



NUCLEUS
RESEARCH

FP&A RETURNS \$3.18 FOR EVERY DOLLAR SPENT

ANALYST

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THE BOTTOM LINE

Nucleus analyzed the returns of Financial Planning and Analysis (FP&A) deployments over the past three years and found businesses gained over three dollars for every dollar invested over a three-year period. The primary value drivers of FP&A solutions include increased revenue, reduced operational costs, increased employee productivity, and improved organizational visibility. The increasing complexity behind financial management due to strict regulations and diverse business models is placing greater pressure for businesses to adopt specialized FP&A technology. Nucleus believes the disruption caused by COVID-19 further increases FP&A's value proposition in maintaining an organization's budget efficiency through an economic downturn.

OVERVIEW

Financial Planning and Analysis (FP&A) solutions help financial management and accounting teams manage an organization's budget from project-based workloads to the entire company, covering multiple business units. As Enterprise Resource Planning (ERP) solutions see advancements in managing the general ledger and financial processes, FP&A applications have seen comparable growth to continue justifying their value-add role within an enterprise application ecosystem. Modern FP&As deliver more in-depth forecasting and performance analysis functionality through improvements to data management and machine learning capabilities. With the availability of cloud-enabled Software-as-a-Service (SaaS) solutions, small and mid-sized businesses (SMBs) to large-scale enterprises can now take advantage of FP&A software, given high levels of data availability, low-cost barriers, and the plethora of vendors serving every market segment. Users can leverage FP&A solutions to build departmental budgets to granular detail and consolidate them for a general corporate budget. Modern deployments include rolling forecasts, variance analysis, performance analysis, and what-if scenario simulations to enable real-time continuous planning as opposed to periodic assessments. Analytic capabilities produce reports and uncover insights to support upper management decision-making so companies can capitalize on growth opportunities and limit cost inefficiencies.

From the 15 analyzed case studies conducted from September 2017 to September 2020, Nucleus determined the primary drivers for investing in FP&A software and the anticipated returns. Case studies were conducted over a range of markets, industries, and company sizes. Nucleus found that, in aggregate, companies recouped \$3.18 in benefits per \$1 invested in FP&A deployments within the first three years.

FP&A RESPONSE TO COVID-19

With the COVID-19 pandemic and subsequent economic downturn, organizations need to make quick adjustments to their budgets and business units to reduce their costs since market uncertainty requires more cash on hand. The unforeseen disruptions have also made financial forecasting more difficult than ever before in recent history. SaaS vendors have garnered more interest as companies seek to adopt or upgrade their solutions. Nucleus recommends users adopt FP&A solutions from vendors with proven robust predictive analytics capabilities because accurate forecasting across all business segments, from demand to payroll, will reduce the need for downstream adjustments which often prove impractical and harmful to the bottom line. (Nucleus Research t99 – *The future of predictive analytics for FP&A software* – June 2019) Businesses need to formulate and follow strategic plans to best adjust to the new normal. FP&A solutions help companies to both identify and

reach goals and objectives for either revenue growth, cost reductions, or opening new lines of business.

Modern FP&A solutions have migrated to the cloud. Businesses with multiple office locations, especially international organizations, should follow suit to enable real-time and accurate data availability to eliminate data silos. As the workforce increases its adoption of remote working, companies need cloud-enabled SaaS solutions to maintain pre-pandemic operational levels. This is especially critical for FP&A solutions that need data from a single source of truth where the same information is used across the entire organization to generate effective business intelligence insights.

KEY BENEFITS

An analysis of 15 Nucleus ROI case studies shows that FP&A deployments deliver business value in all use cases. Nucleus attributes the low cost-to-benefit ratio of 1 to 3.18 over a three-year period to four primary value drivers of a modern FP&A implementation.

- Increased revenue. Pursuing new lines of businesses such as usage-based payment models or e-commerce platforms requires businesses to first generate budgetary requirements in the back end to distribute resources accordingly. FP&A optimizes this process to maximize revenue through data analytics and budgetary forecasts. FP&A solutions measure project and business unit performance based on budget variances to identify cost-saving opportunities and revenue leakages for managers to boost the bottom line. Our research has found that companies that generate about \$100M in annual revenue often see cost savings of over \$200,000 every year.
- Increased employee productivity. Consolidating the entire organization's financial data going back as many years as possible allows the FP&A solution to undertake both prescriptive and descriptive analytic tasks automatically. Visualizations and report generation capabilities streamline the decision-making process to improve organizational agility. Guided workflows help finance and accounting teams generate budgets and plans by automating processes that previously required manual data input and arduous data management tasks. FP&A reduces the time and labor burden

**FP&A delivers \$3.18
for every dollar spent
within the first 3 years
of deployment.**

on employees by an average of 30 percent, enabling them to focus on higher value-add tasks.

- **Reduced operational costs.** Risk management functions support companies in avoiding strategic pitfalls and failed ventures, with the added benefit of helping users maintain regulatory compliance to avoid the associated costs of potential audits and penalties. Transitioning to a SaaS model from on-premise deployments also allows companies to shift the cost burden of security, maintenance, data usage, and updates onto the vendor.
- **Improved organizational visibility.** FP&A provides business intelligence for management to get an accurate representation of their financials. Advancements in data management and predictive analytics have enabled various capabilities to improve organizational visibility. What-if scenario planning allows organizations to proactively address concern areas, plan for multiple outcomes, and maneuver their businesses accordingly. Reporting and visualization tools enable users to leverage their data as an asset instead of a sunk cost area. Having confidence in plans, budgets, and forecasts both in the short and long-term is crucial for companies to pursue growth and business development opportunities.

LOOKING AHEAD

The COVID-19 pandemic and the push to work from home is accelerating the adoption of enterprise applications, more specifically cloud-enabled SaaS solutions. Companies looking to modernize their IT ecosystems need to first adopt solutions that consolidate and streamline their financial processes to enable the organizational agility necessary to navigate today's turbulent market. Furthermore, FP&A bridges the gap between the finance and operational side of a business by setting the budgetary constraints and measuring the performance of specific business units. For companies that rely heavily on their supply chains processes, FP&A capabilities can often be provided by their supply chain planning solutions and prove vital to managing inventory, production, and transportation costs. Depth of functionality is not relegated to large comprehensive finance platform vendors. Specialized FP&As for best-of-breed capabilities are readily available for SMBs with limited technology budgets as well. Through the analyzed case studies, Nucleus identifies the FP&A products of Blackbaud, Planful, OneStream, Prophix, Workday, Unit4, and Vena Solutions as the highest ROI delivering solution vendors.