

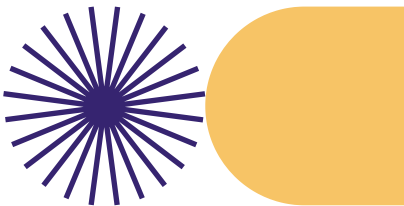
3 Critical Phases of Finance Transformation



How FP&A transforms with
advancements in people,
process, and FPM technology.

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We identify the three phases as:

FP&A 1.0:

Reactive

FP&A 2.0:

Proactive

FP&A 3.0:

Optimized

The Changing Role of FP&A

The cost and competition of doing business today demand more from the FP&A function. More than ever, organizations are turning to finance to identify and drive initiatives that support strategic goals.

Finance has the opportunity to play an expansive, value-added role in the organization—but only if they can evolve beyond Excel spreadsheets and reactive reporting.

With investments in people, process, and financial performance management (FPM) technology, the role of FP&A matures dramatically. We characterize this evolution into three phases:

- **Phase 1.0: Reactive.** Finance relies on clunky spreadsheets and manual processes. They constantly fall behind in budgeting cycles and reporting, and their responses to data requests from business partners are sluggish and delayed.
- **Phase 2.0: Proactive.** Teams use FPM software in select applications to improve data access, automate reporting, and dynamically forecast.
- **Phase 3.0: Optimized.** Finance is fully embedded in the business, using solutions like AI-driven analytics, rolling forecasts, and scenario modeling to guide decisions.

Today, most organizations exist in Phase 1.0 or 2.0. Reaching Phase 3.0 marks the transition to a truly strategic finance function: one that adapts easily to changing business conditions, forecasts with confidence, and provides quick, accurate data to budget owners.

This guide focuses on FPM software as the primary transformation driver. While finance teams must also commit to embracing process innovation, technology enables them to scale data insights, improve agility, and amplify business impact.

Keep reading to identify what phase you're in—and to find out what it takes to evolve the finance department into a valuable business partner.

The FP&A Value Curve

The 3 Phases of The FP&A Evolution

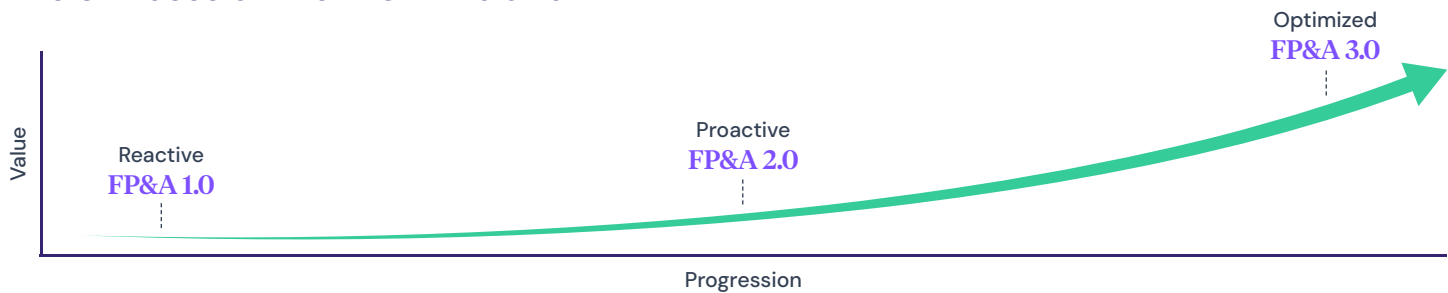


Figure 1: The 3 phases of the FP&A evolution and the potential value added to the business at each phase. Each phase has a specific profile of characteristics and associated benefits. We will explore that next.

“We were using Excel for all of our budgeting and reporting. We used one Excel file with over 1,000 tabs. We’d have two or three people in it at a time, and it would crash constantly. There was a lot of frustration. I remember one of the Ops directors saying to me at the end of our budget cycle, ‘Bradley, we have to do something about the budget process. This is terrible.’ And I said, ‘I agree!’”

—Bradley Jones,
Senior Director of FP&A at
[Specialized Dental Partners](#)

FP&A Phase 1.0: Reactive

Organizations in Phase 1.0 exclusively rely on spreadsheet-driven processes for budgeting, modeling, forecasting, and reporting. These archaic tools and processes force finance teams into a Reactive role, called on only to supply data (which is never invoked in forward-looking business decisions). FP&A professionals in Phase 1.0 spend all of their time fixing spreadsheets rather than analyzing business performance. They collect, validate, and consolidate data manually, leading to inefficiencies and errors.

Common symptoms of FP&A Phase 1.0

- The finance team shares **enormous, crash-provoking spreadsheet files** through online channels.
- **Formula errors and broken links** require the team to manually validate the data before anyone can trust it.
- Spreadsheets come with **no audit trail, security, or version control**, and no one knows which file is up-to-date.
- **Last-minute changes** take hours or days to implement, putting deadlines at risk.
- **Annual budgeting runs for six months.** Numbers are irrelevant by the time it’s complete.

Finance teams in Phase 1.0 are lucky to accomplish one or two forecasts a year. Because reports are static and error-prone, executives tend to question their accuracy, undermining the finance team’s authority.

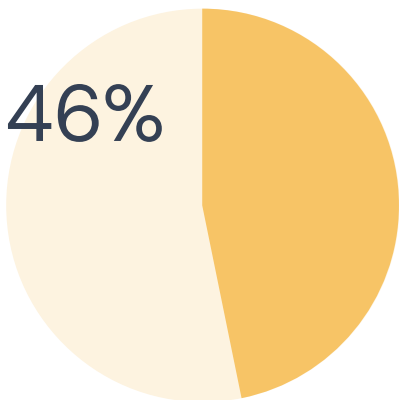
Phase 1.0: Impact on the business

The reactive nature of Phase 1.0 limits any strategic value FP&A can provide. Finance teams find themselves stuck in a cycle of data maintenance and report generation instead of delivering real-time insights. Effects on the business include:

- **Budget owners** receive stale, backward-looking reports when they need dynamic insights to improve efficiency.
- **Finance** spends all its time doing basic reporting, leaving it with no time for strategic activities like rolling forecasts or what-if analysis.
- **Decision makers** lack the timely data they need to run the business effectively.

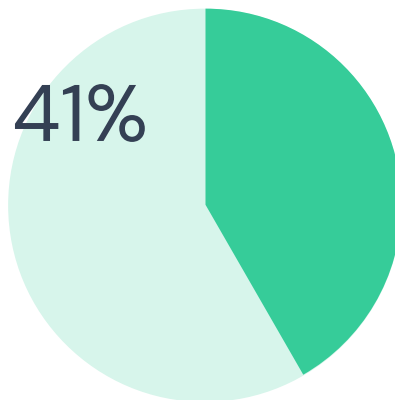
Without an FPM system, finance teams can deliver the basics—an annual budget, monthly reports, and a periodic performance snapshot—but they can't produce the insights that would actually influence business outcomes.

How Executives View Their Current System and Budgeting Processes



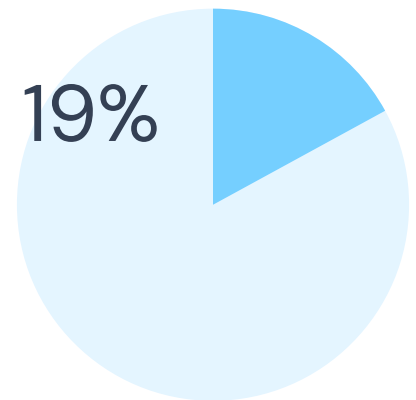
46% of CFOs say forecasting accurately is a significant challenge

[PwC's October 2024 Pulse Survey](#)



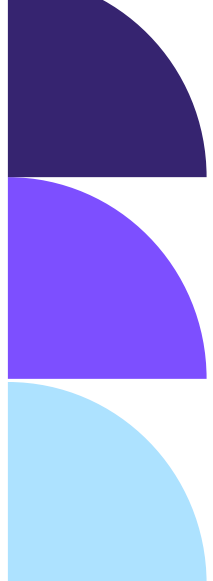
41% of CFOs have digitized or automated less than a quarter of their finance processes.

[McKinsey Global Survey of CFOs, 2022–2024](#)



Today's finance leaders spend 19% more time on value-added activities, like FP&A and strategic planning, than the average company did ten years ago.

[McKinsey & Company, 2024](#)



“Before our acquisition, during our due diligence process with a number of prospective buyers, the bankers noted that we were able to provide information in a timely fashion and in the formats they wanted. That helped facilitate deeper discussions and sped up the process because we could re-cut the data quickly to answer incoming questions from specific parties.”

—Dominic Hawkes
Head of FP&A at [Valtech](#)
(formerly Kin + Carta)

Phase 1.0: Missed opportunities

Phase 1.0 finance teams operate in a reactive, spreadsheet-dependent environment that prohibits their ability to deliver strategic value.

- Without real-time data and efficient, automated processes, FP&A is viewed as a back-office function rather than a key business partner.
- Disconnected plans and budgets prevent finance from collaborating effectively with accounting, marketing, HR, and other teams.
- Finance teams struggle to provide proactive recommendations around cost optimization, resource allocation, and growth initiatives.

Finance teams should prioritize moving out of Phase 1.0 as soon as possible if they want a seat at the table.

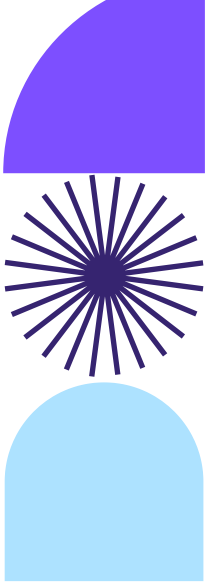
Moving to Phase 2.0 requires them to invest in FPM technology that automates manual work, improves data integrity, and enables continuous forecasting and analysis.

FP&A Phase 2.0: Proactive

Organizations in Phase 2.0 have implemented a [finance-owned FPM system](#), giving finance teams control over planning, budgeting, and forecasting without relying on IT for system management. This shift enables greater automation and data accuracy.

Key characteristics of Phase 2.0

- **Cloud-based, AI-powered [planning templates](#)** with built-in formula integrity, audit trails, and version control.



- **Automated data integration**, collection, and validation with the general ledger and other core financial systems, reducing manual data entry and reconciliation.
- **Shortened budget cycles** made possible through automation.
- **Real-time, self-service [reporting](#)** that allows decision-makers to access financial insights on demand.
- **Monthly forecasting**, enabling a more dynamic approach to financial planning.
- **Early-stage operational modeling**, allowing finance to connect some key business drivers to financial performance.
- **Streamlined collaboration** for [annual planning](#) to better manage performance variables.

Phase 2.0: Impact on the business

Phase 2.0 finance teams operate in a proactive role. The team is more agile, responding quickly and strategically to business needs. Automation eliminates the majority of time-consuming, manual tasks that plague Phase 1.0 teams. Phase 2.0 teams are free to focus on analyzing trends, modeling future outcomes, and guiding leadership with data-driven recommendations.

- Cloud-based, AI-powered planning templates with built-in With data integration and self-service reporting, finance now has **access to trusted, real-time data**.
- **Budgets, forecasts, and reports are more timely** and actionable, enabling smarter decision-making across departments.
- Finance professionals can now engage in **forward-looking discussions with decision-makers** about optimizing financial performance rather than just reporting the news.

As a result, Phase 2.0 finance teams are increasingly viewed as trusted business partners, contributing insights that influence efficiency and profitability.

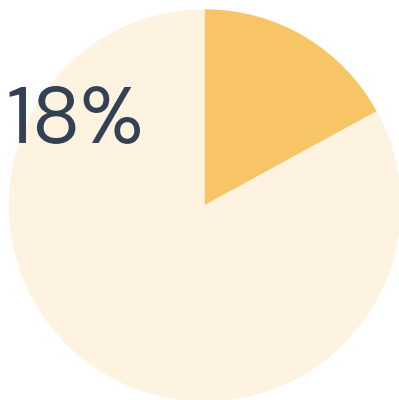
Phase 2.0: Missed opportunities

While the team is benefiting from FPM software, they haven't yet tapped into its full potential.

- **Forecasting is still structured rather than continuous.** Phase 2.0 finance teams can perform monthly but not rolling forecasts, where updates happen dynamically in response to changing business conditions.
- **Operational models remain siloed.** Some operational modeling exists outside of finance, but cross-departmental models aren't yet fully integrated or automated.
- **Budget owners still rely on finance for data entry.** Business leaders still don't have direct access to input and manage their financial data, slowing down the budgeting process.

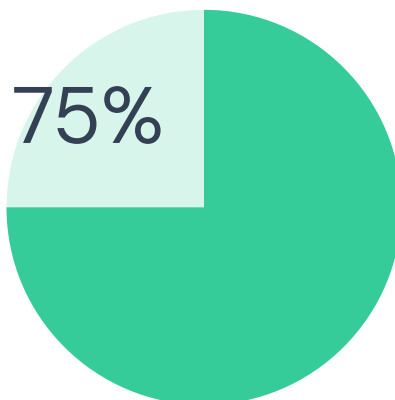
To break out of Phase 2.0, organizations must adopt rolling forecasts, fully integrated operational modeling, and collaborative financial planning.

Let's explore how finance teams can achieve this in the next section.



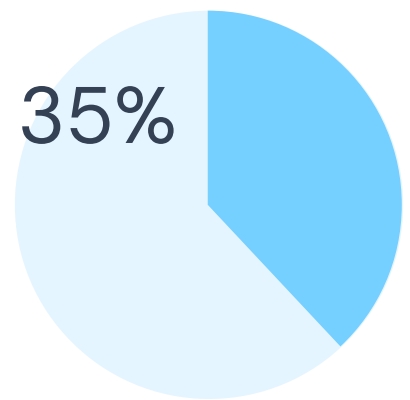
18% of accountants make financial errors on a daily basis.

[2024 Gartner Survey](#)



But companies with "high technology acceptance" reduce financial errors by 75%.

[2024 Gartner Survey](#)



35% of CFOs say data quality is a key inhibitor for low AI adoption in finance.

[2025 Gartner Finance Executive Priorities Survey](#)

Where are CFOs using AI?

PwC's October 2024 Pulse Survey

Process Automation

Currently Using

35%

Planning to Use

37%

Predictive Analytics

Currently Using

33%

Planning to Use

30%

Forecasting

Currently Using

28%

Planning to Use

39%

FP&A Phase 3.0: Optimized

Companies in Phase 3.0 have fully embraced modern FPM software like the Planful platform and are using it for key activities like these:

- **Continuous planning** – Implementing [rolling forecasts](#) that are updated dynamically, allowing the business to adapt quickly to changing conditions.
- **Connected planning** – Integrating operational models across all functional teams with the corporate financial plan, ensuring that updates in one area (e.g., sales pipeline changes) automatically reflect on all related models and forecasts.
- **Collaborative planning** – Empowering budget owners with [intuitive planning tools](#) tailored to their specific business language, building engagement and accountability in the budgeting process.

By **automating monthly [reporting and closing](#)**, finance teams in Phase 3.0 gain days back from the process and can provide forecasts much sooner.

They use **AI-powered [anomaly detection](#)** to identify errors in real-time, taking the leg work out of data validation. **[What-if scenario modeling](#)** allows them to make last-minute adjustments without breaking model consistency.

Phase 3.0 finance teams also benefit from **predictive analytics** that use historical data patterns to generate real-time [forecasts](#). Finally, **sharing automated reporting and insights** across teams promotes clearer communication, fostering stronger alignment around organizational goals.

“We have a fairly small, nimble team of two analysts, a manager and a head of finance. And with that, we’re able to do monthly latest estimates, roll forwards, re- forecasts, downside planning, and in-depth analysis on purchase price variance. The level of analytics that we’re able to provide our internal customers has really gone to the next level, even with a smaller team and tighter resources, because we don’t spend so much time having to try to remodel. We’re able to build the different scenarios and have a really good source of truth.”

—Jim Mancuso,
CFO and COO
at [Chosen Foods](#)

Phase 3.0: Impact on the business

In this optimized state, the finance team operates quickly and accurately, aligning financial strategies with business objectives. Phase 3.0 teams inject the following capabilities into the business:

- **Efficiency:** Automating time-consuming tasks like closing and reporting to maximize resource allocation.
- **Agility:** Using accurate continuous forecasting and what-if scenario modeling to make decisions that boost profitability.
- **Collaboration:** Uncovering opportunities for cost savings and revenue growth, and spotting trends and anomalies in the planning process with AI.

Non-finance teams also benefit from optimized FP&A by gaining easy access to accurate, relevant insights presented in a language they understand.

Automating key tasks like data collection, validation, integration, and consolidation reduces the risk of data entry errors by business partners.

Finance teams that operate in Phase 3.0 deliver reliable insights tailored to each department’s needs, supporting more strategic, collaborative decision-making across the entire organization.

Every department benefits from optimized FP&A

Sales & Marketing

- **Accurately attribute sales and marketing** activities to better prove ROI and justify spend.
- **Proactive forecasting** helps spot pipeline gaps early, inspiring targeted sales and marketing campaigns.
- **Automated budget tracking** improves cost accuracy and eliminates manual data entry.
- **Agile replanning** allows quick spend adjustments based on campaign performance.
- **Transparency into budget discrepancies** gives marketing the ability to pinpoint over- or underspending.

HR

- **A single source of truth** informs decisions about employee development and retention.
- **Seamless data integration** combines HCM, payroll, and financials for real-time workforce cost insights.
- **Aligns strategic HR initiatives** with broader business goals, thanks to accurate forecasting and reporting.
- **Dynamic workforce planning** enables quick adjustments for headcount, hiring, or compensation changes.
- **Automated workforce reporting** provides department-level cost visibility.

IT

- **Consolidates financial and operational data** from multiple systems into one unified platform, streamlining data integration.
- **Strengthens data security** and eases the burden on IT teams to maintain secure data flow across departments.
- **Accurate forecasting** helps manage software licenses and prevent overspending.
- **Automated reporting** reduces the level of involvement in financial reporting, freeing them to focus on IT initiatives.
- **Cloud-based FPM** removes the need for hardware/software updates.



Set your sights on Phase 3.0

It's time to make Phase 3.0 a priority for your finance team. Evolving the FP&A function from Reactive to Proactive, and ultimately to Optimized, will enable your team to deliver exceptional strategic value.

Phase 3.0 empowers every finance professional to become efficient, agile, and collaborative partners across the organization. With continuous planning, automated reporting, and fully integrated data across the business, they hold the power to proactively shape business decisions.

About Planful

Planful is the pioneer of financial performance management cloud software. The Planful platform, which helps businesses drive peak financial performance, is used around the globe to streamline business-wide planning, budgeting, consolidations, reporting, and analytics. Planful empowers finance, accounting, and business users to plan confidently, close faster, and report accurately. More than 1,500 customers, including Bose, Boston Red Sox, Five Guys, Grafton Plc, Gousto, and Specialized rely on Planful to accelerate cycle times, increase productivity, and improve accuracy. Planful is a private company backed by Vector Capital, a leading global private equity firm. Learn more at planful.com.

