage Intacct Planning has dramatically reduced time spent on manual budgeting in what was a 12-tab Excel spreadsheet. It's also delivered new insights into impacts on revenue, costs, profitability, cash and balance sheets to support data-driven decisions. For instance, 1 financial staff member spent 3 full days each month, about 24 hours, manually entering actuals from Sage Intacct into a spreadsheet for budget vs. actuals reporting and forecasting into the future. *"Now we can just click a button and we have data synced in a matter of minutes as opposed to 3 days,"* Dunne said.

04

Is This the Watershed for Disconnected Spreadsheets?

Is This the Watershed for Disconnected Spreadsheets?

Spreadsheets have dominated the planning, budgeting, forecasting and reporting landscape for decades, but there are palpable signs that the spreadsheet monopoly is at last coming to an end.

The survey shows that their usage by the end of the decade is forecast to go through a sharp decline, with a commensurate increase in the popularity of best-of-breed planning, budgeting and forecasting tools, CPM systems and applications that allow spreadsheets to be connected to a centralised database.

Use of best-of-breed software for budgeting, planning and forecasting is expected to double by the end of the decade.

The pandemic highlighted the limitations of spreadsheets while working under duress. According to previous research, they are simply not agile enough to cope with the pace of change, and in many cases existing legacy applications prove to be too slow. Instead, the cloud and the solutions in it are being recognised more and more for their agility. Cloud-based solutions for planning, budgeting and forecasting are becoming the natural choice because of ease of access, speed of deployment and suitability for a hybrid working environment.

The aspiration is there. A year ago, 10% to 12% of organisations used specialist software in the majority or all of their business units. Current research shows the possibility of a threefold increase in the application of specialised planning, budgeting and forecasting systems by the end of the decade.

Corporate Performance Management (CPM) systems, Best-of-Breed (BoB) solutions and spreadsheets connected to a centralised database seem set to benefit from the decreasing popularity of the stand-alone spreadsheet (with a slight weighting overall in favour of CPM). Specifically, CPM system use is set to double by the end of the decade, and Best-of-Breed software for budgeting, planning and forecasting will grow by a similar amount. Spreadsheets connected to a centralised database will grow a more modest 50%, while stand-alone spreadsheet use will shrink to around 10%.

When viewing this trend through the lens of company size (number of employees), a more nuanced picture emerges. Large organisations with more than 1000 employees prefer CPM, followed by Best-of-Breed and a centralised database approach. Medium-sized organisations are largely indifferent between these 3 technologies, while small organisations reflect a more varied distribution across the key PBF choices.

Consolidation

A similar picture emerges concerning the displacement of spreadsheets for consolidation by the end of the decade.

A year ago, around 12% of organisations used a stand-alone consolidation tool in the cloud or on-premises, and just 3% used a CPM system for consolidation. The current research shows that where there is a CPM system in place, it is primarily used for planning, budgeting and forecasting. The most popular solution for consolidation is ERP (32%), and a similar percentage use stand-alone spreadsheets.

For heterogeneous organisations with relatively straightforward organisational structures and standardised charts of accounts using a single instance of an ERP system, then the ERP approach to consolidation seems the obvious way to go. Indeed, by the end of the decade the use of ERP system for consolidation in larger enterprises will grow to 45%, and across the other techniques up to 20% will use CPM, Best-of-Breed or connected spreadsheets. This proportion is roughly the same in medium-sized organisations while smaller organisations will focus on spreadsheets connected to centralised databases.

It is interesting to note that where an organisation has invested in a CPM system, it is by no means the case that it is used for all of their PBF and reporting needs. There is a substantial proportion of organisations that use CPM for either PBF or consolidation but not both. Although this runs contrary to the initial vision for CPM, it is likely that historically organisations have either invested in a piecemeal way or have just not been able to commit resources to a comprehensive CPM solution.

Does this spell the death knell of the spreadsheet? It seems unlikely, given the slow pace of change within the finance function, and the stranglehold that spreadsheets have within the finance function which has withstood many years of technology evolution. But there is a clear direction of travel for organisations keen to improve their PBF and reporting processes, and spreadsheets are slowly being left behind.

Sage Intacct Response

When it comes to planning and budgeting for small to midsize companies, the spreadsheet has long served as the de facto tool of choice.
Microsoft Excel is the market leader due to its near ubiquitous presence and familiarity. Although it's quick to deploy and use initially, the use of Excel creates problems for budgeting and planning as the company scales. With growth comes increased functionality and complexity requirements that Excel is not equipped to handle. As it is used for more complex tasks, there are hidden costs that could potentially plague the company and financial professionals, including:

- Broken links or formulas that lead to errors and misstatements
- Version control issues leading to inefficiencies
- Limited collaboration capabilities which cause lack of ownership and alignment
- Poor Security
- No single source of truth across the organisation

Reporting that took 4 or 5 days a quarter is now done in 30 minutes each month.

The Power of a Unified Finance Platform

Construction industry consulting firm Aegis Project Controls has grown by 35% annually over the past decade, adding 4 additional offices across the US and 1 in Ireland, and has significantly expanded its workforce. As the company grew, reliance on Excel budgeting meant labour-intensive manual work and inflexibility in creating and adapting models. Budget vs. actuals reporting was so time-consuming it was done just once a quarter. With continued growth in the pipeline, Aegis needed a unified platform for budgeting and accounting to improve efficiency, visibility and controls.

Aegis now spends 25% less time on budget creation with Sage Intacct, while incorporating information of greater scope and detail. Aegis has increased the frequency of budget vs. actuals reporting threefold, from quarterly to monthly. Finally, reporting that took 4 or 5 days a quarter is now done in 30 minutes each month.

05

Will Predictive Analytics be the Norm by 2030?

Opinions are mixed on the near-term impact of AI

WILL PREDICTIVE ANALYTICS BE THE NORM BY 2030?

65% believe AI and machine learning will mature over the next decade.

The explosion of corporate data over the last decade has opened up new channels of insight and foresight. Supply chain management, sales, inventory, search history and customer relationship data are just a few of the vast caches of granular data that can help focus and refine budgets, forecasts and plans. But at those volumes, manual manipulation is just not feasible; instead, cutting-edge tools, machine learning and artificial intelligence are driving predictive analytics.

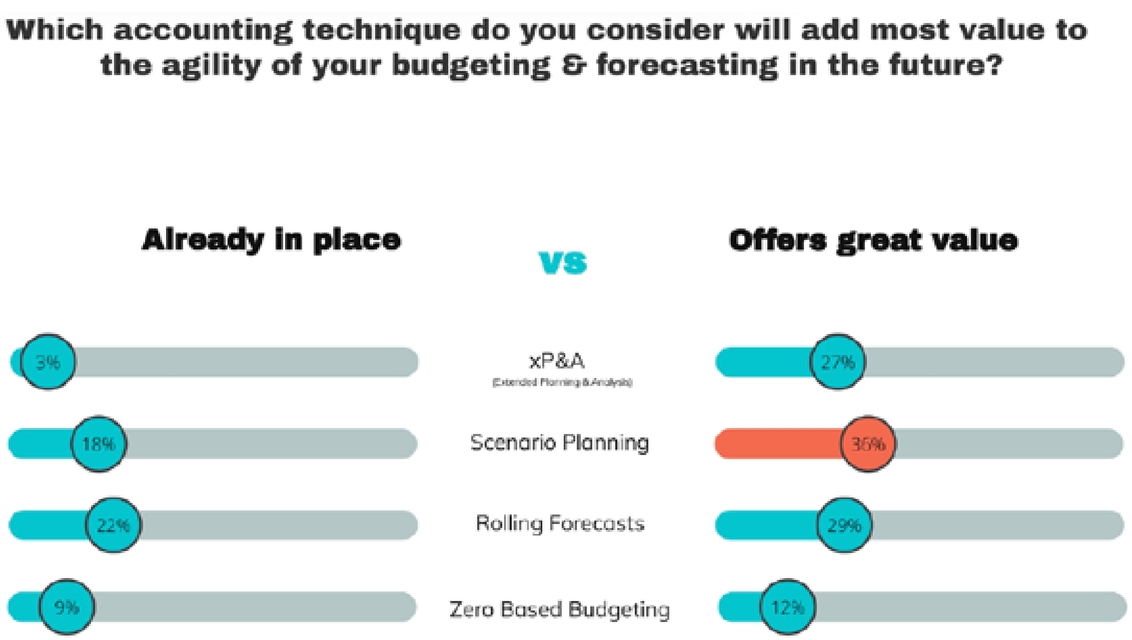
But considering the low penetration of some modern accounting techniques like rolling forecasts and scenario planning, is substantial uptake in predictive analytics feasible?

Vast caches of granular data help focus and refine budgets, forecasts, and plans.

FSN's 2021 research found that only 19% of organisations have moved to rolling forecasts, 13% use zero-based budgeting in all areas of the business, and 13% use scenario planning to improve their PBF process. Graduating to predictive analysis would largely be conditional on leveraging the system and process requirements for these modern accounting techniques (standardised, automated and verified data, effective PBF systems). If so few are even at that stage, it seems challenging for three quarters of finance executives in the survey to expect to be using predictive analytics, AI and machine learning before 2030.

That said, there is clearly intent and interest in the techniques that aid planning, budgeting and forecasting. Where 18% of organisations already scenario plan, a further 36% believe this will add most value to the agility of budgeting and forecasting in the future, which suggests more than half will have implemented scenario planning over the next decade. The interest is lower for zero-based budgeting (9% already use it and 12% think it will offer great value) and rolling forecasts (22% use it and 29% see value in its future use).

FIGURE 4: SCENARIO PLANNING IS GROWING IN POPULARITY



The most notable surge in interest is in xP&A, or extended planning and analysis, which is only currently practised by 3% of organisations, but a further 27% see it as offering great value to PBF in the future. While xP&A is not an entirely new concept, connecting all functional areas together in one environment enriches the planning and forecasting insight a company can generate. This is challenging from an organisational point of view but beneficial when done effectively.

Finance executives ambitiously expect that predictive analytics will be the norm for 75% of organisations by 2030, although that does leave a quarter who don't feel they'll need it or don't think it is achievable by then. But they also come to the table with a shopping list of preconditions that need to be satisfied if predictive analytics is to be used successfully in the PBF process. Chief among these is the requirement to understand the inner workings of the solutions they use.

Complex algorithms can easily end up inside a "black box" of knowledge that can only be flexed by the software developers. Finance functions looking to incorporate predictive analytics in their planning, budgeting and forecasting processes want explainable algorithms that can be changed and flexed within the function itself.

They also want the solutions to be as easy to use and build as business intelligence solutions are today. And they want to be able to link the predictive models to financial data and external market data. Importantly, they want all this built into forecasting software rather than as an add-on or afterthought.

The pandemic has hastened the acceptance of many new technologies including AI and machine learning. FSN's survey found that 65% believe AI and machine learning will mature over the remainder of the decade and become more commonplace. But they also complain about its transparency, with 60% believing finance needs to be able to understand how the results of the forecasts are produced and be able to amend them as needed. Right now, 57% don't believe software vendors have a compelling enough business case for machine learning and AI. If they take heed of the finance functions requirements for success, this can change.

Perhaps tellingly, despite the pervasion of technology in all aspects of life, our confidence in machines has waned somewhat. In 2017, 24% of finance executives said they thought machines will always be better at predicting the future than humans. Today that figure is 19%. Time will tell if trust in machines has plateaued or if confidence will be further eroded.

Sage Intacct Response

During the planning process, if there is an inordinate amount of time spent looking backwards and reviewing actual figures, firms are missing the value of budgeting and planning for their business – which is to look forward and figure out how to meet short-, medium- and long-term plans. Planning tools that are integrated with the core financial management platform allows finance teams to build from a solid foundation, and enable them to confidently execute multiple plan scenarios, what-if analysis and driver-based models.

90% faster budget creation.

Powerful Scenario Planning – And Easy-to-Use

With more than 2 decades of financial leadership experience, the CFO of The Answer Company has used a variety of budgeting tools, from complex applications to basic spreadsheets. Sage Intacct Planning stood out with its ease of use and robust scenario-modelling capabilities. They now use a range of flexible models to forecast revenue, accounting for consulting hours by implementation projects, post-go-live support and overheads.

The Answer Company uses Sage Intacct Planning and the core Sage Intacct platform for its general ledger, project accounting and reporting. This allows for more in-stream agility based on timely data, better re-forecasting and closer collaboration with leaders across the company. *"The combined Sage Intacct solutions equip us to better support the business with strategic thinking and decision-making,"* said George Lawton, CFO. *"From a strategic information point of view, we're in a better position to manage through something like a pandemic."* Lawton expects that future budgeting will be 80% to 90% faster than was possible with spreadsheets.

06

Skills Not Headcount

Technology alone will not drive change

Skills Not Headcount

For the finance function to achieve any of its long-term ambitions for forecasting and planning improvement, it needs the right tools and the right skills. The survey showed that data scientists, business partners and systems accountants are all being prioritised over FP&A professionals, and specialists in statutory reporting are least in demand, languishing a long way behind all the other functions in the investment queue, despite new statutory reporting requirements.

73% of finance executives say they will be unable to meet their objectives without significant specialisation and upskilling.

Notwithstanding the current skills shortage that many industries are facing, the finance function gap is a very real issue and has been for some time. Research conducted in 2019 showed that even then 42% of finance executives were concerned that their lack of digital skills would prevent them from introducing new technology over the next 3 years. Now, 3 years later, 73% of finance executives say they will be unable to meet their objectives without significant specialisation and upskilling. Half recognise that automation of finance processes alone will not liberate enough time to meet their objectives, and 45% say that a shortage of finance talent will hold them back.

However, it's not a headcount issue for most people. Only 30% of survey respondents said they wouldn't achieve their objectives without a significant increase in headcount. Most are not blaming the growth in volume and variety of data, and only a quarter believe the post-pandemic uncertainty will hold them back until the end of the decade.

Finance recognises that it's not just about processes or tools; it's not even a shortage of finance talent. Instead, to keep up with the next generation of technology, they need the right skills to remain competitive.

Sage Intacct Response

When a company has complex forecasting and what-if models and only one person in the company knows how it works, they are exposing themselves to risk if that person moves on. What is the cost to have someone new diagnose, understand and update the models if they leave? Firms can ensure continuity with a solution that allows them to define models that consistently operate on the data they pull in from their plans, budgets and actuals.

Reduced budget creation time by 50%

Internet auctioneer Purple Wave's budgeting was previously handled by their CFO in a complex Excel process that used co-dependent linkages and formulas that could be prone to breakage.

After shifting forecasting to Sage Intacct, forecasting is faster and easier and no longer needs to be directly owned by the CFO. *"We've cut our budget creation time in half, if not more, with Sage Intacct Planning. It's allowed the finance team to provide more visibility to our executives, board and managers, so we're better able to manage expenses and expectations"*, said Lea Briscoe, Purple Wave's Controller.

Managing budget data imports in hours, instead of weeks.

07

Transformation Leaders Will Lead the Next Wave

Gaining a competitive edge through smart technology investments

Transformation Leaders Will Lead the Next Wave

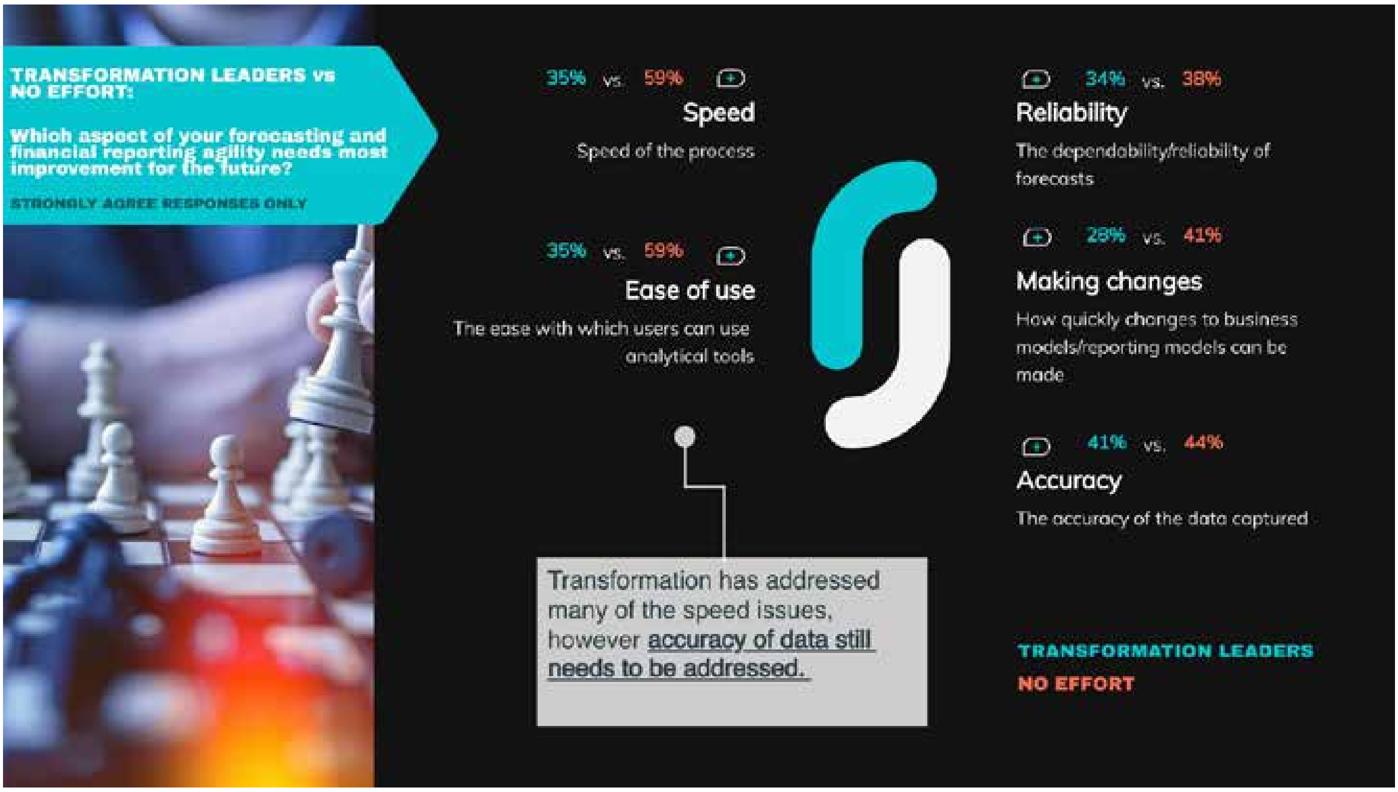
Some organisations have already completely transformed their PBF and reporting processes. They are reaping the benefits of the time and resource investment. Transformation leaders typically take a more holistic approach to process improvement. 58% of them transform their financial reporting process in tandem with their PBF capabilities. They actively look for platform solutions and are more likely to consider Corporate Performance Management systems to deliver their PBF solutions.

Transformation leaders are also preparing the groundwork for more advanced PBF techniques and, for example, are 4 times more likely to use scenario planning, zero-based budgeting and rolling forecasts. All this takes time, and they have more of it to dedicate to transformation. Half are able to devote between 1 and 6 months, twice as long as those who have yet to make any change and can only dedicate up to 3 months for new PBF projects.

Having made the transformation, far fewer of these leaders need to improve their process speed, ease of use or forecast reliability. However, the accuracy of data still needs to be addressed. A similar percentage of both transformation leaders and laggards said accuracy of data needed the most improvement in the future. The data issues that have dogged finance functions for years continue to prove difficult to surmount, even for those at the pinnacle of transformation.

That said, the next step for those that have completely transformed their PBF process is to utilise predictive analytics if they are not already doing so. For a quarter of those that have yet to begin their transformation journey, on the other hand, this objective is unattainable for the time being.

FIGURE 5: TRANSFORMATION LEADERS WILL LEAD THE NEXT WAVE



Transformation leaders poised to take advantage of AI & Machine learning.

14% of transformation leaders already utilise predictive analytics, AI or machine learning while their laggard competitors haven't even got off the starting bloc. And 76% of those leaders who don't yet have it expect to have it by 2030, compared with 56% of those organisations that have yet to make an effort to transform.

There is a substantial competitive advantage to transforming planning, budgeting and forecasting with predictive analytics, and the current crop of transformation leaders appear well placed to leverage this capability.

Modernising the Finance Function

The Oxford Collection chose Sage Intacct because it allowed them to centralise all of their key finance activities in one place – from core accounting to their planning. Monthly forecasts now take less than 30 minutes to create and share with general managers.

Visibility for data-driven business decisions is the biggest impact since their move to Sage Intacct. Budget vs. actuals reporting is now based on up-to-date data and is available to stakeholders on dashboards on demand. These insights proved crucial in recent years allowing them to see where revenue and expenses were on a real-time basis.

The finance team is no longer just *"number crunchers"* as they have become a more strategic partner to the business through the visibility and automation gained through Sage Intacct for both budgeting and accounting.

Monthly forecasts take less than 30 minutes to create.

08

Methodology

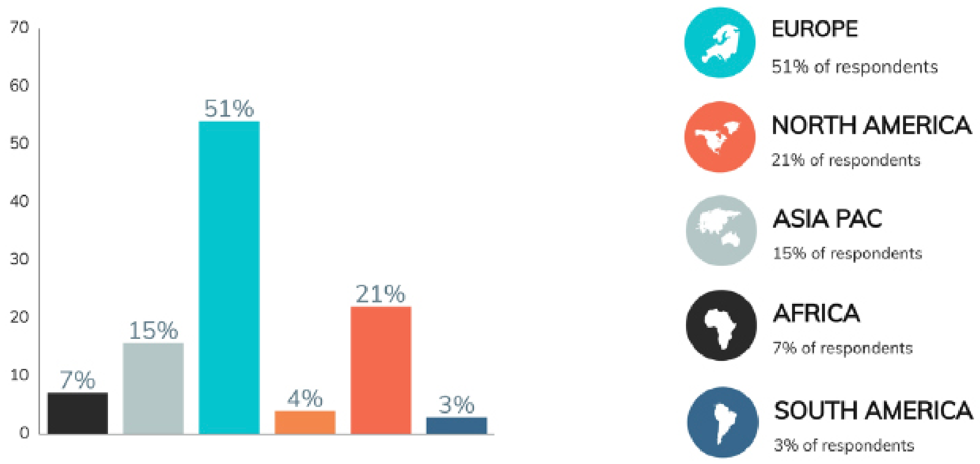
Methodology

The survey drew responses from 444 international senior finance professionals from the FSN [Modern Finance Forum on LinkedIn].

This survey covered finance professionals across 23 different industries. 81% of these professionals were considered to have senior job titles and above.

Response Demographics

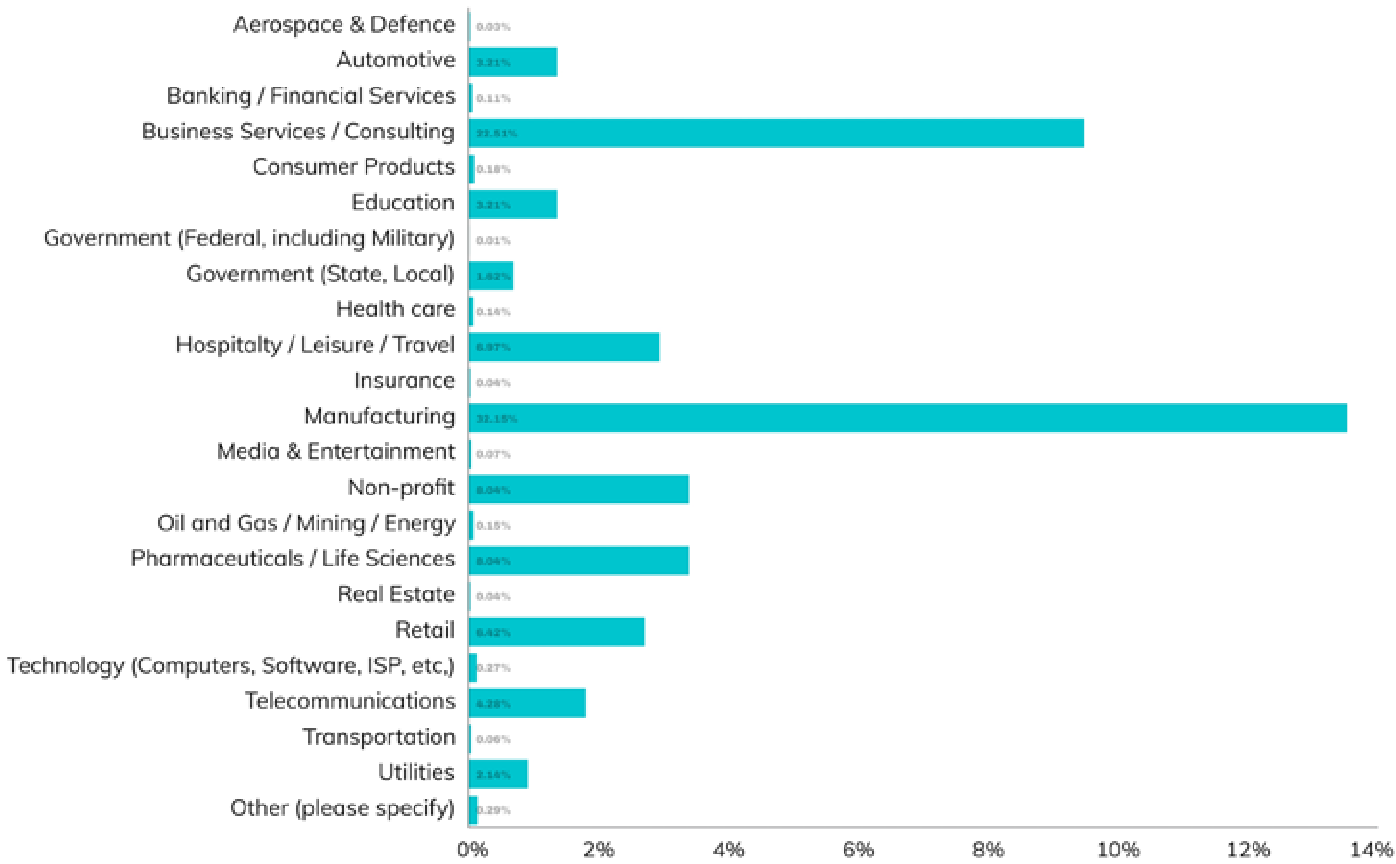
444 SURVEY RESPONSES GLOBALLY*



COMPANY SIZE

Based on employee numbers

Industry of respondents



About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and medium-sized businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate.

Contact:

Ben Collins
Senior Director, Financial Services
Ben.collins@sage.com

About FSN

FSN is a global publisher of thought leadership, research and "must-have" content for CFOs and senior finance professionals around the world. FSN's highly popular and active Modern Finance Forum on LinkedIn has a membership of more than 54,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

Contact:

Gary Simon, CEO: gary.simon@fsn.co.uk

Michelle Fabian: michelle.fabian@fsn.co.uk

HQ Office in United Kingdom
FSN Publishing Limited
Devonshire House
Manor Way
Borehamwood
Herts, WD6 1QQ

Switchboard: +44 (0)20 84452688

The Modern Finance Forum LinkedIn

http://www.fsn.co.uk

FSN®
The Modern Finance Forum