TATA CONSULTANCY SERVICES

Building on belief

TCS 2021 Global Financial Leadership Study: The Next Era in FP&A

Why finance must strengthen planning and analysis to support strategic leadership

Revenue spotlight: Large vs mid-size companies

Revenue spotlight: Large vs mid-size companies

Financial planning and analysis (FP&A) teams responded to the COVID-19 crisis with agility and determination. By scrambling to understand the impacts of the pandemic on their businesses, they helped business leaders to pick a path through the uncertainty. The challenge now is to move from survival into recovery and growth – and FP&A teams can play a crucial role.

Our new research shows that size matters when it comes to financial planning and analysis (FP&A) teams' ability to support their organizations' strategic goals. The largest organizations have made more significant investments in new skills and competencies in their FP&A teams, and the benefits include faster decision-making, more granular data analysis and more agile modeling.

FP&A teams around the world mounted an impressive response to the COVID-19 crisis and the associated economic downturn. Now, as organizations start to think about growth again, they are turning to these teams for strategic support.

Our research shows that FP&A teams that have advanced digital maturity and agile forecasting abilities will be in a strong position to help set a strategic direction for their businesses.

The danger for mid-sized businesses (those with $5 billion–$9.99 billion of revenues in 2019, the year before the crisis) is that their larger rivals (firms with revenues of $10 billion+) may be moving ahead more quickly.

The good news? The research uncovers some clear priorities for companies that do want to scale up their FP&A capabilities.

Larger firms are investing for the future

> *Whether companies choose to focus budgets on new technologies or additional analytical support channels, investing to maximize data is imperative in today's market.*
>
> **Michael Kreeft, CFO of BMW Japan**

One early lesson from the large organizations in this research is that investment in technology and innovation pays off.

As Figure 1 shows, the bigger companies are significantly more likely to have invested across each of AI and machine learning, data and analytics, and cloud. And they intend to keep spending: over the next 12 months, 73% of larger firms will spend more on data and analytics, compared with only 66% of their mid-sized peers.

Mid-sized firms are seeking a different route to bolster their technology investments: they are more likely to be spending more on third-party services, including consulting and data.

Whether companies choose to focus budgets on new technologies or additional analytical support channels, investing to maximize data is imperative in today's market, says Michael Kreeft, CFO of BMW Japan.

"You see new technologies such as robotic process automation and artificial intelligence coming into the finance function, enabling us to move away from our historical focus on the past," he says. "Working together in a more predictive environment, we need to be able to steer the business in a more analytical way, giving people the information they need for decision-making."

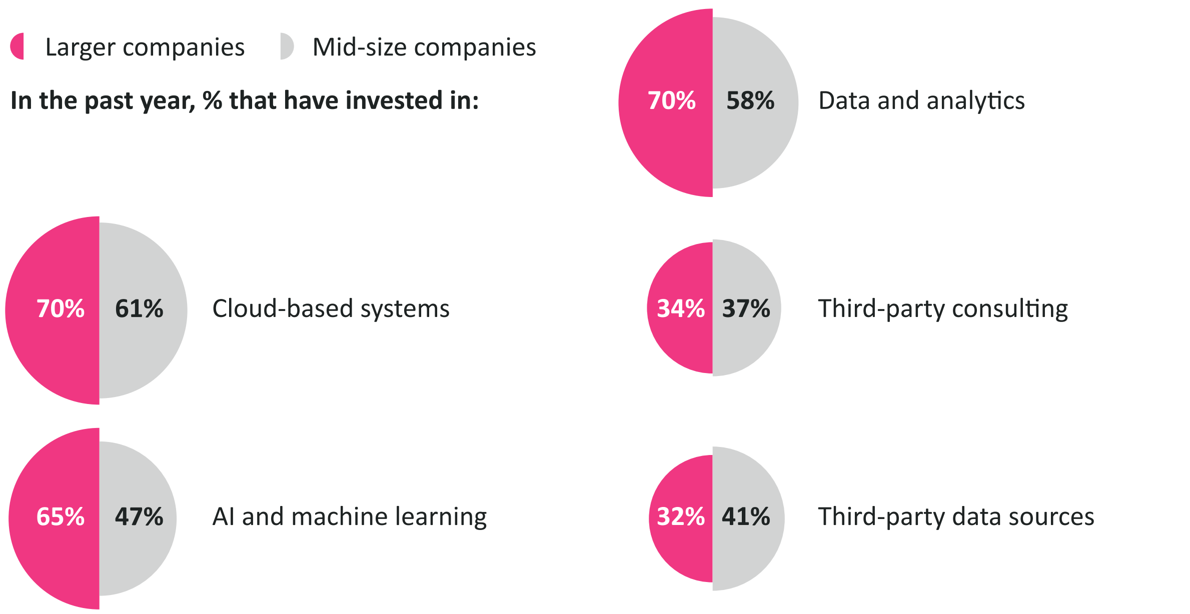

Figure 1. Larger companies have invested more in FP&A capabilities over the past 12 months

Their investments are pushing larger firms out in front

There is already evidence that a performance gap is developing as large companies invest more in key tools and capabilities.

As Figure 2 shows, the larger companies in the research score higher across a range of key abilities. They are more likely to have scenario-modeling capabilities, which can be invaluable in the current uncertain environment. And they have acquired the ability to harness technology: two-thirds now use AI in their planning and forecasting for the enterprise.

These businesses' investment in new capabilities is also helping them to create an FP&A function for the long term: 58% are confident that they now have the right structures in place to ensure the finance function can reach digital maturity.

There are compelling pay-offs for acquiring these abilities. While 57% of the largest businesses were able to model for different outcomes and impacts during the 2020 COVID-19 downturn, only 50% of smaller firms had this advantage. And 73% of larger businesses are confident that they can set sustainable targets in a volatile environment, compared with only 66% of smaller firms.

In fact, the COVID-19 crisis represented a turning point and significantly changed our way of working, says Laura Abasolo, CFCO of telecoms company Telefónica. "It showed the success of our digitalization strategy which made our response much more effective," she says. "It has proved to us that it is feasible – we adapted in a very short space of time, we moved really fast and got very good results at the end. That process has showed us some real opportunities."

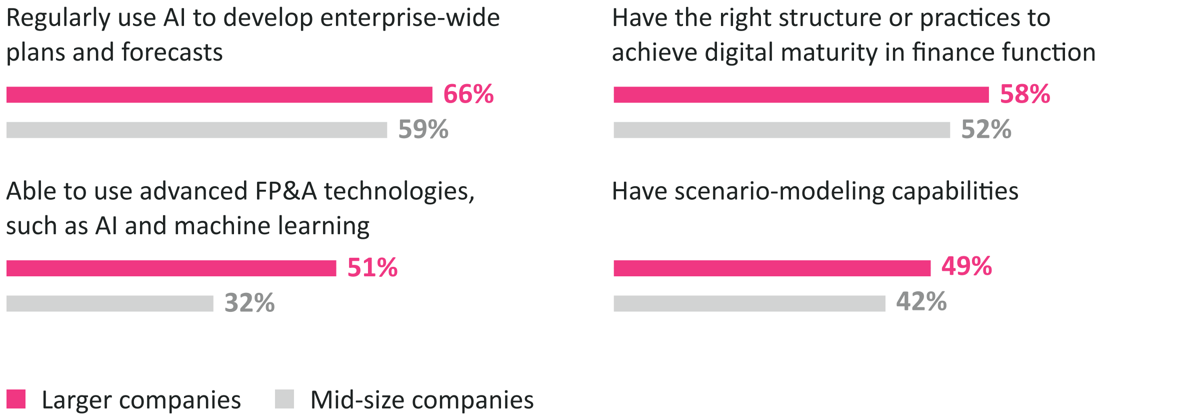

Figure 2. The pay-offs of investing in skills and technology

Driving growth through focused investment

As Figure 3 shows, investment in technology, innovation and new competencies can deliver significant benefits, with larger companies now ahead of their smaller counterparts on a range of critical attributes. As businesses move beyond the pandemic and focus on recovery and growth, this advantage promises to translate into real competitive edge.

"The thing that came out for us was that our focus was on the lagging indicators," says Gaurav Malik, Regional CFO at Quest Diagnostics. "What you need now is to shift to leading indicators. That percolates into something more meaningful at the CFO level, and then becomes more important and relevant at every level down."

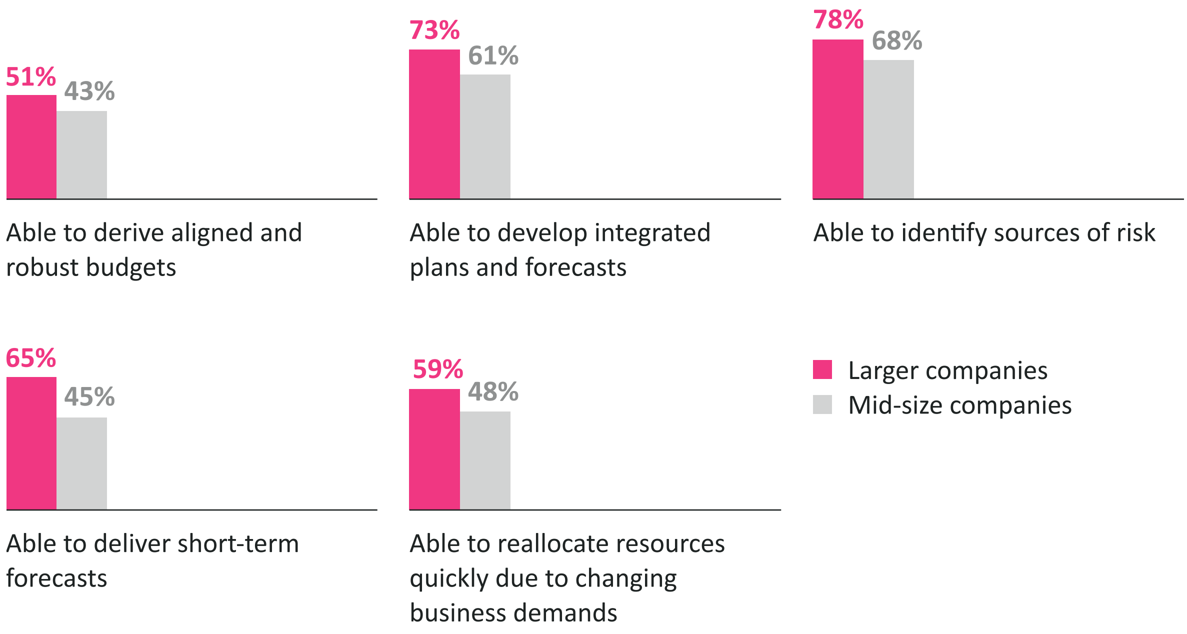

Figure 3. Larger companies are setting the pace

FP&A teams have played a critical role in steering their organizations through the COVID-19 crisis, providing the analysis and modeling for the enterprise to shift direction at pace. Now, they need to focus investment for maximum impact, regardless of the size of the budget.

At some companies – and smaller businesses in particular – investment in new tools and technologies is now falling behind. Third-party arrangements, including shared services, could be the answer, giving them an alternative route to these competencies and enabling strategic decision-making.

Larger organizations appear to be moving more quickly, meanwhile. But this is by no means universal. For many, work remains to be done to ensure businesses are well-positioned for growth, no matter what the future holds.

Read the full report for more insight into FP&A strategy in a post-pandemic market.

Contact

Visit the consulting page on https://www.tcs.com

Email: BusinessAndTechnologyServices.Marketing@tcs.com

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is a purpose-led transformation partner to many of the world's largest businesses. For more than 50 years, it has been collaborating with clients and communities to build a greater future through innovation and collective knowledge. TCS offers an integrated portfolio of cognitive powered business, technology, and engineering services and solutions. The company's 500,000 consultants in 46 countries help empower individuals, enterprises, and societies to build on belief.

Visit **www.tcs.com** and follow TCS news **@TCS_News**.