

# Planning and performance management paradigm – North America Summary

Planning and performance management are key issues for finance professionals as they face a dynamic economic environment. This North American summary highlights key issues relevant based on survey responses as well as the roundtable and interviews related to this piece of research. This summary should be read together with the global report to appreciate the full context of issues and the calls to action for the accountancy and finance profession.



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This research has been jointly undertaken by ACCA and Chartered Accountants Australia and New Zealand in association with PwC. Over 60 finance professionals in North America responded to the survey and the findings were discussed at a roundtable comprising senior leaders in finance and accountancy.

### Drivers of change

The overall context in which this research was undertaken are the significant economic challenges which organisations face today – from geopolitical conflicts, increased energy costs and inflationary pressures to supply chain disruptions and resource constraints. These concerns present numerous challenges in how organisations plan forward and set strategies, integrating these with risk management activities to identify early warning signs as well as measure performance more holistically beyond just financials.

While 58% of North America respondents report that there is an equal focus between financial and non-financial objectives in planning and forecasting (Figure 1), the overall perception remains that these processes are overly financial focussed and backward looking.

In addition, most finance teams adjust their annual plans and budgets quite often – either on a monthly or quarterly basis. This further augments the need to break away from traditional annual and financially focussed cycles into a more dynamic planning model. Many of the finance leaders who contributed

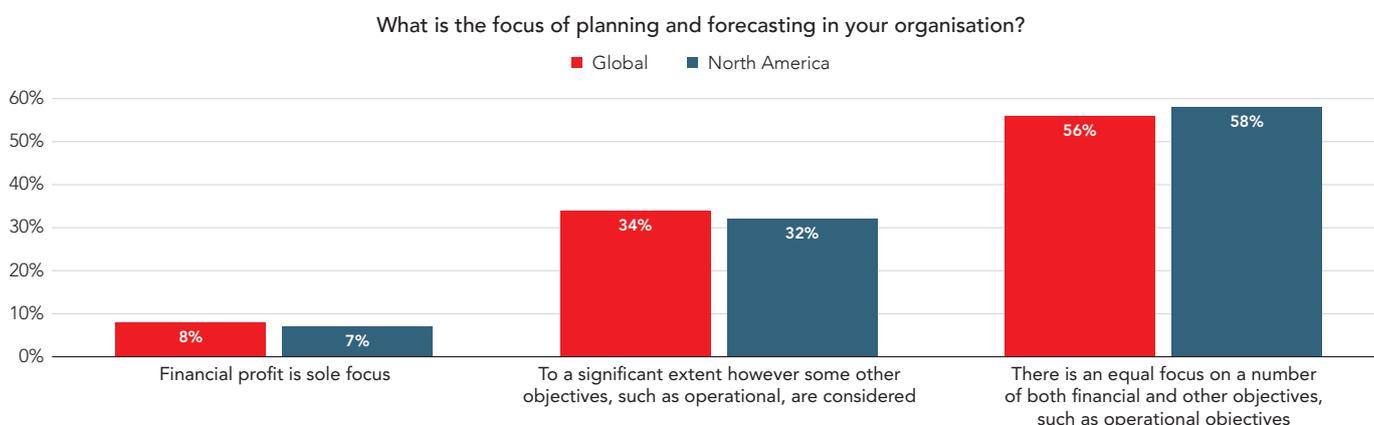
to the research used the word ‘agile’ – which although over-used – conveys the need to address issues of the moment and support decision making when it needs to happen.

### Incorporating ESG

Environmental, social and governance (ESG) dimensions are rarely incorporated into planning and performance processes. 57% of the North America respondents report doing so now, and this is expected to increase over the medium-term (3-5 years) (Figure 2).

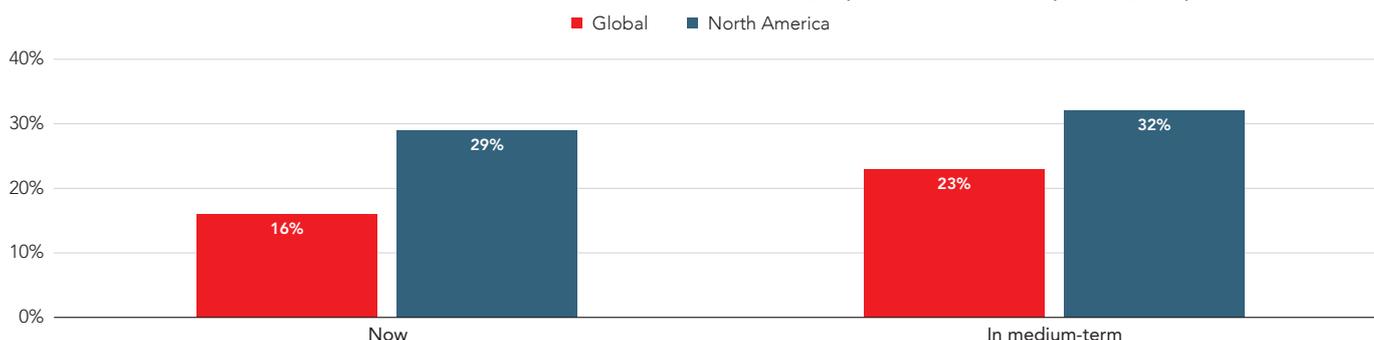
One of the examples of developing a more integrated planning is supply chains. The supply of raw materials is a key issue in developing a robust plan for an organisation. The availability, price and quality of materials is likely to have ESG related dependencies and impacts. Having transparency across the value chain thus becomes essential. Interfacing this into the planning and performance systems of an organisation has strategic benefit. Organisations who have cloud-based solutions that can be integrated using APIs have the flexibility to remodel and forecast with ease.

**FIGURE 1:** The focus of planning and forecasting



**FIGURE 2:** Incorporating ESG

To what extent is forecasting of environmental, social and governance (ESG) components either seen now, or do you expect to be seen in the medium-term (the next three to five years), as a fully integral part of the (financial) planning and performance?



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## Broader view of performance

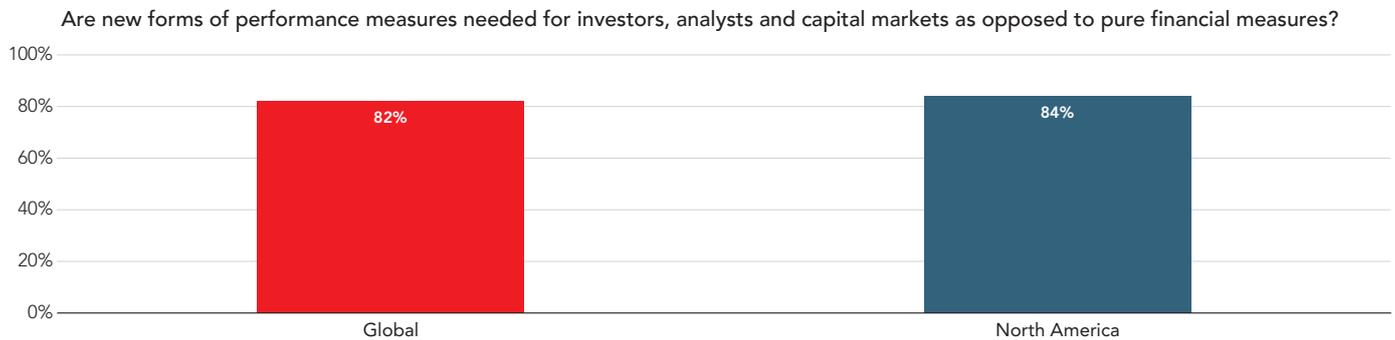
Performance can no longer be solely financially focused. The concept of stakeholder capitalism may have been first introduced in 1932, yet it is now gaining significant momentum. The rise of stakeholder capitalism requires a much broader view of performance that is value driven and embraces the planning, creation and distribution of long-term sustainable value for the benefit of stakeholders.

**An overwhelming majority** of finance professionals in the North America (84%) support the call for newer forms of performance measures – not simply to address the ESG related concerns and demands of investors, analysts and capital markets but also to support agile and dynamic responses to the elevated uncertainties and complexities in the business environments and outlooks of today (Figure 3).

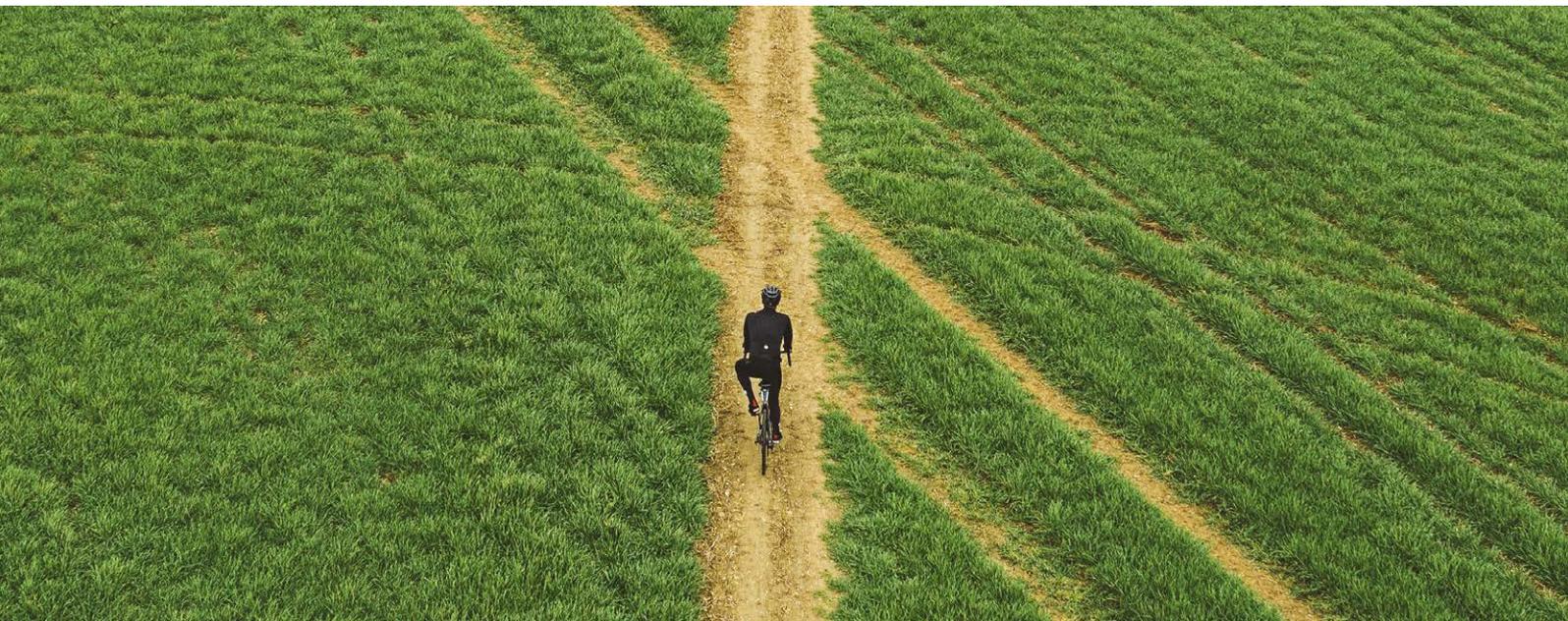
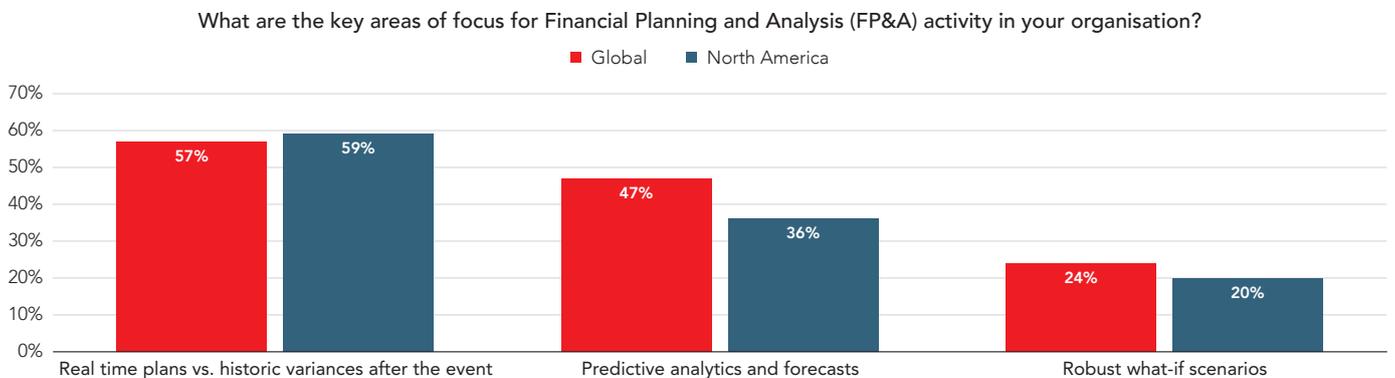
## Role of finance in planning and performance management

The key areas of focus of Financial Planning and Analysis (FP&A) activities in North America are currently oriented towards the 'performance' angle in explaining historical variances against plan (59% vs 57% globally). The focus on the 'planning' angle is however not insignificant. North America respondents demonstrate a lesser focus on the planning angle than their global counterparts: leveraging on predictive analytics in forecasting (36% vs 47% globally) and employing robust what-if scenarios (20% vs 24% globally) (Figure 4).

**FIGURE 3:** New forms of performance measures



**FIGURE 4:** Key areas of focus

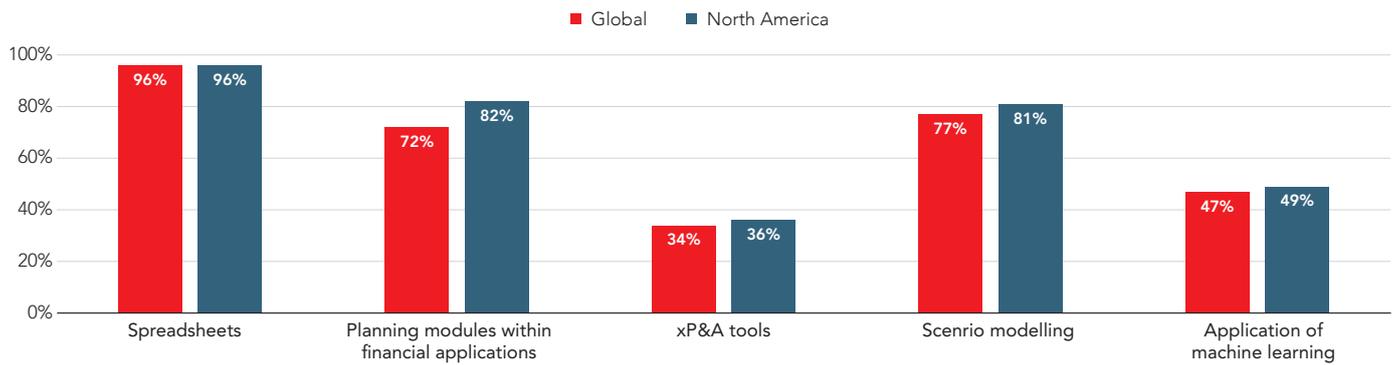


In carrying out the broad spectrum of planning and performance activities, the use of technology appears mixed. Spreadsheets are still the predominant tool used to a great extent in planning and performance processes by North American respondents (86%). Conversely, only a minority of respondents use to a great extent scenario modelling tools (35%) and xP&A tools (14%) in the region (Figure 5). This represents significant opportunities for finance teams to leverage more advanced technology-driven capabilities to provide faster and sharper insights which can then lead to better tactical decision-making, competitive differentiation and positive disruption.

However, while technology-enabled capabilities will be instrumental as finance functions respond to changing dynamics that are likely to take place over the medium-term (three to five years), the fundamental drivers of change to the future focus of planning and forecasting will be centred around: organisational purpose and strategy (beyond pure financial performance), the need to be continuous and flexible in order to accommodate both short- and medium-term changes through adaptive planning; and to be perceived by stakeholders as adding value to the organisation rather than as a compliance activity. However, the level of influence of these factors is expected to be mixed across the region as shown in Figure 6.

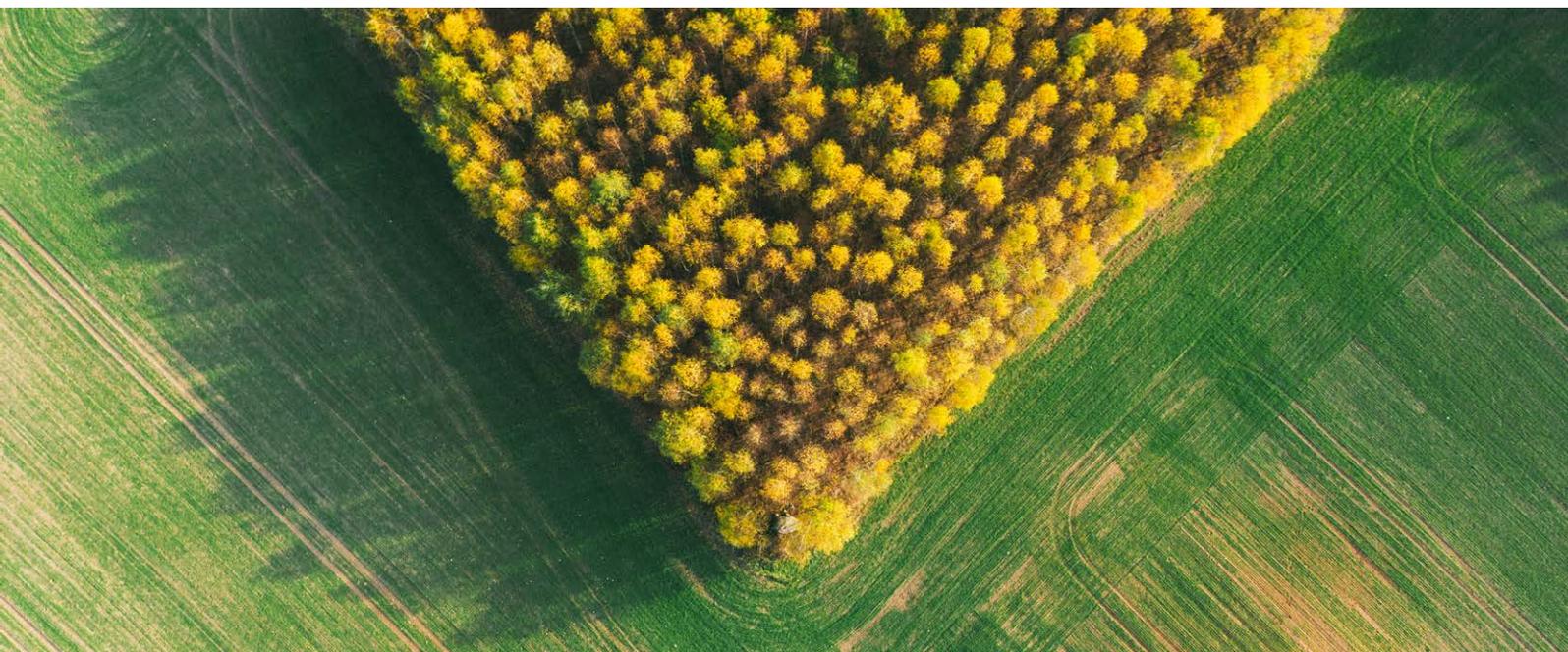
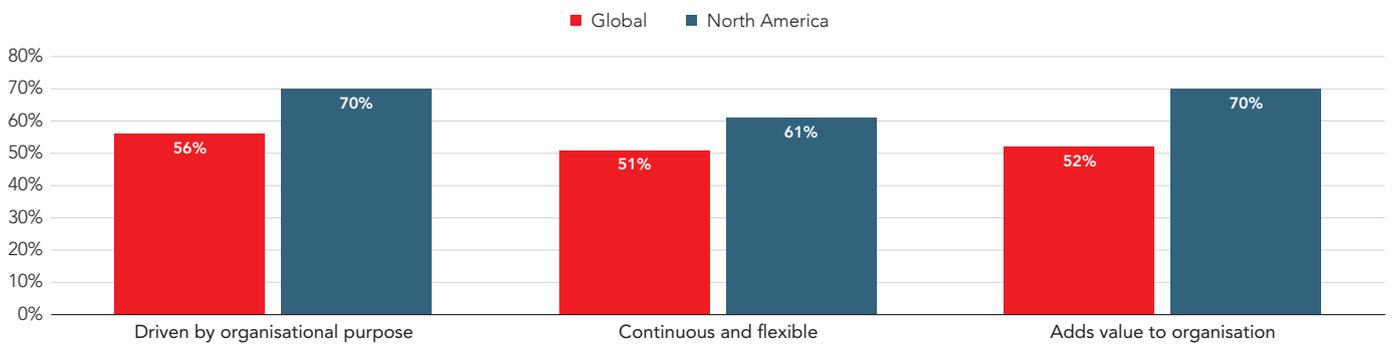
**FIGURE 5:** The tools we use

To what extent are any of the following used to help manage the planning and performance in your organisation to a great, or to some, extent?



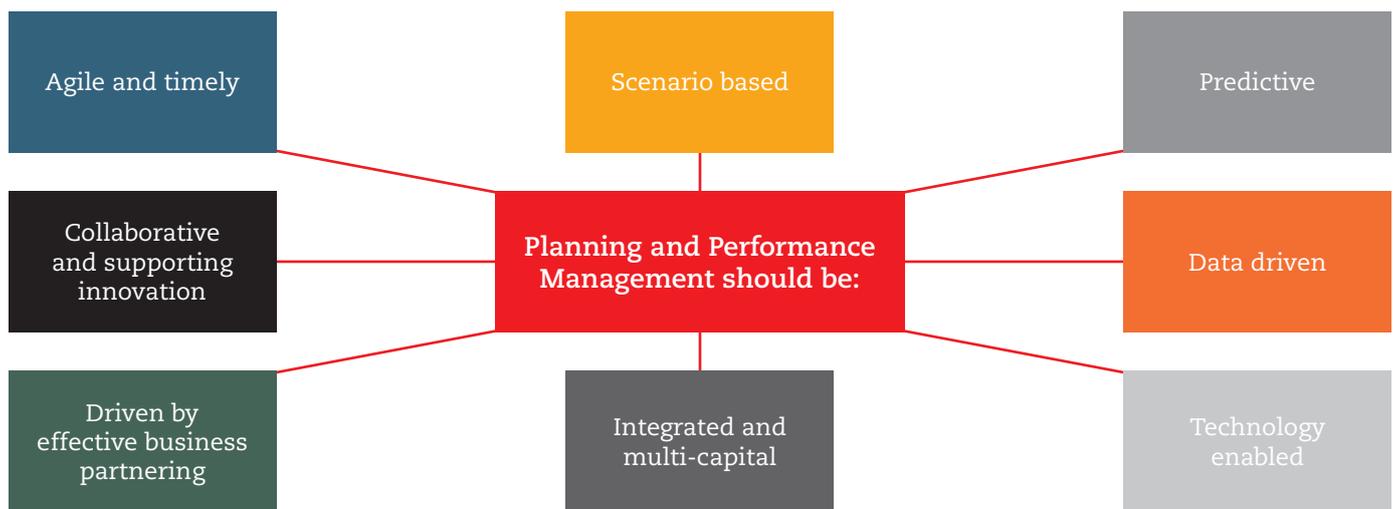
**FIGURE 6:** The future focus of planning and forecasting

Which of the following characteristics of your planning and forecasting process do you envision will be implemented in your organisation in the medium-term (3 to 5 years)?



## Planning and performance – a new paradigm

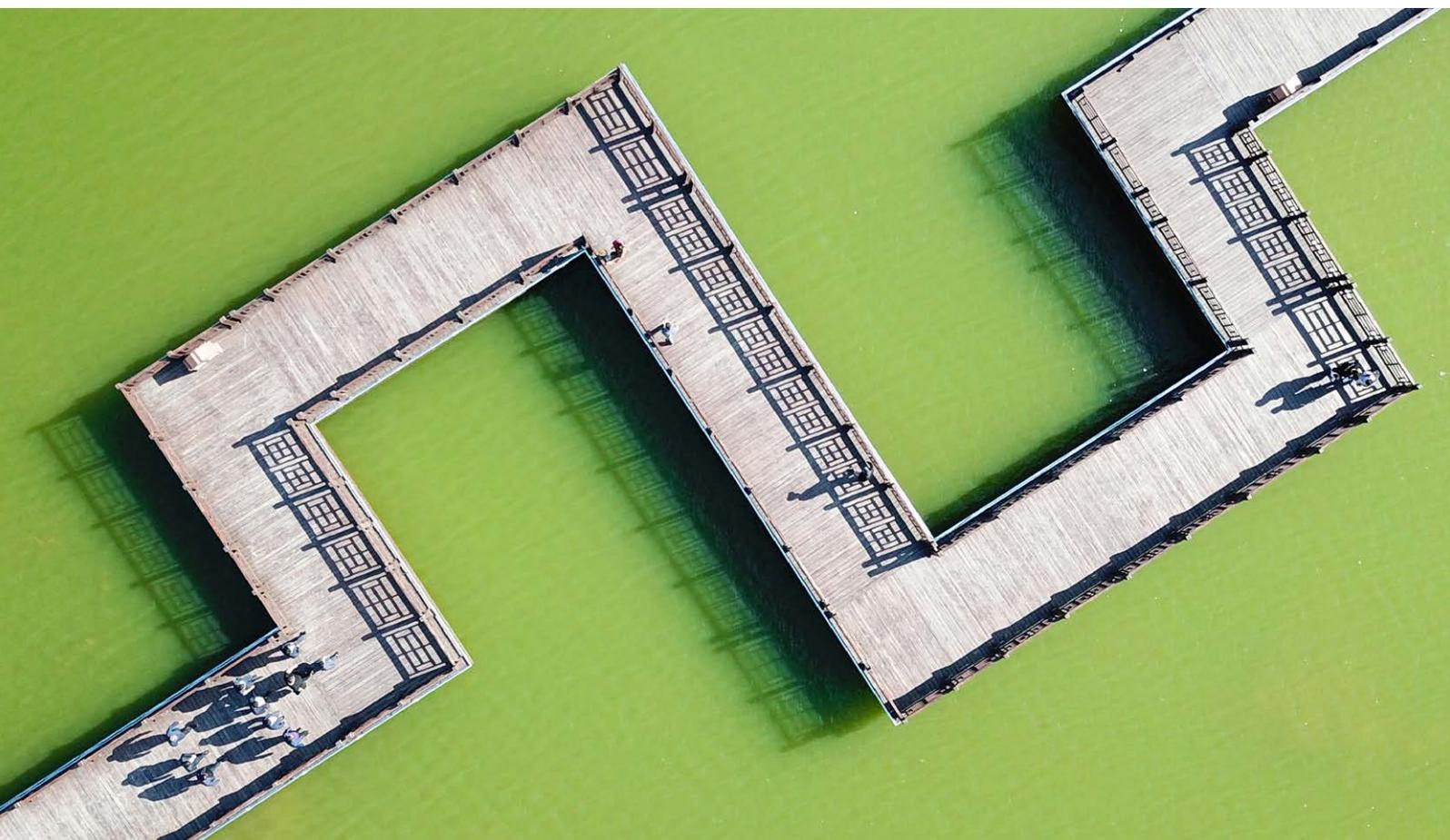
To serve the needs of organisations in an era of rising stakeholder capitalism, a paradigm shift in planning and performance is needed. The attributes of an effective planning and performance management system are:



In this broader view of performance, the vision is of a collaborative finance team that looks at performance across an organisation and embraces an **integrated approach**. At the core of the delivery of this is the **finance business partner role**. These individuals represent the view of finance in many circumstances, and their **skill sets** are not solely technical. They embrace a range of softer skills such as influencing, critical thinking and storytelling, but also need to have a deep understanding of the changing business model. Effective finance business partners are key to the role of the function in delivering the broader view of performance into the organisation. They need to utilise **data** in creative ways to deliver those insights.

At the C-suite level the chief financial officer is the ultimate business partner. In planning, recording and evaluating performance there is a need to take a value centric perspective, no longer the chief financial officer – more the **chief value officer**.

This is the new planning and performance management paradigm.



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## Calls to Action

The report identifies seven actions for finance leaders to maximise planning and performance management. They are:

### 1. TAKE A MORE HOLISTIC VIEW OF PLANNING AND PERFORMANCE

To remain relevant, finance teams must broaden their perspective of planning and performance management from pure financial lens to one that embraces non-financial performance and elements such as the organisation's purpose and environmental, social and governance issues.

### 2. DEVELOP AN INCLUSIVE CULTURE OF PLANNING AND PERFORMANCE

Planning and performance management cannot be a siloed activity. The understanding of demand and supply signals, and their implications on working capital are essential. For this to be effective, there needs to be a strong organisational culture of integrated planning. This must be led from the top in demonstrating planning teams working together on one integrated plan and taking decisions in a similar manner.

### 3. IDENTIFY NEW DATA SETS AND INSIGHTS

To facilitate the integrated nature of planning, finance teams need to look outside their traditional data sets. In such times of volatility utilising real-time, or near real-time, data which includes sources of customer behaviour and supply chain activity are essential. Any planning activity needs to look forward. It requires agility to be able to present a range of insights and scenarios that facilitate decision making.

### 4. DEVELOP A DEEP UNDERSTANDING OF THE ORGANISATION

Any planning model must reflect the strategic levers of the organisation. In developing their models finance teams need to ensure that they reflect the nature of performance and filter out the noise. Cash and working capital management are vital. Focusing on the drivers of these aspects will enable finance teams to drive survivability. It is important to identify the point at which more information will not change the outcome of a decision. That is the level of precision required.

### 5. RE-EXAMINE PROCESSES

There needs to be a recognition that the former ways of planning and performance may not match the challenges that organisations currently face. It is important to re-examine the planning and performance management processes to ensure that they can respond to the volatility currently faced.

### 6. BECOME AGILE IN APPROACH

In common across all the other actions is the need to ensure agility in the planning and performance management processes. Performance itself in volatile times is a collective activity and needs to be appraised and rewarded as such. Finance teams need to lead the way in providing insights that reflect this culture on a timely basis. Such an approach rewards innovation and creativity.

### 7. CONSIDER YOUR TECHNOLOGY STACK

There are an array of new cloud-based planning and performance management tools available that will facilitate the real-time integration of financial and non-financial data into the process. Whilst spreadsheets may be the tool of choice for many finance professionals, they need to think broader to ensure that they have tools that can process and facilitate faster analysis of more complex scenarios.

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