How Should I Select and Implement a Financial Planning and Analysis Solution?

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Initiatives: Finance Applications

Organizations often face issues when selecting and implementing a financial planning and analysis solution. Application leaders should follow the 10 steps in this research to ensure the project is successful.

Quick Answer

How should I select and implement a financial planning and analysis solution?

As Gartner analysts, we help our clients ensure that they are properly prepared for a financial planning and analysis (FP&A) implementation. Almost all new FP&A implementations involve cloud-based solutions. Unless organizations conduct proper due diligence when selecting a solution and planning for implementation, they may be significantly disappointed by the results.

While not intended to be comprehensive, the information in this research has been distilled from thousands of discussions with buyers, and serves as a Top 10 list of steps to take to ensure a successful FP&A implementation. Many FP&A solutions are being expanded beyond finance into more collaborative extended planning and analysis (xP&A), so a successful FP&A implementation is critical, as it will form the basis for xP&A in the future.

As an application leader, you should take the following steps to ensure a successful FP&A implementation:

1. Ensure finance owns the initial FP&A project, but include other stakeholders as you move toward xP&A.

2. Solve immediate planning and analytics issues while also focusing on longer-term goals.

3. Evaluate a wide variety of FP&A solutions against your requirements, rather than focusing only on market leaders.

4. Consider FP&A offerings from your cloud core financial vendor if an integrated tool is available.
5. Prioritize reporting and analytics, artificial intelligence (AI) and machine learning (ML) as key aspects of a new solution.

6. Select your FP&A solution based on its ability to support xP&A use cases in the future.

7. Educate your staff about the vendor tools required to develop models, workflows and applications.

8. Use your Excel knowledge to jump-start your FP&A implementation.

9. Engage professional services to turn your FP&A implementation into a catalyst for finance transformation.

10. Transform costing and profitability capabilities through in-solution modeling.

More Detail

1. Ensure Finance Owns the Initial FP&A Project, But Include Other Stakeholders as You Move Toward xP&A

Finance owns the FP&A process in most organizations, so the solution should be managed and implemented by finance with assistance from IT. Finance must work closely with IT and external service providers to facilitate knowledge transfer for the period following the implementation. As the solution extends beyond finance in future phases (assuming an xP&A implementation), the affected disciplines must be brought into the project management team.

2. Solve Immediate Planning and Analytics Issues While Also Focusing on Longer-Term Goals

Many FP&A projects begin as a replacement for Excel budgeting and planning processes. We believe that the best approach is to start smaller to grab immediate value, however, within a much more inclusive project plan that will consider additional phases and capabilities to optimize value in the longer term. You must build a business case that will consider these future phases of the project and ensure that they are funded (a great many multiphase projects that are not initially funded never get the funding). FP&A tools should be chosen as a “suite of capabilities” to include management reporting, visualizations (including some dashboard capabilities), profitability, costing and modeling.

3. Evaluate a Wide Variety of FP&A Solutions Against Your Requirements, Rather Than Focusing Only on Market Leaders

Gartner sees many organizations not selecting an appropriate product, and instead implementing a solution that may not meet its longer-term requirements, or that is far more capable and expensive than the organization requires. You may not need an market-leading solution; instead, seek a more niche solution if your requirements are not that extensive. One of the best ways to ensure you have found the “right” solution is to speak with current references. Also, make sure not to buy licenses upfront for your
4. Consider FP&A Offerings From Your Cloud Core Financial Vendor if an Integrated Tool Is Available

Most cloud core financial vendors offer FP&A tools that are integrated at both the data and user layers, which can add more real-time value through drill-down analysis and the ability to leverage the FP&A tool for more financial operations. Integrated solutions offered by these vendors can provide capabilities such as cash planning and forecasting. Evaluate the capabilities of these solutions, so as not to have to continuously worry about current data, which you may have to if you opt for a third-party FP&A tool.

5. Prioritize Reporting and Analytics, AI and ML as Key Aspects of a New Solution

One mistake that we see many organizations making when selecting an FP&A solution is not considering the solution's reporting capabilities, or the “analysis” part of “financial planning and analysis”. Your FP&A solution should provide the majority of reporting for your FP&A initiatives, without overly relying on third-party business intelligence (BI) tools or Microsoft Excel. These should be used solely to fill in any gaps. It is vital that you communicate your approach to get as much out of FP&A reporting as possible before seeking other remedies, and supports a “one-version-of-the-truth strategy”. Ensure that you consider the AI capabilities listed in your vendor's future roadmaps, and ensure you have a process in place to evaluate future release functionality after implementation.

6. Select Your FP&A Solution Based On Its Ability to Support xP&A Use Cases in the Future

We predict that 70% of FP&A will move to xP&A in the next three to five years. Most FP&A vendors are venturing beyond finance use cases to provide a more extensive approach to enterprise planning, with the goal of providing better connectivity between operational and financial planning. Some vendors are further ahead than others, with some having robust sales and marketing initiatives in place that are aimed outside finance. Other vendors are only just beginning to sell outside of finance, so there are different levels of project maturity to consider when evaluating the products on the market.

7. Educate Your Staff About the Vendor Tools Required to Develop Models, Workflows and Applications

Your organization must understand that FP&A solutions differ greatly from core financial applications. With FP&A tools, you are creating your own planning models, reporting, workflow and approval processes that may leverage some rudimentary “blueprint” application-like “starter kit”. Users of FP&A tools develop models to collect and analyze planning data, so it is critical that you invest in training for modeling capability within the solution. We estimate 70% of the solutions on the market follow this mold, with differences encompassing product position, vertical/geographic coverage, the ability to handle complexity, and proficiency in starter kits.

8. Use Your Excel Knowledge to Jump-Start Your FP&A Implementation
Microsoft Excel is the most widely used financial application among all enterprises. It is quite a capable solution and can handle the most complex modeling and analysis challenges that an organization may face. However, it does not provide the accuracy, efficiency, consistency, collaboration, auditability or governance required for the business process of planning. You need to select an FP&A solution that can address these missing capabilities. Making use of your organization's Excel skills is a smart way to jump-start the implementation of your chosen solution. Many FP&A tools use Excel, however, in a controlled manner, with some going as far as providing Excel plug-ins to collect most planning data.

9. Engage Professional Services to Turn Your FP&A Implementation Into a Catalyst for Finance Transformation

Don't attempt to implement FP&A applications by yourself without support from the vendor and/or a process consulting specialist. You should take as much training as possible before the project commences in order to understand the tool. Unless you are only going after the most rudimentary functionality, you will need help. The vendor's professional services team is usually sufficient to configure the solution and get you started with non-transformational projects. However, if you are looking for a more robust implementation in line with best practices, a dedicated service provider with an understanding of your vertical and geography will be key.

10. Transform Costing and ProfitabilityCapabilities Through In-Solution Modeling

The market for stand-alone costing and profitability point applications has declined over the past five to eight years. Solutions for activity-based costing and management have largely been replaced by the modeling capability offered by FP&A applications, to the point that the latter is becoming the standard source of this functionality. Concurrently, organizations have moved away from the extremely large and complex models that these best-of-breed tools tried to solve in the past. Since profitability modeling may be on your horizon in the future, consider the simulation and modeling capabilities and enlist your financial analysts when evaluating potential solutions.

Recommended by the Authors

- Innovation Insight for Extended Planning and Analysis (xP&A)
- Magic Quadrant for Cloud Financial Planning and Analysis Solutions
- Prepare Now for the Future of Financial Planning and Analysis and Financial Close
- How to Get the Most Out of Your Cloud FP&A Implementation in Times of Crisis and Opportunity
- Core Financials Implementations: How Do I Get Mine Right?