

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

Why finance must strengthen planning
and analysis to support strategic leadership

Regional spotlight: Europe & UK

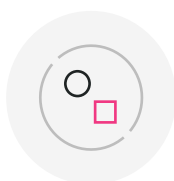


Regional spotlight: Europe & UK

Financial planning and analysis (FP&A) leaders have proved their value during the COVID-19 crisis. Their insights into the business impact of the pandemic have helped organizations to find a way through the turbulence.

But now it's time for FP&A in Europe & UK to go further, and help propel the recovery and deliver sustainable growth.

In this year's global survey, TCS finds that some FP&A teams are in a stronger position to play this role than others, and many organizations have clear capability shortfalls that are holding them back. Our research finds that there are four main areas where FP&A teams need to take action:



Adaptability

57% say they are unable to reallocate resources as the business's demands change without significant errors.



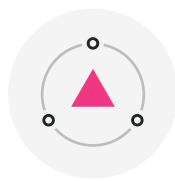
Critical skills

Only 44% are able to use advanced FP&A technologies, such as AI and machine learning



Data-driven decision making

60% of FP&A teams in Europe & UK say they regularly fail to develop aligned and robust budgets



Risk and control

57% worry about their ability to scenario-plan

Our research also identifies a small group of "Trendsetters" that have consistently invested more in technologies including cloud, artificial intelligence (AI) and machine learning, and data and analytics. The return on investment is clear: two-thirds of these businesses were able to model for different outcomes and impacts in an agile manner during the 2020 downturn, compared with only 56% of Europe & UK FP&A teams overall.

How can other organizations catch up? Here, we look at three things the Trendsetters are doing differently that should be a priority for the rest.

How we identified the Trendsetters

We asked the senior finance leaders in our research to rate on a five-point scale their data capabilities in five areas:

- 1. Cash/liquidity
- 2. Revenues
- 3. Operating costs
- 4. Discretionary spend
- 5. Risk.

A rating of 5 equates to “widespread automation and advanced analytics” (for example, using AI, machine learning and predictive modeling. A rating of 1 equates to “early-stage automation of core and transactional tasks (using robotic process automation (RPA)).”

The Trendsetters are the ones that rate their data capabilities as a 4 or a 5 across all five areas. We consider this to be a high level of FP&A maturity.

1. Focus on skills

One clear priority is to develop the FP&A skills base. As Figure 1 shows, the Trendsetters have access to a broad range of skills and competencies that give them significant advantages.

Two-thirds (65%) of Europe & UK’s Trendsetters have scenario-modeling capabilities, compared with just 44% of the FP&A teams across the Europe & UK region overall. In the volatile and fast-moving post-pandemic market, this gives their organizations an edge over rivals who are struggling to plan for multiple potential outcomes.

And 70% of the Trendsetters say they can use advanced technologies, compared with only 44% of all Europe & UK finance functions. These organizations have acquired the ability to confidently make scientific decisions based on sophisticated analysis.

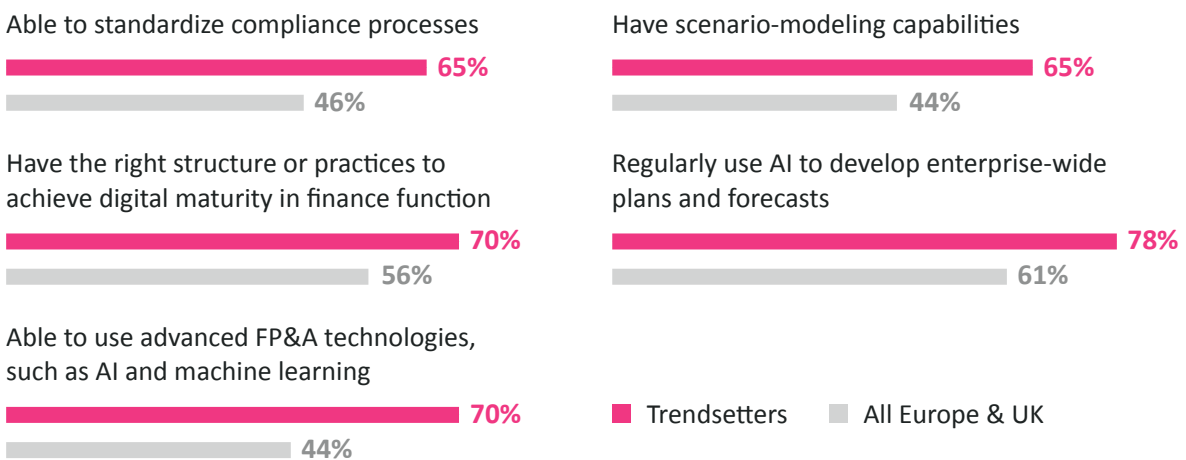


Figure 1. The Trendsetters are ahead on skills and technology

Success here is about more than simply having the data, says Byron Flores, Global Head of Digital Finance at Swiss pharmaceuticals company Novartis. “This is partly about the culture of decision-making,” he says. “You may not have perfect data, but you will know your business in every country and region. We have to have the ability to relate to our environment, and that depends on more than just your systems.”

2. Dial up technology and innovation

Europe & UK’s Trendsetters continued to invest in advanced technology and innovation despite the difficulties of the past year: 80% have increased spending on cloud computing functionality that gives them the potential to scale up and accelerate analysis and forecasting; 74% have bolstered their AI and machine learning capabilities.

And these were not one-off initiatives. Even more Trendsetters plan to increase their investment in these areas over the next 12 months. For example, 83% expect to invest more in cloud, while the same number anticipate increasing investment in AI and machine learning.

This commitment to innovation threatens to extend the lead of the top-performing FP&A teams. Outside the trendsetter group, far fewer organizations have made these kinds of investments or even plan to do so. For example, just 54% of Europe & UK FP&A teams overall anticipate additional investment in AI and machine learning in the year to come. The rest will struggle to get hold of the information they need to make the right decisions.

“Finance has to be at the heart of transformation facilitating the value creation within the business units,” says Laura Abasolo, CFO of telecoms company Telefónica. “With all our machines working to create more value and insight from our best information, we will have powerful tools to enhance our decision-making.”

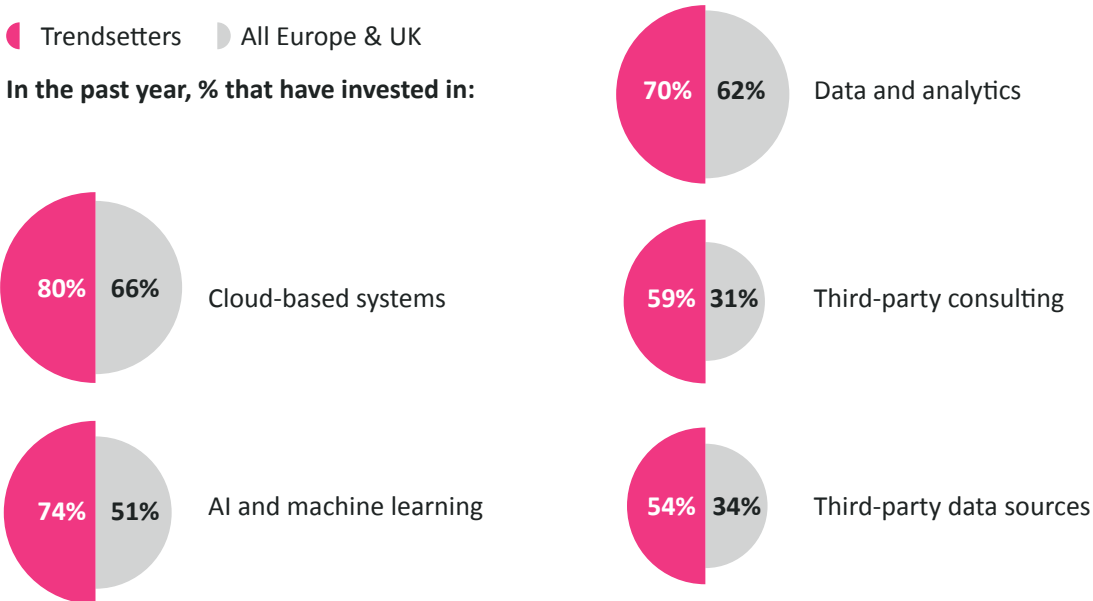


Figure 2. The Trendsetters have invested more in FP&A capabilities over the past 12 months

3. Increase the pace

The Trendsetters recognize that speed and agility must now be core competencies. The COVID-19 turbulence has demanded adaptability, but even without a pandemic to contend with, ongoing disruption and transformation make agility essential.

Here, again, many organizations across Europe & UK are struggling. That was evident during last year’s downturn, when only 56% felt they could model for different outcomes and impacts with enough agility, and it continues. For example, just 43% of Europe & UK-based FP&A teams are confident that they can reallocate resources quickly as business demands change – compared with 91% of the Trendsetters.

Telefónica’s Laura Abasolo believes that to aid agility, the finance function now has to be more open to collaboration and exchange. “One of our main challenges in the finance department is responding to the need for automated information, securing transactionality, internal control and traceability,” she says. “It implies a cultural change so that there is no single owner of the data – it should be available to everyone, for predicting, anticipating and to enable the most appropriate decisions to be taken with the best information.”

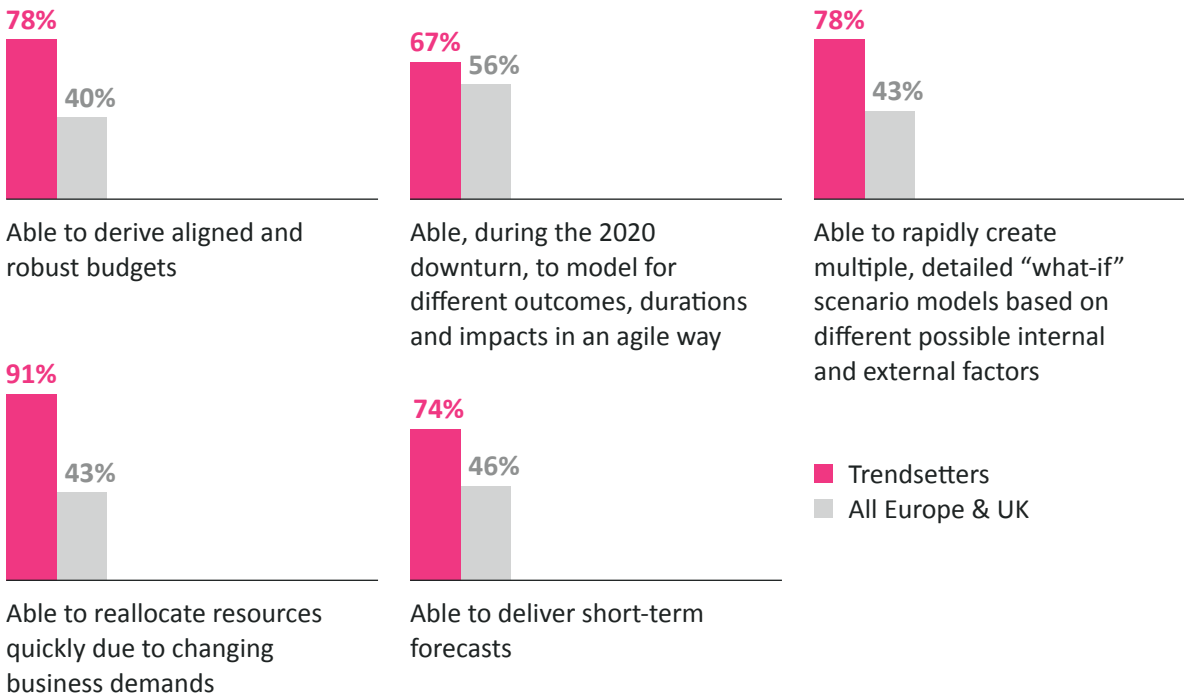


Figure 3. The Trendsetters are ready to respond

There is an opportunity to catch up

The Trendsetters in our research are agile and accelerated, but they are also aspirational – determined to continue investing in transformational capabilities to bolster next-generation finance functions.

Their data and analytics maturity underpins their ability to provide exactly what their organizations now need: adaptable analysis and forecasting for informed decision-making.

Other firms now need to acquire these capabilities. If they don't, the Trendsetters will leave them behind for good.

Read the [full report](#) for more insight into FP&A strategy in a post-pandemic market.

For the most up-to-date content and news, download the 'TCS Perspectives' app for your iOS and Android device.



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](#).

All content / information present here is the exclusive property of Tata Consultancy Services Limited (TCS). The content / information contained here is correct at the time of publishing. No material from here may be copied, modified, reproduced, republished, uploaded, transmitted, posted or distributed in any form without prior written permission from TCS. Unauthorized use of the content / information appearing here may violate copyright, trademark and other applicable laws, and could result in criminal or civil penalties.

Copyright © 2021 Tata Consultancy Services Limited