

# THE NEXT GENERATION OF CLOUD FP&A: SIMPLE, COLLABORATIVE, AND REAL-TIME

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## Report Highlights

**p3**

**The top pressure facing organizations in FP&A is processes that are too difficult and time consuming.**

**p4**

**Best-in-Class organizations are 56% more likely to utilize a cloud-based financial application.**

**p5**

**23% of organizations with cloud technology plan to implement in-memory analytics technology.**

**p6**

**Organizations with cloud solutions reported a 16% improvement in time-to-decision over the past year.**

This report, based on a survey of over 200 organizations, illustrates that cloud users are looking for a new generation of cloud solutions, which are simple, highly collaborative, and enable high performing Financial Planning and Analysis (FP&A) processes featuring greater accuracy and effectiveness.

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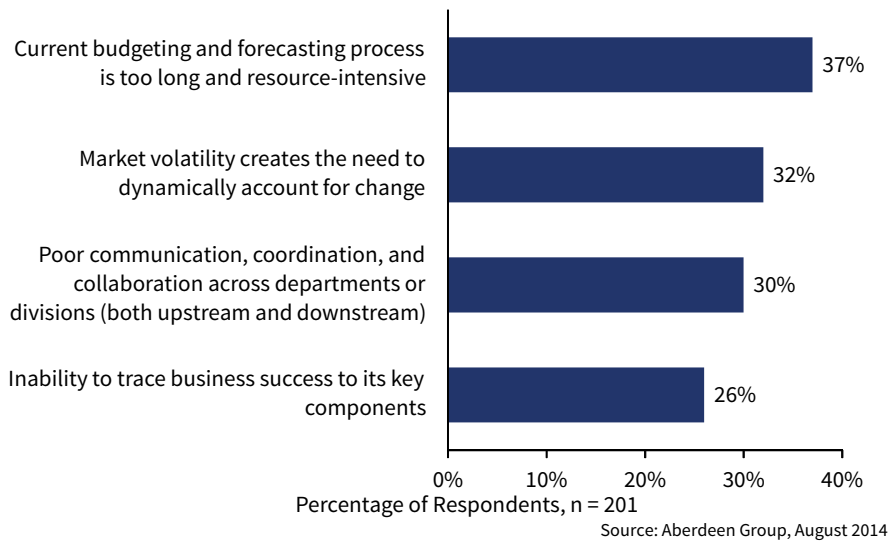
**In order to provide value in the current business environment, the next generation of cloud financial applications must evolve to enable high performance, simple, and collaborative FP&A, on a real-time basis.**

Before organizations could rely on technology to aid financial planning and analysis, there was a lot more guesswork involved and a lot less accuracy. As business solutions such as Enterprise Performance Management (EPM) were introduced, business leaders were able to remove a lot of that guesswork and create forecasts based on historical data. Later advancements brought analytical capabilities to the table that improved the ability to create formulas to predict outcomes. As this technology has evolved to support the FP&A needs of modern organizations, new ways of consuming technology were introduced. Take for example, cloud technology. No longer an emerging technology, cloud solutions enable business leaders to immediately access information wherever they are. These solutions have provided cost-effective, easily implemented and updated alternatives to spreadsheets. But as cloud technology implementation has become more widespread, users are now looking for solutions that will provide more robust features and benefits. This report, based on a survey of over 200 organizations, illustrates that cloud users are looking for a new generation of cloud solutions which are simple, highly collaborative, and enable high performing FP&A processes featuring greater accuracy and effectiveness.

## Modern FP&A

Aberdeen's [2014 Financial Planning, Budgeting, and Forecasting and Enterprise Performance Management benchmark survey](#) reveals the requirements for an effective FP&A process (Figure 1).

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**Figure I: Make it Simple, but Effective**

Survey takers were asked to select the top two pressures that they face in FP&A. Simply put, their current planning, budgeting, and forecasting processes are just too difficult to complete within a reasonable amount of time without disrupting the business. The applications that are available may be cumbersome, leaving users searching for a solution that emulates the user experience that they get in the consumer applications that they interact with outside of work. And not only is the process difficult to complete functionally, but market volatility has made it increasingly difficult to predict outcomes, which significantly impacts accuracy. These organizations understand that in order to improve accuracy, they must get a better understanding of the business drivers that impact performance, as well as involve more key stakeholders in order to ensure that all essential information is accounted for. These pressures call for changes to the FP&A process, as well as the technology that supports it. The existing generation of applications is not enough in this new environment.

Organizations are in need of evolved solutions that are simple,

The Aberdeen maturity class is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- **Best-in-Class:** Top 20% of respondents based on performance
- **Industry Average:** Middle 50% of respondents based on performance
- **Laggard:** Bottom 30% of respondents based on performance
- Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined.

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In Aberdeen's [2014 Financial Planning, Budgeting, and Forecasting and Enterprise Performance Management benchmark survey](#), respondents were ranked on the following criteria:

- **Percentage of financial reports delivered in the time needed for decision-making:**
  - Best-in-Class - 94%
  - Industry Average - 72%
  - Laggard - 63%
- **Variance between actual costs and budgeted costs:**
  - Best-in-Class - 4%,
  - Industry Average - 11%
  - Laggard - 35%
- **Variance between actual revenue and forecasted revenue:**
  - Best-in-Class - 3%
  - Industry Average - 12%
  - Laggard - 37%

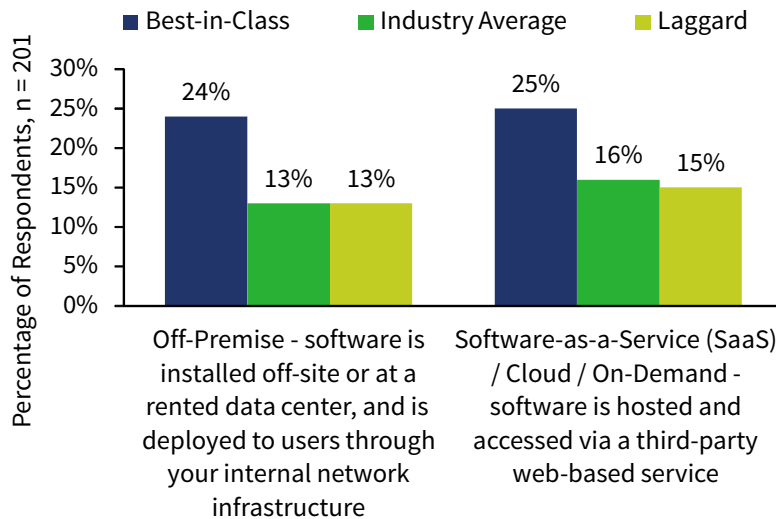
but also enable collaboration and more effective analysis of real-time data.

### Searching for a Solution

Top performing organizations look for solutions that can provide the essential information and process flows needed to effectively and efficiently plan, budget, and forecast. For this reason, 44% of Best-in-Class organizations have implemented EPM solutions, in comparison to 32% of All Others. Further, 66% of the Best-in-Class have implemented tools to aid in financial planning, budgeting, and forecasting in comparison to 51% of All Others. Combined, these solutions help to provide valuable data that can be applied to create greater accuracy. This leads organizations to identify technology that can enable them to not only improve the simplicity of these processes, but also improve collaboration and analytic capabilities. In these cases, they may be attracted to technologies that can address the traditional pains in the FP&A process in new ways.

Part of the solution selection equation is deployment method. Due to cost concerns, easy implementation, and recurring updates, cloud technology has been an attractive alternative to spreadsheets for organizations that are looking to improve their FP&A processes. In fact, cloud budgeting and planning solutions have been around for over ten years, and while the majority of organizations today have deployed on-premise, the Best-in-Class are currently more likely than All Others to utilize a cloud financial application (Figure 2). This proves that the current generation of cloud solutions can provide value for organizations that want to improve FP&A, but the next section will identify the additional enhancements that cloud users would like to implement, which the next generation of cloud solutions must contain.

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**Figure 2: Best-in-Class Cloud Interest**

Source: Aberdeen Group, August 2014

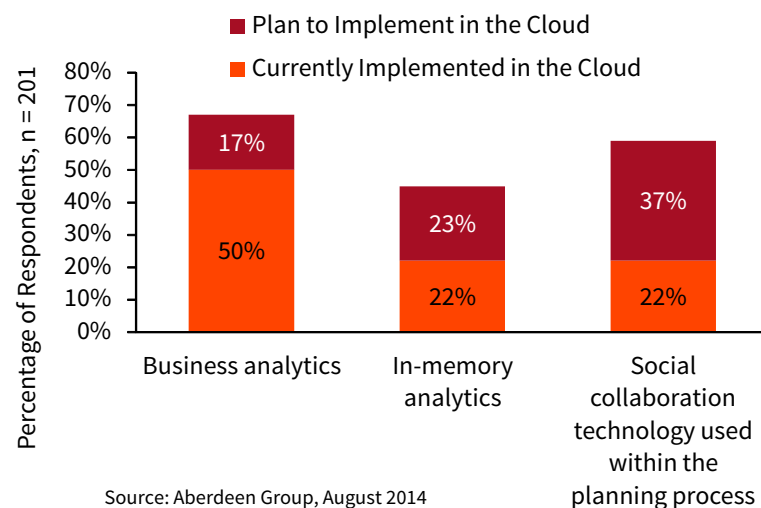
**The Next Generation**

In order to combat the pressures that modern organizations face in FP&A, those that have selected cloud solutions have implemented a variety of technologies that improve performance. Automatic, recurring updates do a good job of continuously improving a solution to become more effective, but new technology has emerged that calls for a revolution in the functions and features that are included with cloud software. Examine the technology that today's cloud users have implemented; then compare those numbers to the technology that cloud users plan to implement (Figure 3). This will uncover the capabilities that organizations will demand in the next generation of cloud solutions. Today, half of organizations with cloud solutions have business analytics embedded into their solutions. This improves the ability to understand trends and the potential impact of actions. These capabilities improve performance in FP&A because they enable business users to determine relationships and visualize potential future outcomes.

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It takes a lot of the guesswork out of planning, due to intelligence that employees simply could not apply on their own. Additionally, only 22% of organizations with cloud technology have access to in-memory analytics technology, with another 23% planning to implement. This technology greatly improves the speed of analysis and enables users to plan and analyze more data sources, with larger amounts of data, at greater levels of detail more quickly. They can therefore immediately apply analysis. In volatile markets where business conditions quickly change, this can become an extremely valuable capability. Not only does this impact performance but it can also improve collaboration.

**Figure 3: The New Generation of Cloud**



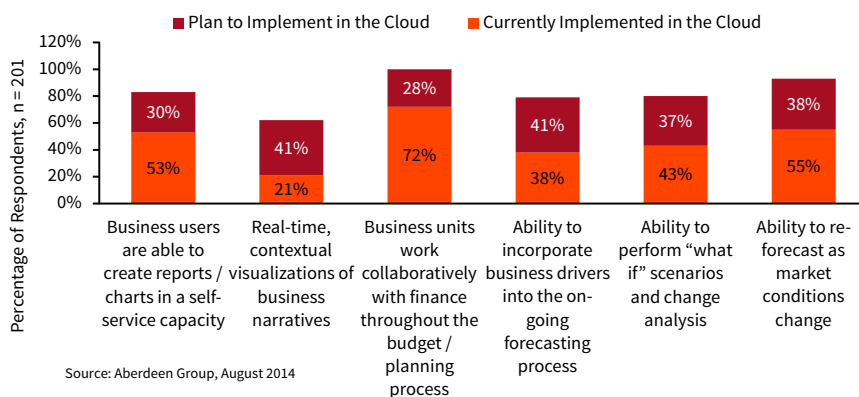
The next generation of cloud financial applications should also include social collaboration technology. In the planning process, this can include activity streams and comments, but also the ability to ask for input automatically when information is needed from key stakeholders. This is accomplished in-context to ensure that budgets are rolled-up and completed as needed. Combined with business analytics that are embedded in applications and

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in-memory computing, social collaboration rounds out the technology environment of an organization with a modern approach to FP&A. Ultimately, this new technology environment needs to evolve to enable capabilities that add simplicity while facilitating high performance FP&A (Figure 5).

Data collected for Aberdeen's [\*Speeding Up and Cashing In with Financial Analytics\*](#) finds that Best-in-Class organizations are more than twice as likely to have interactive data visualization capabilities.

**Figure 4: Need for Simple and Collaborative Solutions**



For example, 53% of organizations with the current generation of cloud solutions enable business users to create charts and reports in a self-service capacity. But another 30% plan to implement this feature, meaning that over 80% can either already do this, or would like to in the near future. Self-service significantly impacts ease of use and helps to mirror the look and feel of consumer software. Rather than relying on IT, these business users can visualize data in ways that are most consumable to them, as well as better understand the connections between business drivers and data sources. Since it is simple and self-service, employees can do this to react immediately. This could include the ability to understand the impact of changes in business drivers, such as the costs of certain materials and how long that impact will take to hit the business (as seen with timeline charts). One capability that may be included is the ability to provide real-time contextual

Aberdeen's [\*2014 Business Management and ERP Benchmark Survey\*](#) found that 64% of Best-in-Class organizations have integrated business systems that create a complete system of record in comparison to 44% of All Others. Further, the Best-in-Class are 83% more likely to enable data to be shared across applications seamlessly and transparently. When it comes to FP&A, this means that employees can quickly switch across multiple data sources without even knowing it. This enables quicker access to data and the ability to complete tasks more efficiently.

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Organizations with cloud solutions report significant benefits in comparison to those without solutions for a variety of performance metrics across FP&A. Organizations with on-premise solutions also report similar benefits. Ultimately, these benefits are derived from the functionality contained within the solutions, and as both on-premise and cloud solutions evolve, expect these benefits to increase.

- Percentage of financial reports delivered in the time needed for decision-making: **78%**
- Percentage of stakeholders with access to performance data: **66%**
- Improvement in time-to-decision over the past year: **16%**
- Variance between budgeted revenue and actuals: **12%**
- Variance between budgeted costs and actuals: **10%**
- Variance between forecasted revenue and actuals: **11%**
- Increase in operating margins over the past 24 months: **6%**

information, which may be supplied by other key stakeholders through social capabilities.

Not only do users demand a FP&A process that is simple and collaborative, but top performing organizations also insist that their technology helps them to create more accurate forecasts through improved analysis. There is strong interest in capabilities that improve data access and analysis among cloud users. These features include the ability to incorporate business drivers into the forecasting processes using embedded analytics, as well as scenario analysis. They can then mix and match different strategies and determine likely outcomes. This promotes high performance in FP&A since accuracy is easier to attain when intelligent formulas can be applied that combine historical performance with forward-looking capabilities. While small percentages of current cloud users have these capabilities, the percentage of cloud users that plan to implement them in the future is evidence of the need for a new generation of cloud solutions that feature them.

### The Benefits

Even using the current generation of cloud applications, instant access to information, planning, and analysis capabilities aid improvements across a variety of metrics related to FP&A. For example, organizations with cloud solutions are able to provide more stakeholders with the information they need, in time for decision-making, more often (see sidebar). This has resulted in a 16% improvement in time-to-decision over the past year, leading to more accurate budgets and forecasts for revenue and costs. With this information, business leaders can have confidence when making decisions intended to grow the business. This is evidenced in the fact that organizations with cloud solutions saw a 6% improvement in operating margins over the past 24 months.



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But this data only reflects the current generation of cloud applications. Imagine how improved ease of use, which will ensure that more employees can get the true benefits of the solution, will improve these metrics. Or think about how enhanced collaboration capabilities can increase the amount of employees with access to essential data. Lastly, picture the improvements in forecast accuracy that can advanced, embedded analytics. Clearly, a new generation of cloud applications featuring these capabilities can greatly impact the FP&A process.

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## Key Takeaways

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Today's organizations are faced with difficult and time-consuming FP&A processes, all while lacking insight into the business drivers that impact accuracy and collaborative capabilities. At the same time, performing these processes effectively is essential in order to enable better decision-making across the organization. Today's cloud solutions can be a foundation of FP&A processes due to ease of implementation, access, and recurring upgrades. But the current generation of solutions lacks the usability, and collaboration and embedded analytics capabilities that cloud users are clamoring for. As such, cloud solutions must evolve to meet those needs. But just as cloud solutions must improve, so should your internal processes in your quest for FP&A success. If your organization would like to improve these processes, heed the following recommendations:

- ➔ **Identify your problems.** Where are the gaps in your planning process? Are you unable to quickly access and consume the data that your organization has collected? Are employees that have valuable, front-line insight being left out? Identifying how FP&A can be improved is the first step towards determining your needs.

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- ➔ **Create a more modern environment, whether cloud or on-premise.** This report has illustrated the benefits of existing cloud applications in the context of FP&A. It has also noted the needs that organizations are experiencing due to current business conditions. But the capabilities presented can also be present in on-premise solutions as well. Determine which deployment option works best for your IT infrastructure, but ensure that the application itself features high performance capabilities.
- ➔ **Become more predictive and agile.** Minimize the impact of market volatility by relying on predictive analysis, and also utilizing rapid access to data to ensure the ability to react immediately to changes in business conditions.
- ➔ **Improve collaboration and simplicity.** Social collaboration technology, paired with in-memory capabilities, enables contextual analysis of larger amounts of data in shorter amounts of time.
- ➔ **Drive improvements in your business.** The whole point of accurate forecasting is to enable business leaders to make better decisions. Do not let the accuracy enabled by a high performing approach to FP&A go to waste.

Use these recommendations to improve your selection criteria as you investigate the next generation technology that will promote a high performing, simple, and collaborative FP&A process.

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For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

## Related Research

[\*Mobile EPM: Improving Decision-Making when Time is of the Essence\*](#); June 2014

[\*Beyond Spreadsheets: The Next Level in Planning, Budgeting, and Forecasting\*](#); May 2014

[\*Beyond Budgeting and Forecasting: Organizational Improvement through EPM\*](#); March 2014

[\*Become a Forecast Marksman with Best-in-Class Ammunition for Planning, Budgeting, and Forecasting\*](#); March 2014

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