

Financial Planning and Analysis

The Benefits of Certification for FP&A Professionals

Presented by:





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Introduction Letter

Over the past several years, the need for experienced finance professionals in the corporate environment has steadily increased as organizations continue to adjust to economic uncertainties. As a result, many firms are seeking the most qualified individuals to analyze trends and manage the financial future of their organization.

For individuals who practice financial planning and analysis (FP&A), the availability of a professional designation to validate qualifications will enable them to differentiate themselves within the finance profession. It will also allow employers to identify the best candidates for their FP&A needs, and determine what responsibilities should fall under this increasingly complex and critical role within their organization.

It is the goal of the [Association for Financial Professionals](#) (AFP) and [Kforce](#) that these needs will soon be addressed with the introduction of AFP's certification for professionals who practice FP&A.

AFP is confident that those individuals who earn the designation will demonstrate a skill set that will distinguish themselves within their organizations, as well as validate employer confidence in their abilities. Certification will also raise awareness of the FP&A profession and increase the skill sets of all individuals operating in that capacity.

Kforce wholeheartedly supports this mission and the necessity it addresses within the finance profession.

Together, we see a very bright future for FP&A professionals.

Sincerely,

Andy Thomas
Executive Director
Kforce Finance & Accounting

Brian Kalish
Director, Finance Practice Lead
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The Need for FP&A Certification

Executive Summary

The financial planning and analysis (FP&A) field is critical to the finance profession. Yet despite its growing importance and desirability, FP&A lacks a set of clearly defined principles and standards of practice. As a result, the field is challenged by inconsistent competencies, standards and organizational reporting structures, as well as limited visibility, professional resources and candidate assessment tools.

The Association for Financial Professionals (AFP) recognized these challenges and, in 2011, decided to develop a professional certification for FP&A professionals.

Located in Bethesda, MD, AFP serves more than 16,000 individuals and 150,000 registered users working in corporate treasury and financial management. Benefits include access to professional certifications, public policy research and representation to legislators, development of industry standards and best practices, financial tools and publications, conference and networking events, and training and career development programs.

Through a number of meetings and formal discussions, AFP determined that a certification program for FP&A professionals would serve to define the universal principles and standards of practice. The program would also recognize FP&A professionals for their understanding and mastery of complex processes, tools and best practices.

As part of this process, AFP and The Caviart Group conducted an analysis of jobs and tasks for FP&A professionals in early 2012. The purpose was to determine specific tasks performed by FP&A professionals and the knowledge, skills and abilities (KSAs) necessary for competent practice. The results of the survey formed the basis of an FP&A certification examination.

The survey determined that those tasks that are always performed by FP&A professionals and that are extremely important to the practice include:

- The use of basic spreadsheet functions
- The ability to validate data
- The use of advanced spreadsheet functions
- The ability to gather the information and data required for analysis
- The ability to build budgets, forecasts, annual plans and so on
- The ability to receive, analyze, integrate and consolidate assumptions and data from business units
- The ability to prepare reports and/or make presentations

Further, it was determined that those KSAs that are extremely important to the practice are:

- The ability to communicate with and gather information from business partners
- The ability to coordinate FP&A tasks with the corporate calendar or the assigned deadline
- The ability to integrate information and data into analysis
- The knowledge of finance principles and processes
- The ability to synthesize information to create conclusions, alternatives and recommendations
- The ability to create financial statement projections
- The knowledge of spreadsheet and database structures and functions
- The ability to implement basic spreadsheet functions
- The ability to implement advanced spreadsheet functions
- The ability to perform variance analysis and reporting
- The ability to define, incorporate and report on financial and/or nonfinancial key performance indicators

FP&A professionals and employers face a number of challenges, including undefined job performance competencies and standards of practice, varied organizational reporting structures and inconsistent visibility.

Based on these findings, AFP and Caviart worked with FP&A practitioners to develop a test specification, or content outline, for the examination. Under the current development timeline, exam prep will be available by late summer 2013 and the live exam released by March 2014.

Introduction

FP&A is one of the most desirable roles in corporate finance today. However, despite its popularity and growing importance, this complex profession lacks a uniform set of principles and standards of practice. As a result, FP&A professionals and employers face a number of challenges, including undefined job performance competencies and standards of practice, varied organizational reporting structures and inconsistent visibility.

Professional resources such as advanced and continuing education are also limited. This makes it difficult for aspiring FP&A professionals to enter the field and for seasoned FP&A professionals to build upon their existing skill sets¹. Further, the lack of a universal set of principles and consistent practice standards makes it difficult for FP&A professionals to move between organizations².

“In some respects, the current state of FP&A is like the old apprenticeship system,” said David Gorbach, Senior Director of FP&A, PMI Mortgage Insurance Co. “People get hired and learn a particular skill for a particular company in a particular situation rather than having a standardized approach. [The latter] would allow them to follow a defined course of study and then use that to get into FP&A and continue on in their career development.”

Addressing the many challenges that confront FP&A professionals is imperative, as numerous market trends are exacerbating an already complex financial landscape across which financial professionals must navigate their organizations. Further, as the reliance of chief financial officers (CFOs) and other executives on FP&A professionals increases, defining the nature of the FP&A professional is taking on greater urgency.

64 percent of C-level executives report that the FP&A role is the hardest position to fill.

Market Pressures

In today's climate of economic and regulatory uncertainty, preserving and leveraging corporate capital has become an important part of every organization's financial planning agenda. However, a number of factors make it difficult for finance professionals to successfully complete these tasks.

For example, while estimating the cost of capital when performing project valuation is highly important, there is little agreement on what constitutes the right approach for this function. According to AFP's [Current Trends in Estimating and Applying the Cost of Capital](#), 79 percent of companies are currently using discounted cash flow (DCF) techniques. However, there is less consistency in how organizations determine the weighted average cost of capital (WACC) at which those cash flows are discounted³.

Moreover, complexities in the processes used to evaluate projects' profitability often involve subjective factors that can dramatically affect the outcome of such analysis. Even small variations in these inputs can lead to pronounced differences in the projects a company will undertake or avoid and can ultimately affect long-term profitability and viability⁴.

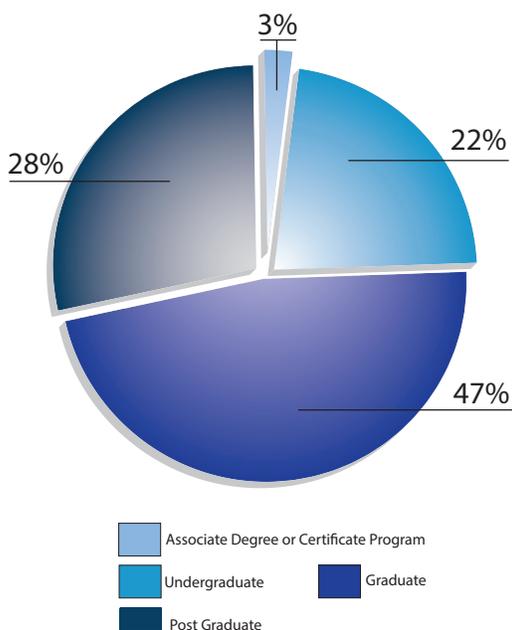
The challenge of responding properly to these immense pressures is not lost on corporate leadership.

"Current market conditions have impacted each industry in different ways. However, having a strong planning team positions companies to better move forward in the direction they have chosen," said Ricardo Losado Revol, Director of Corporate Finance and Planning, World Fuel. "As a result, more companies are looking to fill FP&A positions, which are key to executing financial plans for the future and making sense of what is achievable in the current market."

FP&A Hiring Challenges

Despite the critical role that FP&A professionals play in maneuvering organizations through these complex financial processes, 64 percent of C-level executives report that the FP&A role is the hardest position to fill⁵. That is because without a consistent set of principles and standards of practice, executives are often faced with the challenge

Highest level of formal education attained by FP&A professionals surveyed in the U.S.



of identifying the best candidate to fill the job without a credible means of validating capabilities and qualifications.

“FP&A is a very difficult role to [fill] typically, in large part because it is such a diverse and non-defined type of a role,” said Gorbach. “There are many different roles that FP&A professionals can provide, and there can be many different types of structures in a company. So it is difficult for employers to know what they are getting from prospective FP&A employees.”

This lack of a clear definition of FP&A professionals’ roles and responsibilities has also resulted in many hiring managers listing openings for FP&A roles under the blanket of financial analyst.

“In the job market itself, it feels like there is a lack of a clear definition of what FP&A is, so you see in postings jobs that should be listed as FP&A based on their responsibilities but that are simply listed as a financial analyst,” said Bill Sayer, Manager, FP&A, Crump Life Insurance Service Inc. “That is because the person doing the posting or the hiring manager describing the responsibilities isn’t aware of what FP&A does. So that creates some confusion for candidates that identify themselves as being in FP&A positions.”

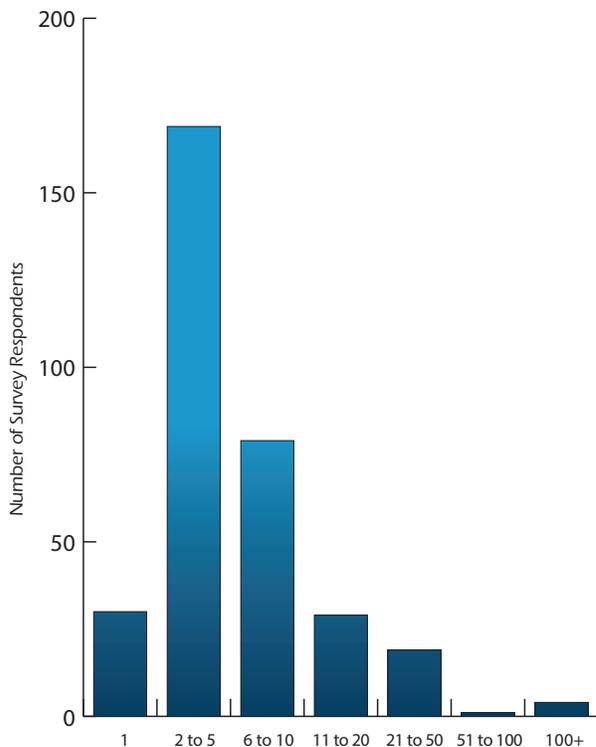
Finally, in a market where companies are trying to be more efficient, hiring managers are also asking more of their FP&A professionals. In addition to having FP&A qualifications and experience, candidates must demonstrate well-resolved, broad-based knowledge and experience.

Survey Introduction and Methodology

In an effort to cut through the complexity of identifying top FP&A professionals, the AFP and The Caviart Group conducted the Job/Task Analysis for FP&A Professionals survey in early 2012. This in-depth survey had two purposes: to identify those tasks performed by FP&A professionals with three to five years of experience and to identify the knowledge, skills and abilities (KSAs) deemed important for competent practice⁶.

Prior to conducting the job and task analysis, an international panel of FP&A practitioners was convened to define the tasks performed by a typical midlevel FP&A professional. The panel was also tasked with establishing the KSAs it believed to be most important for competent performance of those tasks. This information was then utilized to

Number of FP&A Professionals in a typical organization



design the final survey, which was distributed via email to more than 5,000 individuals worldwide.

Respondents were asked to identify how often each task was utilized and how important it was to the overall job performance of a midlevel FP&A professional. Of the received responses, 445 were deemed to be sufficiently complete and from demographically qualified FP&A professionals. Responses came from 29 countries, with 30 percent of respondents operating outside of the U.S. Seventy-three percent of respondents had more than five years of FP&A experience, and 70 percent held a graduate degree in at least one field of study. Half of all respondents indicated that they operate in a management role, while 18 percent operate in senior management⁷.

Survey Results

The survey focused on the job responsibilities of FP&A professionals with three to five years of experience. It was divided into two primary sections. The first consisted of primary task identification, while the second focused on KSAs.

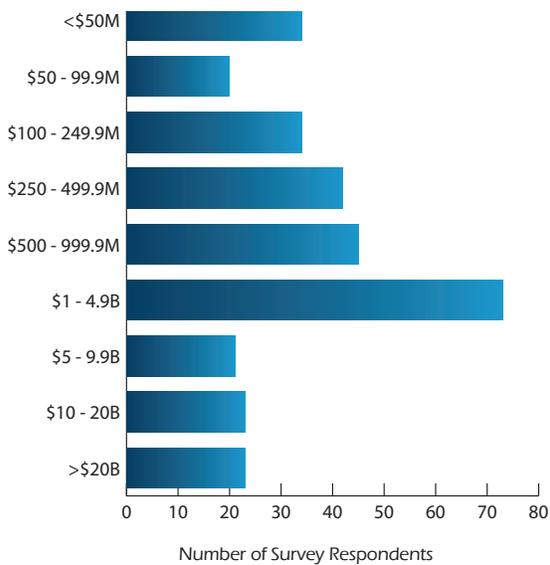
Frequency of Task Performance

To determine the frequency of task performance, individuals with less than five years of experience in FP&A were asked how often they perform each task. Individuals with five or more years of experience in FP&A were asked how often FP&A professionals with three to five years of experience would perform this task. The frequency of each task was identified as (1) never, (2) rarely, (3) sometimes, (4) often or (5) always. Responses were then averaged to determine the frequency of task performance.

Those tasks identified as “always performed” by FP&A professionals were:

- Use basic spreadsheet functions
- Validate data (i.e., assess quality and/or consistency of data)
- Use advanced spreadsheet functions
- Gather the information and data required for analysis (e.g., conduct research, establish data collection processes, etc.)

Annual Revenue of Organizations where FP&A Professionals are Employed



- Build budgets, forecasts, annual plans and so on
- Receive, analyze, integrate and consolidate assumptions and data from business units (e.g., companies, divisions, units, etc.)
- Prepare reports and/or make presentations

Those tasks identified as “sometimes performed” were:

- Perform risk analysis
- Work with legal professionals
- Build investor, rating agency or analyst presentations
- Work with banking, investment banking, and/or brokerage professionals
- Build peer group, diversification or dividend analysis
- Work with rating agency and/or regulatory commission professionals

Of those tasks identified by the panel of experts, none were found to be “rarely performed” or “never performed.” The remaining tasks fell under the umbrella of “often performed.”

Importance of Tasks

To determine the importance of each task in completing the job of the FP&A professional, individuals with less than five years of experience were asked how important each task is for competent performance of their job. Individuals with five or more years of experience were asked how important each task is for competent performance of the job of an FP&A professional with three to five years of experience. The importance of each task was identified as (1) not important, (2) somewhat important, (3) important, (4) very important or (5) extremely important. Responses were averaged to determine the importance of the task in completing the job of an FP&A professional.

Those tasks identified as “extremely important” were:

- Use basic spreadsheet functions
- Validate data (i.e., assess quality and/or consistency of data)
- Build budgets, forecasts, annual plans, and so on

- Work with executive management
- Use advanced spreadsheet functions
- Prepare reports and/or make presentations
- Determine the type, quantity and quality of information required by stakeholders (e.g., senior management, other groups in the organization, customers, etc.)
- Incorporate the organization's goals into financial projections (e.g., an annual plan, budget, forecast, etc.)
- Gather the information and data required for analysis (e.g., conduct research, establish data collection processes, etc.)
- Receive, analyze, integrate and consolidate assumptions and data from business units (e.g., companies, divisions, units, etc.)
- Build financial statement projections (e.g., profit and loss (P&L)/ income statement, cash flow, balance sheet, equity statements, etc.)
- Draw conclusions and develop recommendations
- Communicate with stakeholders to understand their processes
- Identify business drivers that will affect projections (e.g., economic environment, competitors, availability of resources, etc.)

Those tasks that were identified as "important" were:

- Work with legal professionals
- Work with banking, investment banking and/or brokerage professionals
- Build peer group, diversification or dividend analysis
- Work with rating agency and/or regulatory commission professionals

Of those tasks identified by the panel of experts, none were found to be "somewhat important" or "not important." The remaining tasks fell

under the umbrella of “very important.”

Frequency and Importance of Tasks

The frequency and importance of tasks were then cross-analyzed to determine which were both frequently performed and important to performing in the FP&A role. While some tasks may be performed frequently, they may not be critical to the overall performance of the FP&A professional. Therefore, they will not hold the same weight as those tasks that are performed frequently and are very important. By examining both the frequency and importance of each task, study analysts have identified those tasks that are imperative for success in the FP&A role.

Those tasks identified as “always performed” and “extremely important” were:

- Use basic spreadsheet functions
- Validate data (i.e., assess quality and/or consistency of data)
- Use advanced spreadsheet functions
- Gather the information and data required for analysis (e.g., conduct research, establish data collection processes, etc.)
- Build budgets, forecasts, annual plans, and so on.
- Receive, analyze, integrate and consolidate assumptions and data from business units (e.g., companies, divisions, units, etc.)
- Prepare reports and/or make presentations

Those tasks identified as “sometimes performed” and of some importance (“very important” or “important”) were:

- Perform risk analysis
- Build investor, rating agency or analyst presentations
- Work with legal professionals
- Work with banking, investment banking and/or brokerage professionals
- Build peer group, diversification or dividend analysis
- Work with rating agency and/or regulatory commission professionals

Of those tasks identified by the panel of experts, none were found to be “always performed” and of low importance (“somewhat important” or “not important”). Further, no tasks were identified as “sometimes performed” and “extremely important.” The remaining tasks fell under the umbrella of “often performed” and of high importance (“extremely important” or “very important”).

Importance of Knowledge, Skills and Abilities

To determine the importance of the KSAs required for competent performance by an FP&A professional with three to five years of experience, individuals were asked to rate the importance of each KSA as (1) not important, (2) somewhat important, (3) important, (4) very important or (5) extremely important. Responses were then averaged to determine the importance of the KSA required for competent practice.

Those KSAs that were identified as “extremely important” were:

- Ability to communicate with and gather information from business partners
- Ability to coordinate FP&A tasks with the corporate calendar or the assigned deadline
- Ability to integrate information and data into analysis
- Knowledge of finance principles and processes
- Ability to synthesize information to create conclusions, alternatives and recommendations
- Ability to create financial statement projections (P&L/income statement, cash flow, balance sheet, equity statements, etc.)
- Knowledge of spreadsheet and database structures and functions
- Ability to implement basic spreadsheet functions
- Ability to implement advanced spreadsheet functions (e.g., cross tabulations, matrix tables, pivot tables, value lookups, macros, etc.)
- Ability to perform variance analysis and reporting (e.g., actual vs. prior periods, actual vs. plan, actual vs. forecast, etc.)
- Ability to define, incorporate and report on financial and/or nonfinancial key performance indicators

Currently, no certification examination exists that tests the diverse knowledge base of the FP&A professional.

Those KSAs that were identified as “important” were:

- Ability to conduct surveys (e.g., to assess process efficiently, to gather qualitative data from sales force, to identify trends, etc.)
- Ability to perform common statistical functions (e.g., standard deviation, expected value, correlation, regression, means, modes, etc.)
- Knowledge of risk factors and risk management concepts (e.g., value at risk, hedging, insurance, interest rate risk, diversification, etc.)
- Knowledge of sources of information about tax policies and their implications on projections

Of those KSAs identified by the panel of experts, none were found to be “somewhat important” or “not important.” The remaining tasks fell under the umbrella of “very important.”

Need for Certification

Based on the findings of the job and task analysis survey, AFP determined that development and sponsorship of a certification program for FP&A practitioners would serve to define the universal principles and standards of practice and to recognize practitioners for their understanding and mastery of such complex processes, tools and best practices⁸.

Currently, no certification examination exists that tests the diverse knowledge base of the FP&A professional. Existing credentials in corporate finance, such as the Institute of Management Accountants’ (IMA’s) Certified Management Accountant (CMA) and the CFA Institute’s Chartered Financial Analyst (CFA), examine the candidate’s mastery of management accounting, financial management or investment portfolio management.

However, FP&A professionals are responsible for both the analysis and management of financial information and projections. Further, they must be able to deliver this information in a meaningful way to a number of stakeholders, adding a layer of communication requirements not found in similar corporate finance roles. Thus, a certification in FP&A would differentiate those professionals

“Expectations from CFOs and other executives are that the FP&A professional will have very advanced skills, enabling effective work relationships with many different departments on many different projects to successfully complete them.”

– Matt Shimkus
FP&A Manager, Utilities Inc.

operating in FP&A roles who are knowledgeable and competent in the full array of tasks required for successful practice.

“FP&A is a very specialized role with a number of unique requirements in terms of knowledge and people skills,” said Matt Shimkus, FP&A Manager, Utilities Inc. “Expectations from CFOs and other executives are that the FP&A professional will have very advanced skills, enabling effective work relationships with many different departments on many different projects to successfully complete them.”

Becoming certified at this unique practice will ensure that FP&A professionals are well-prepared to perform in this environment and drive reliable strategic business decisions within organizations.

Benefits of Certification

Professional certification has been found to play a vital role in developing talent within any profession and is a value-add for both employers and practitioners. Professional certifications enable employers to better define and develop technical job competencies and identify job candidates who have acquired these attributes. It further enables practitioners to develop the knowledge and skills required to perform technical job competencies, elevate their professional status and advance their career through improved marketability⁹.

“FP&A is a diverse, yet highly critical role within an organization, and certification will be extremely helpful to building its credibility and importance and developing and implementing a universal set of principles and standards of practice,” said Gorbach. “This will not only help to advance the field of FP&A but [also help to] enhance the ability of FP&A professionals to bring value to their organizations.”

For the FP&A field, certification will set a standard of excellence and position professionals to drive reliable strategic business decisions within their organizations. Further, it will attest that credentialed professionals have demonstrated the knowledge and skills required to perform competently in today’s complex finance environment. Finally, certification will identify that credentialed professionals have agreed to abide by a professional code of ethical conduct and are committed to keeping their knowledge current by meeting continuing education requirements¹⁰.

“With a certification for FP&A, employers will know what skill sets they are getting when hiring an FP&A professional, and professionals will have confidence in the skills that they bring to the table.”

– Matt Shimkus
FP&A Manager, Utilities Inc.

“A certification for FP&A will benefit the finance industry in two ways,” said Shimkus. “First, it will recognize the absolutely critical role that FP&A professionals play within organizations. Second, it will mitigate the risk of hiring someone who is not qualified for the job at hand. With a certification for FP&A, employers will know what skill sets they are getting when hiring an FP&A professional, and professionals will have confidence in the skills that they bring to the table.”

State of FP&A Credential Development

Based on the results of the Job/Task Analysis for Financial Planning and Analysis (FP&A) Professionals survey, AFP, with commissioned certification consultants at The Caviart Group, worked with FP&A practitioners to develop a content outline for the examination. Other FP&A practitioners have been recruited and are currently developing the certification test. The credential is being developed following standards of practice used in the certification field to ensure the exam will be psychometrically sound and legally defensible with regard to the measurement of the candidates’ competencies.

Results of the job and task analysis will be used to provide the content for the certification examination, as well as to weight the information. Those tasks that are identified as both extremely important and performed most frequently will be weighted more heavily on the certification examination. Conversely, those tasks that were identified as both not important and never being performed will be weighted less¹¹.

Questions on the FP&A certification examination will be organized into two parts to match the two distinct knowledge domains identified in the test specification. The first part will test candidates’ financial acumen, specifically, their ability to gather and interpret information and to communicate and coordinate work with other professionals. The second part will test candidates’ financial analysis abilities, specifically their ability to analyze information, build financial projections and use technology and software¹².

Under the current development timeline, exam prep will be available by July 2013, with a beta exam to be given in August 2013. A live

A newly certified FP&A professional will provide insights into the financial decision-making process in an organization through analysis, financial projections (planning, budgeting and forecasting) and reporting.

exam is set to be released by March 2014, with registration opening by November 2013¹³.

Definition of a Newly Certified FP&A Professional

Based on the proposed certification examination, a newly certified FP&A professional will provide insights into the financial decision-making process in an organization through analysis, financial projections (planning, budgeting and forecasting) and reporting. They will be able to work effectively as a member of a team of financial analysts or on their own.

They will understand and be able to contribute to the entire decision-support process and be responsible for individual components of the process. They will be able to perform these functions accurately and efficiently and will be able to identify, assess and adapt their processes to changes in the business environment. FP&A professionals will understand and abide by professional conduct standards.

To understand and gather qualitative and quantitative information on factors affecting the financial performance of the organization, FP&A professionals will be able to communicate effectively with others in a wide range of internal and external positions. They will also be able to analyze data and relevant facts, consolidate information and convey insight to support decision makers and other stakeholders.

Conclusion

Financial planning and analysis is an important part of any corporate finance strategy. However, a number of obstacles threaten the productivity of FP&A professionals and therefore the profitability of their parent organizations. In an era of increasing regulations and uncertain economic times, overcoming these obstacles is imperative to successfully maneuvering through complex processes and establishing best practices for the planning and analysis of corporate finance decisions.

Overcoming these obstacles can be accomplished through the development of a well-established FP&A certification examination that defines the universal principles, sets uniform standards of practice and recognizes practitioners for their understanding of complex processes, tools, and best practices. By clearly defining the roles and responsibilities of the FP&A professional, hiring managers will be

better suited to fill these important roles within their organization, and FP&A professionals will be better prepared to tackle the complex roles and responsibilities.

AFP is on track to develop this certification by the end of 2013. The certification will have a number of benefits, including increased awareness surrounding the FP&A field. Results from the Job/Task Analysis for Financial Planning and Analysis (FP&A) Professionals survey will be used to draft the certification examination for FP&A professionals, and additional research will be conducted where deemed necessary.

For such an important role in the finance industry, certification within the practice of FP&A is a milestone for the finance profession. For more information on this certification and how you can take part in the development process, visit www.FPACert.org.

¹ David Gorbach (Interview, October 30, 2012)

² Berzellini, D., CTP, Kalish, B., Gorbach, D., Revol, R. L., MBA, Langer, V., CTP. (2012, October). *Why the FP&A certification*, presented at the 2012 AFP Annual Conference

³ Association for Financial Professionals. (2011). *2011 AFP Current Trends in Estimating and Applying the Cost of Capital Report of Survey Results*. Retrieved from http://www.afponline.org/pub/pdf/Cost_of_Capital_summary.pdf

⁴ Association for Financial Professionals. (2011). *2011 AFP Current Trends in Estimating and Applying the Cost of Capital Report of Survey Results*. Retrieved from http://www.afponline.org/pub/pdf/Cost_of_Capital_summary.pdf

⁵ American Productivity and Quality Center. (2012, September).

⁶ The Association for Financial Professionals and The Caviart Group. (2012). *Job/Task Analysis for Financial Planning and Analysis (FP&A) Professionals*.

⁷ The Association for Financial Professionals and The Caviart Group. (2012). *Job/Task Analysis for Financial Planning and Analysis (FP&A) Professionals*.

⁸ The Association for Financial Professionals and The Caviart Group. (2012). *Job/Task Analysis for Financial Planning and Analysis (FP&A) Professionals*.

⁹ Berzellini, D., CTP, Kalish, B., Gorbach, D., Revol, R. L., MBA, Langer, V., CTP. (2012, October). *Why the FP&A certification*, presented at the 2012 AFP Annual Conference

¹⁰ Berzellini, D., CTP, Kalish, B., Gorbach, D., Revol, R. L., MBA, Langer, V., CTP. (2012, October). *Why the FP&A certification*, presented at the 2012 AFP Annual Conference

¹¹ Clarence Chaffee, The Caviart Group, (Interview, October 30, 2012)

¹² Berzellini, D., CTP, Kalish, B., Gorbach, D., Revol, R. L., MBA, Langer, V., CTP. (2012, October). *Why the FP&A certification*, presented at the 2012 AFP Annual Conference

¹³ Association for Financial Professionals [website]. (2012). Retrieved from <http://www.FPACert.org>.