

The Temperature of Finance 2020

Assessing the Finance journey to
become an Analytics Business
Partner™

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Finance Analytics Institute

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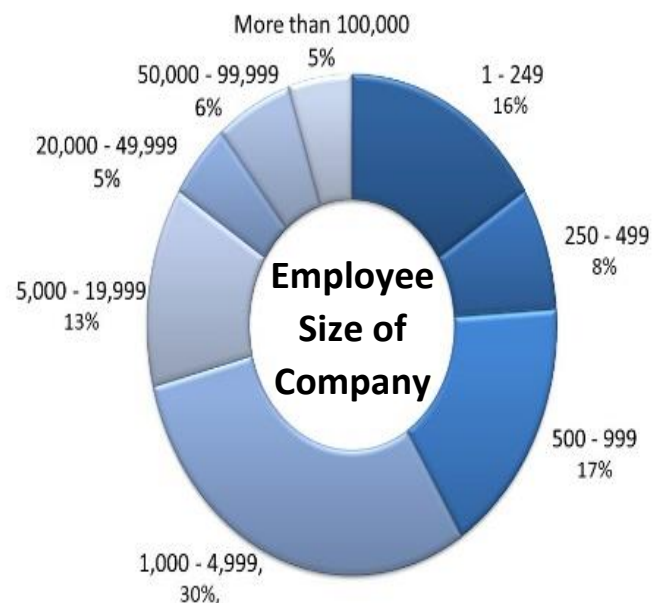
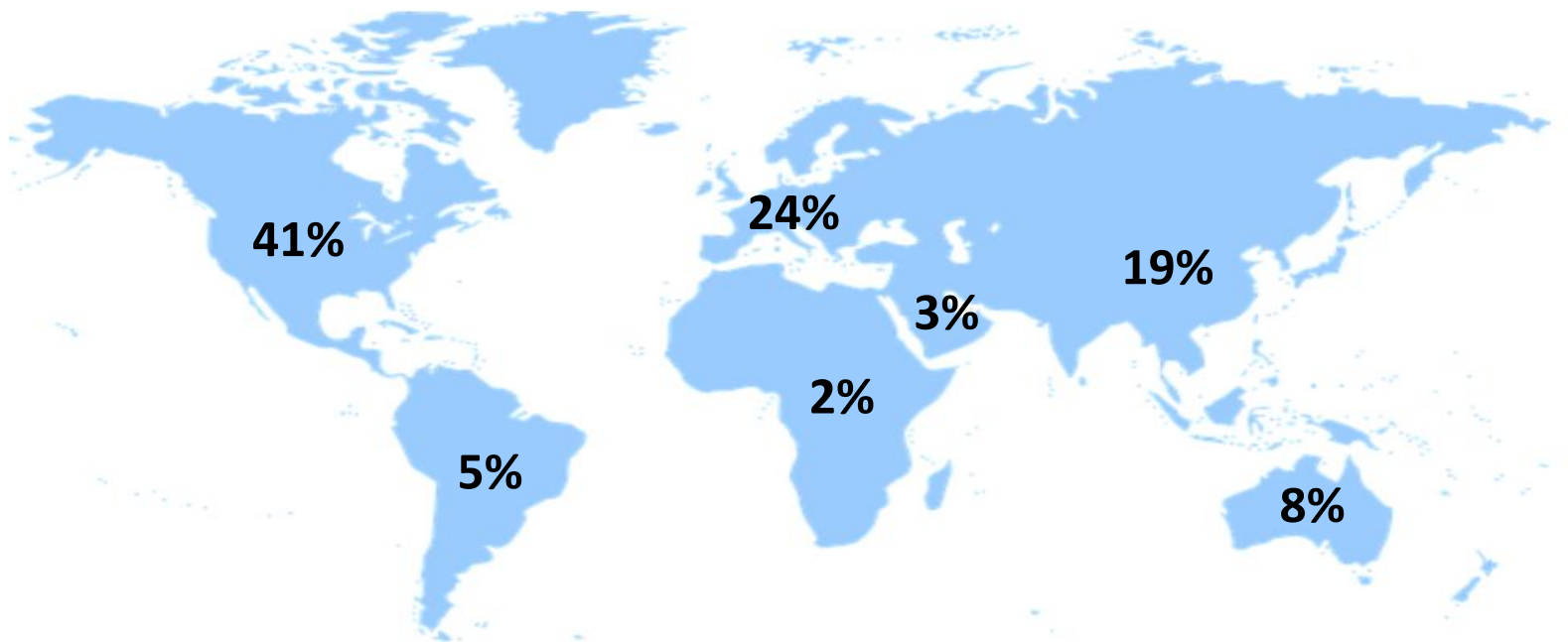


Finance Analytics Institute™



4. The Global Survey Report

In 2019, Finance Analytics Institute collected data from a wide representation of Finance professionals from all geographies, job title, company size, and industry with the focus on exploring the value creation/maturity of Finance to determine where it is on its journey towards becoming an Analytics Business Partner.



A. Measuring the Analytics Business Partner

The **Analytics Business Partner Survey** is to measure the business partnering **Capabilities** and **Toolbox** on a scale from A-F with a failing grade (F) and the best grade (A).

Analytics Business Partner Target (ABP Target) is achieved when the rating is equal to or greater than:

- 3.6 (A) as the **Reporter**
- 3.2 (B) as the **Commentator**
- 2.8 (C) as the **Advisor**
- 2.6 (D) as the **Strategist**

Grade	% of Survey Rating	Ring Range
A	≥90%	≥3.6
B	80% to 89%	3.2 to 3.59
C	70% to 79%	2.8 to 3.19
D	65% to 69%	2.6 to 2.79
F	<65%	<2.6

B. Capabilities for the Analytics Business Partner

The survey measures the capabilities within soft skills (S) and hard skills (H). In reviewing 2019 vs 2018 results, there has been no material improvement in the Finance skillset and toolbox since 2018. While this is unfortunate, Finance still has runway to educate itself on moving to becoming an *Analytics Business Partner* with the skillset and toolbox needed for Finance 2020.

It is worth noting that Finance performs significantly better on the “soft” capabilities (Communication, Acumen, Teamwork and Strategic Leadership) vs. the “hard” capabilities (Analysis, Business Insight, Risk Management and Innovating Finance).

Finance needs to step-up its hard capabilities to survive as a trusted partner to the business.

While the results are disappointing it emphasizes the need for Finance to improve its focus on its skillset building as well as its toolbox to advance towards the Analytics Business Partner



Reporter – Score D-F

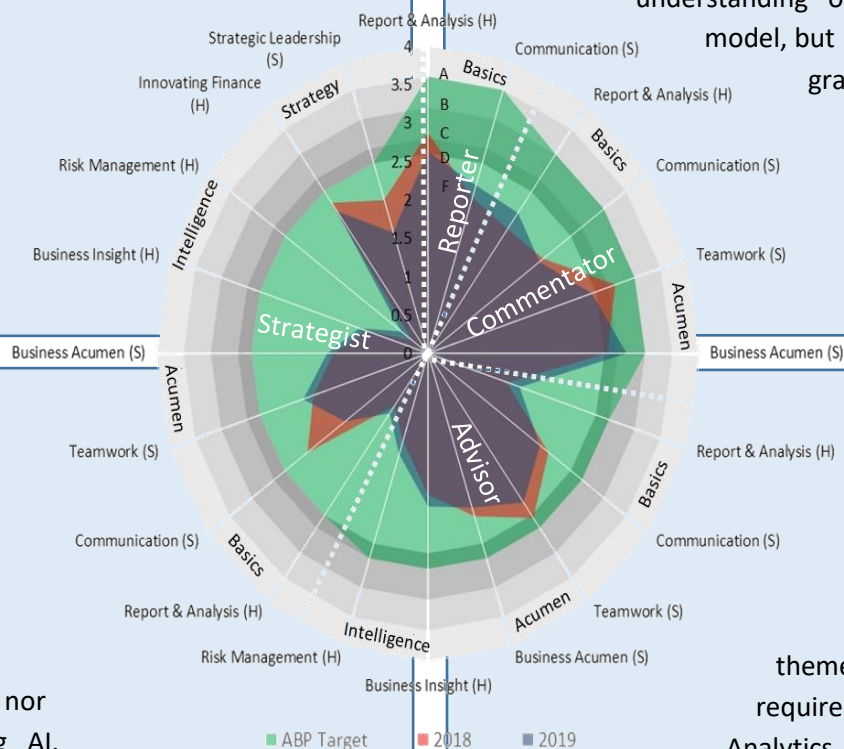
On the **Basics** of the competencies (vertical axis of the Capability Ladder) Finance doesn't even pass the fundamental analysis requirement; like being able to report numbers timely, accurate, and clean, and having a solid understanding of how to utilize financial supporting systems. Finance is also failing the other basic competency of communication; like not being able to provide a clean and concise message both written and verbal.



Commentator – Score C-F

Finance is failing the **Basics** including not being able to turn data into information though data visualization and using trend analysis to contribute to decisions. Its communication is lacking elements like the ability to adjust the language to meet the business needs, as well as, anticipating possible reactions and questions before presenting financials to business leaders.

Finance is doing better on **Acumen**, through a deep understanding of the business operations model, but falls just short of a passing grade. Finance also shows some ability in teamwork to build relationship but fails.



Strategist – Score F

Finance fails on all capabilities. As for the **Basics**, Finance has neither adopted predictive analytics nor big data analytics utilizing AI. Communication lacks the ability to provide a message that impacts business decisions.

For **Acumen**, Finance is not seen as the “go-to” for the business related to strategic decisions. Also, Finance doesn't understand how changes in market conditions affects *business performance*.

Intelligence, in the form of predictions about events, customer behavior, is not available. Finance does not have access to powerful methods like Monte Carlo Simulation to provide unbiased high and low case forecasts/modelling.

As for **Strategy**, is most remarkable in that, even though Finance fails significantly on most competencies as Commentator, Advisor, and Strategist, it still to some extent belief itself as Innovative with a reputation as the ultimate thought leaders who provide insight that influence decisions.



Advisor – Score F

Finance fails on all capabilities. The constant theme of lacking the **Basics** requirements are more severe. Analytics like clusters, correlations, price-volume-mix analysis hardly exists in Finance. Communication lacks the ability to challenge and influence decisions.

Business Acumen has declined from the Commentator role, as Finance doesn't have a good understanding of the bigger company strategy and the competitive landscape. Finance is seen as a passive member of the leadership team that just presents data and don't participate in the business dialogue.

Intelligence, like developing scenario analysis to assess high and low cases and using an understanding of the competitive landscape to provide business insight, is very limited in Finance.

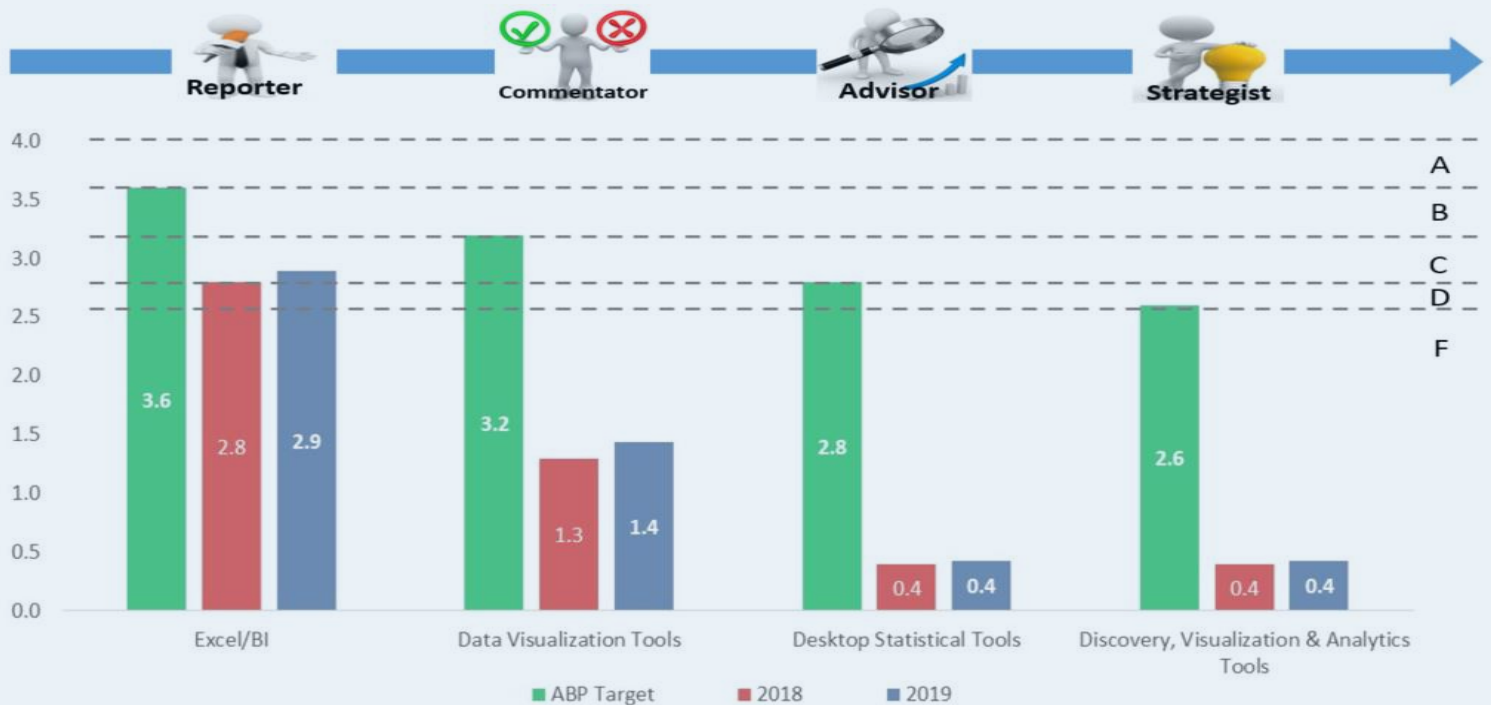
C. Toolbox for the Analytics Business Partner

Excel & BI Tools

Standing at the start of 2020, Finance still primarily uses the same technology as it used in the mid-80s and 90s! Excel was launched in the mid-80s and BI in the 90s. Finance passes for its Excel ability and BI for value added activities, but lots has happened on the technology front since then.

Data Visualization Tools

In the late 90s to early 2000s Data Visualization tools were launched but, here too, after nearly 20 years, Finance still hasn't widely adopted this technology to provide better information as well as automating standard reporting and analysis. *Automation, Elimination and Elevation* is the backbone for the Commentator to advance to the next persona, as it frees bandwidth towards more value-added activities in analysis and analytics.



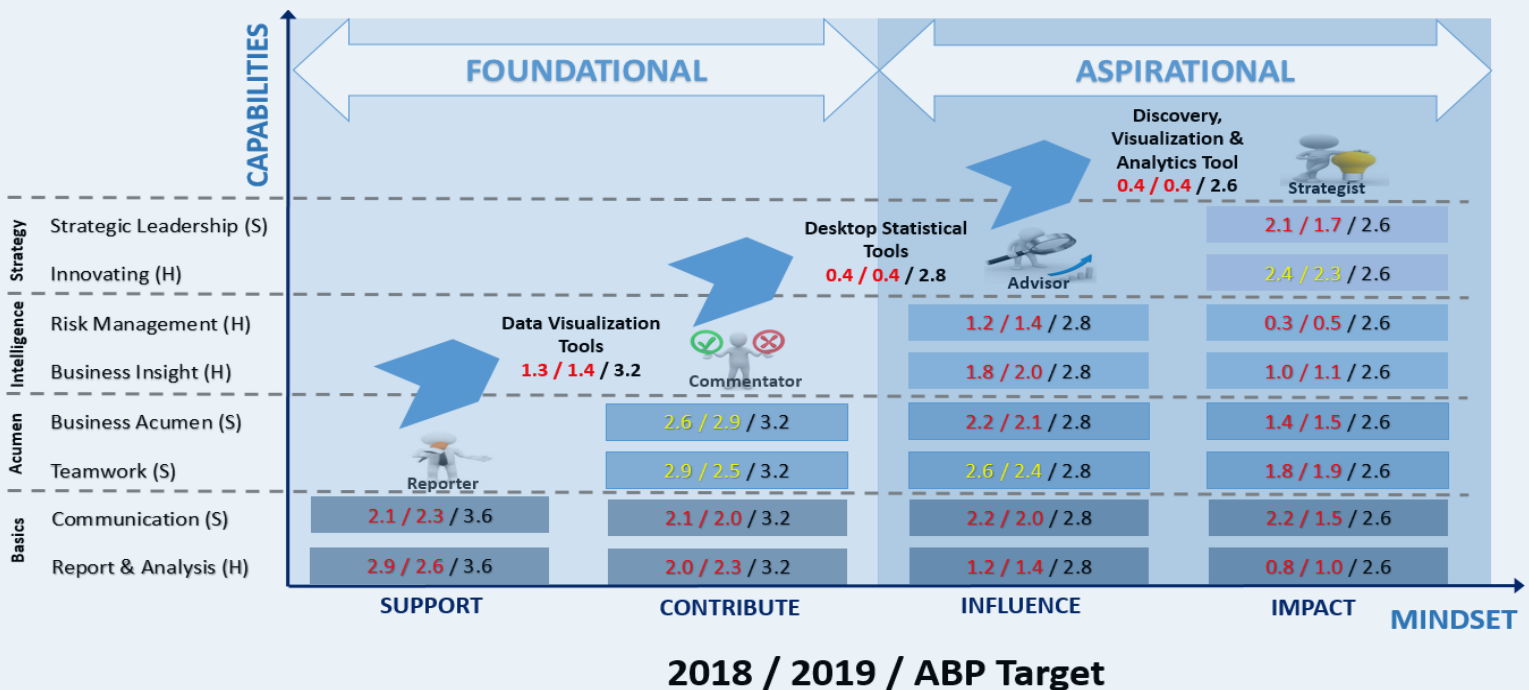
Analytics Tools

Finance must rise even further than visualization to follow the evolution in technology by utilizing Desktop Statistical (DS) and Discovery, Visualization & Analytics tools (DVA) tools. DS launched in the 2000s whereas DVA is more recent technology. Common for both, is Finance has not yet widely adopted them. These tools apply advanced mathematics and AI (with DVA) for true quantitative **unbiased** insights and predictions that can influence decisions and impact the strategic direction. If Finance doesn't step up its tool set it will become irrelevant at the business table due to lack of ability to provide insight and foresight.

Analytics tools can seem complex but the less mathematical, data science, programming, and database knowledge needed by Finance to use an analytics tool, the better the tool can be used, the faster it will be adopted, and the quicker to deliver benefits from insights and foresight. Analytics tools like LightZ™ from Aurora Predictions have great application for Finance who want to do advanced analytics but doesn't have a desire to become a data scientist.

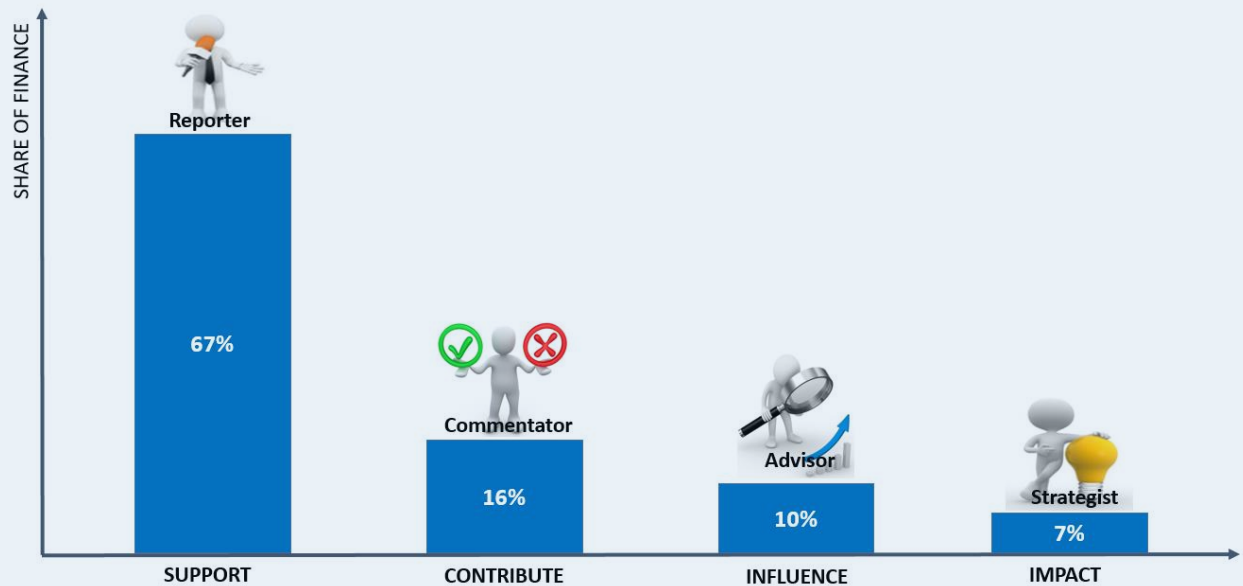
D. Overall Temperature of Finance 2020

Finance overall scores an 'F' in too many areas. There is quite a distance to travel to become an *Analytics Business Partner* who masters all 20 soft and hard capabilities in the Capability Ladder and uses the full range of tools. It is worth noting that Finance has done well towards the soft capabilities vs the hard capabilities where it falls behind.



In reviewing 2019 vs 2018 results, there has been no material improvement in the Finance skillset and toolbox. While this is unfortunate, Finance still has runway to educate itself on moving to becoming an *Analytics Business Partner* with the skillset and toolbox needed for Finance 2020.

A total of two-thirds of Finance act as Reporters while 16% are Commentators. As such, more than 80% operates in the foundational role.

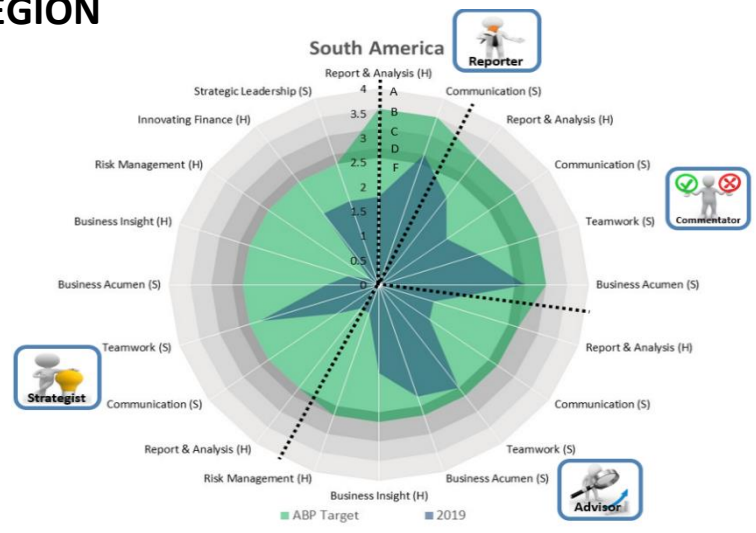
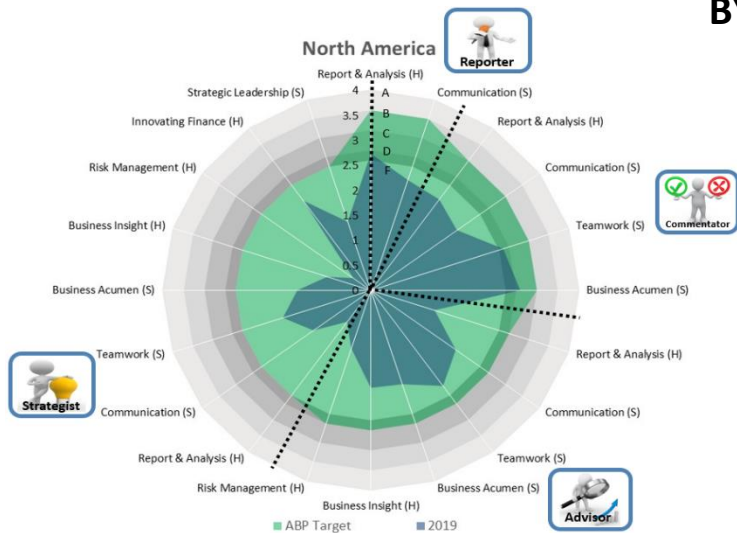


Finance needs to step-up its capabilities to survive as a partner to the business. Mastering only part of the *Foundational* role (Reporter & Commentator) will limit Finance to data compilation and hindsight standard reporting. Without aiming for the *Aspirational* role (Advisor & Strategist), Finance is at high risk at getting sidelined and losing its strategic partner seat at the business table as other organizations like sales, marketing, and operations engage analytics and AI making FP&A tasks redundant.

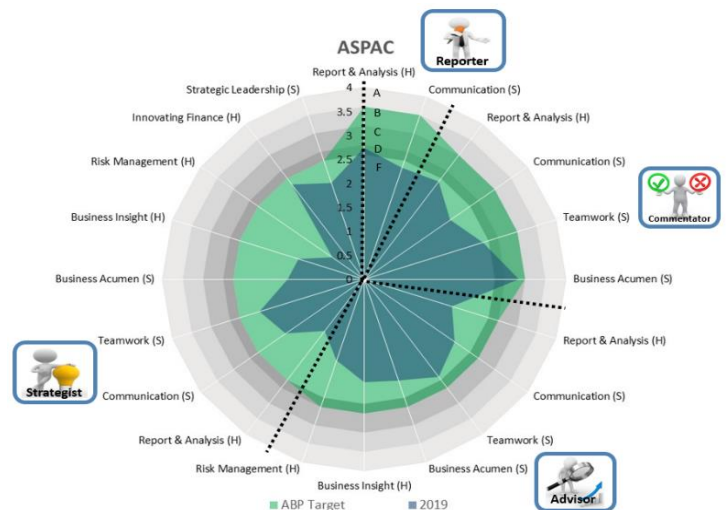
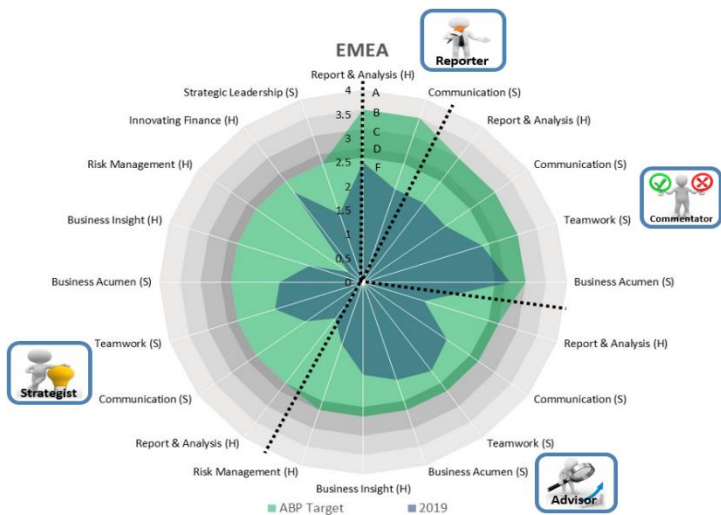
5. Detailed Survey Results

The data reveals that Finance value creation is very similar despite geography, job-title, and company size

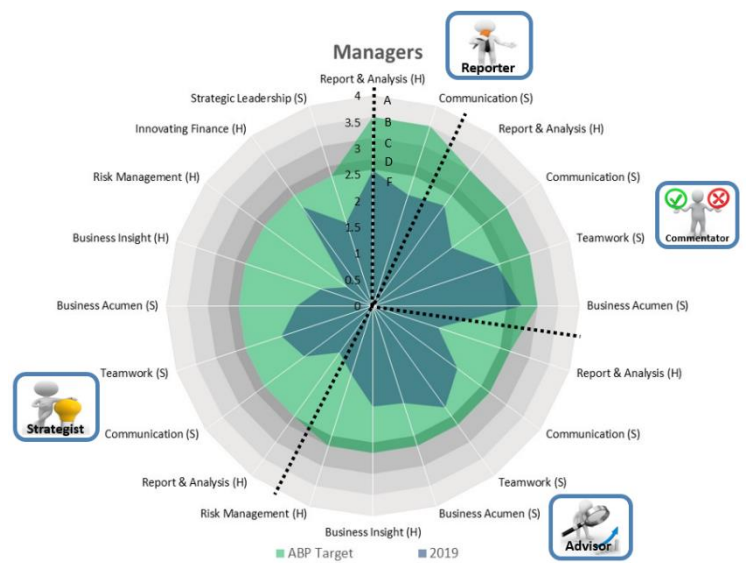
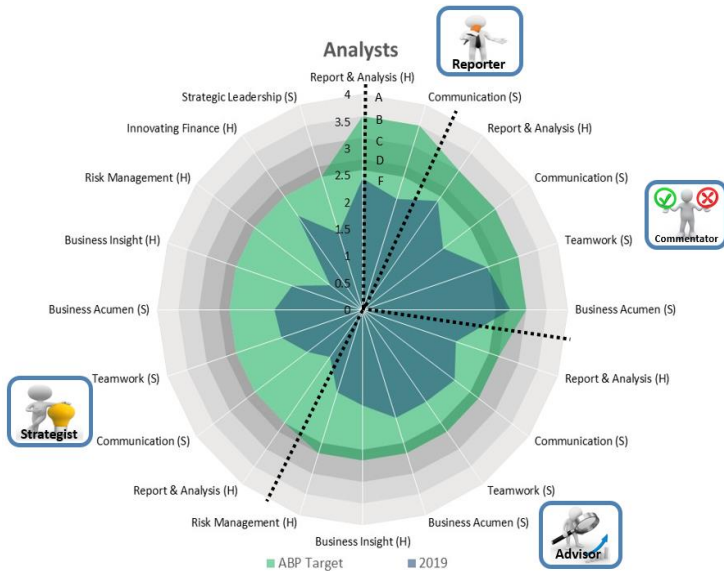
BY REGION



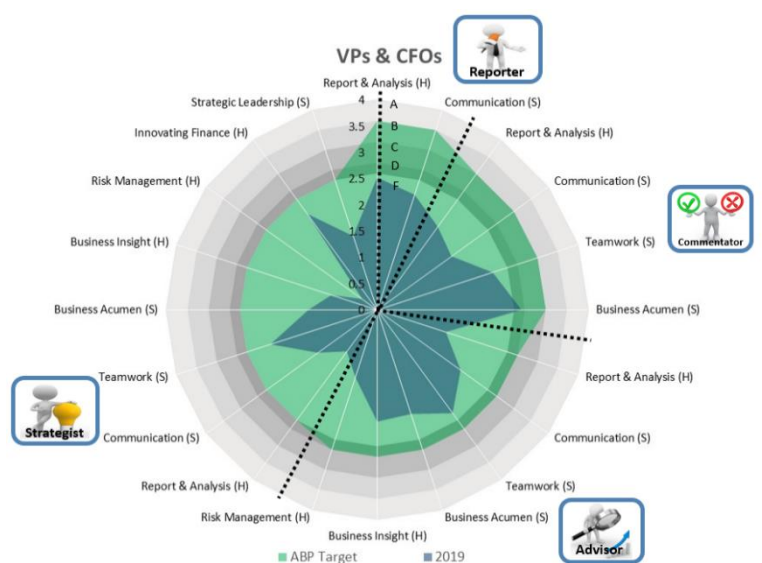
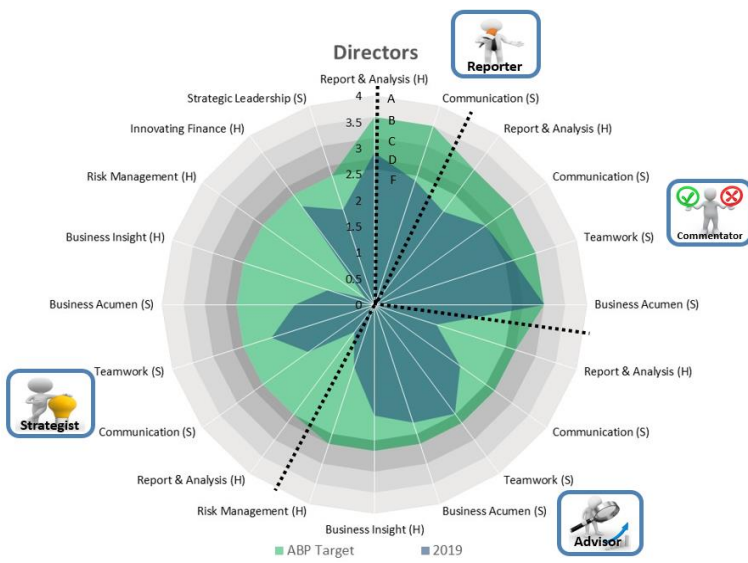
All regions show stronger soft skills vs hard skills. ASPAC is a tiny fraction stronger than the other regions. North America and EMEA looks very similar and South America peaks on several of the soft skills but is lowest on the hard skills. Common to all regions are none has reach the ABP level.



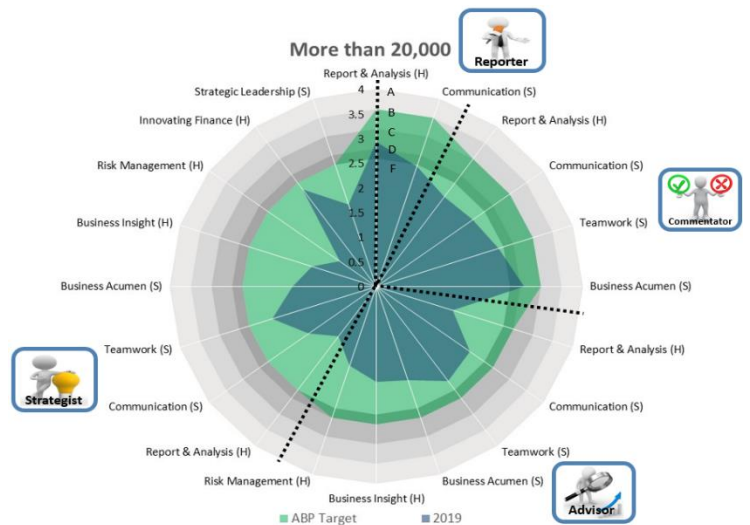
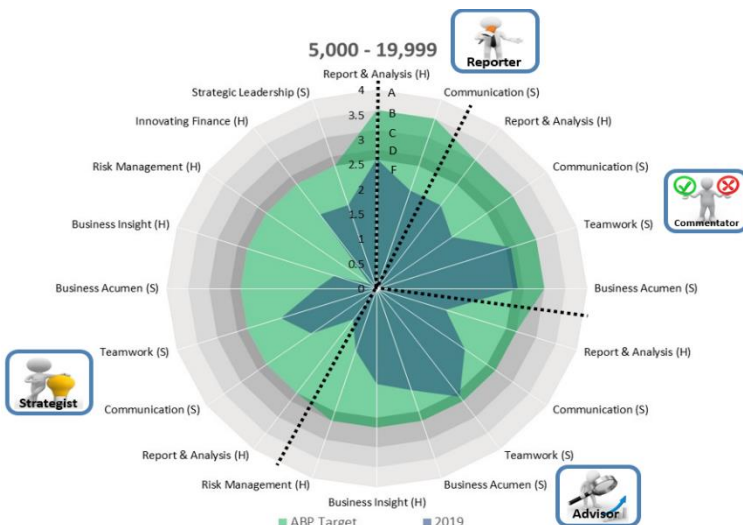
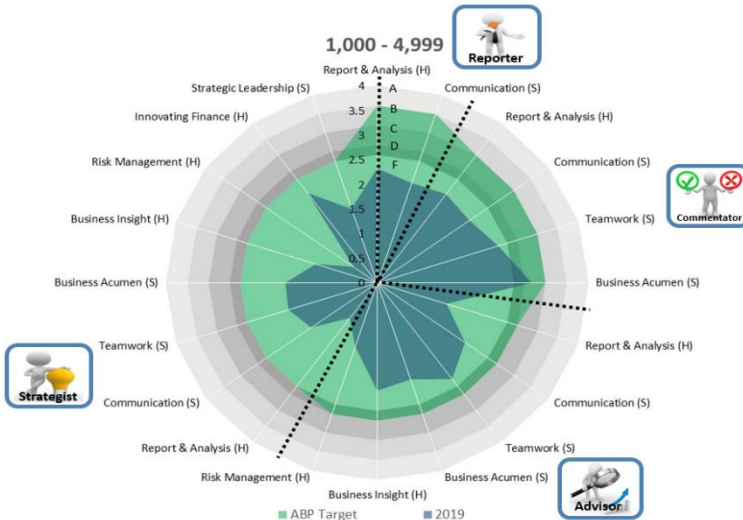
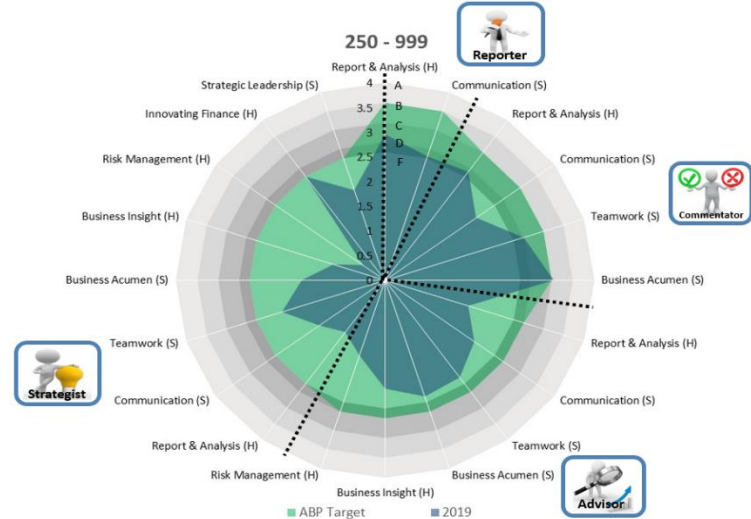
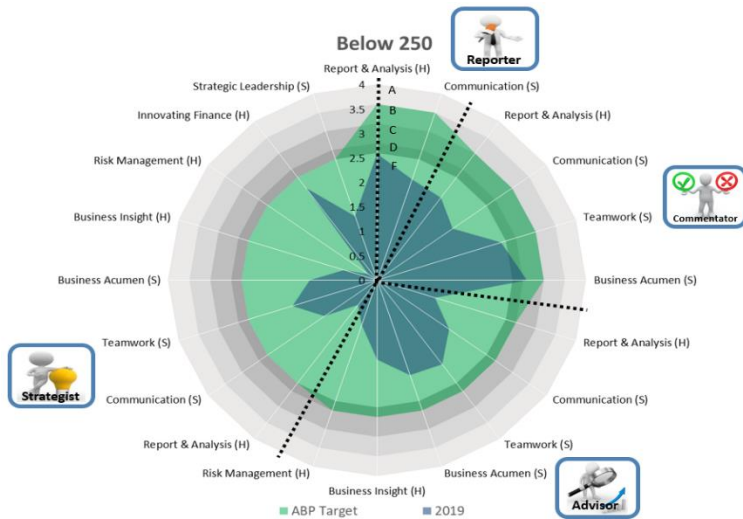
BY JOB-TITLE



No matter who you ask in the organization the answer is very similar: Finance operates with a stronger soft skillset than hard skillset. Directors are a tiny fraction more positive, but in general no major differences between job-titles. Common for all job-titles are that none of the categories reach the ABP level for any of the 20 capabilities.



BY NUMBER OF EMPLOYEES IN THE COMPANY



As for geographies and job-title there is not a significant difference in how employees in small, medium or large companies evaluate their business partnering capabilities. Though the data indicate 250-999 has the strongest skillset whereas small companies below 250 employees have the weakest skillset. Common for all sizes of companies are none have reach the ABP level.

The overall temperature for Finance is an 'F' for far many of the 20 capabilities despite region, job-title, or size of company. There is a distance to go to become an *Analytics Business Partner* (ABP) who masters all 20 soft and hard capabilities. Despite how the data is sliced, none reach the ABP Target for any of the capabilities.

There are though some minor successes to celebrate. The region ASPAC and companies with 250-999 employees are performing better than their counterparts. It is also worth noting that Finance is stronger positioned towards the soft capabilities vs the hard capabilities across region, job-title and company size.

As shown in Section 4, only 7% of the Finance professional's surveyed have a score above "F" for all personas (Reporter, Commentator, Advisor and Strategist). Of that 7% there is no pattern in relation to one specific region, a job-title, or a company size. There is no specific profile for a high performing organization, as they are scattered around different regions, sizes and industries.



Learn More About This Topic

Finance Analytics Institute offers a unique *Benchmark Report* (<http://fainstitute.com/#benchmark>) to measures you against your aspiration and peers. The Benchmark Report provides a detailed assessment of your Business Partner Capabilities, Analytics Culture and the time spent on Value Creating Activities benchmarked against your peers in the external market.

Ready to learn more about where you stack up against your peers and where you are on your Business Partnering journey?

Contact Us: contact@fainstitute.com

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Finance Analytics Institute

Finance Analytics Institute (www.fainstitute.com) offers books, articles, research, surveys, and forums to teach how to implement advanced analytics in Finance and Operations. The *Analytics Academy* (<http://fainstitute.com/#academy>) is where executives, directors, managers, and analysts learn over two days “How To” implement an analytics culture. FAI also has the *Analytics Academy Comes To You* where multi-departments can gather at their company for a day and a half of a condensed Analytics Academy. The Academy’s syllabus is based on the book, *Implementing an Analytics Culture for Data Driven Decisions – A Manifesto for Next Generation Finance*, available on Amazon (Kindle and paperback).

The Authors

Jesper H Sorensen, and Robert J Zwierling are the founders of the *Finance Analytics Institute* that fuses Finance and Operations with analytics.

Jesper H Sorensen

Mr. Sorensen is also a finance executive with a major technology company leading global finance for a multi-billion-dollar business. He has a proven track record of advancing the analytics agenda, is a regular speaker on Next Generation Finance, and holds several advisory positions including advisory board for Aurora Predictions and an analytics expert for the International Institute of Analytics. He has a Master degree in Economics and Management from the University of Aarhus, Denmark, certified Six Sigma Green Belt, and certified in Strategic Direction and Risk Management from Stanford University.

Robert J Zwierling

Mr. Zwierling is also Managing Director of *Aurora Predictions* (www.aurorapredictions.com) providing *LightZ™* analytics with AI software designed for Finance and Operation, which includes an intuitive purpose-built user interface for the business analyst that removes the need for data scientists and programming. Mr. Zwierling is a regular speaker on predictive analytics and AI, member of Stanford University's Hoover Institution, co-author of the book *Vigilance The Price of Liberty*, and has a Bachelor of Engineering (Magna Cum Lauda) from Stony Brook University, Master of Science in Mechanical Engineering (thermodynamics and fluid mechanics) from CSU Los Angeles, member Tau Beta Pi engineering honor society, and a Registered Professional Engineer in California.

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