CFO

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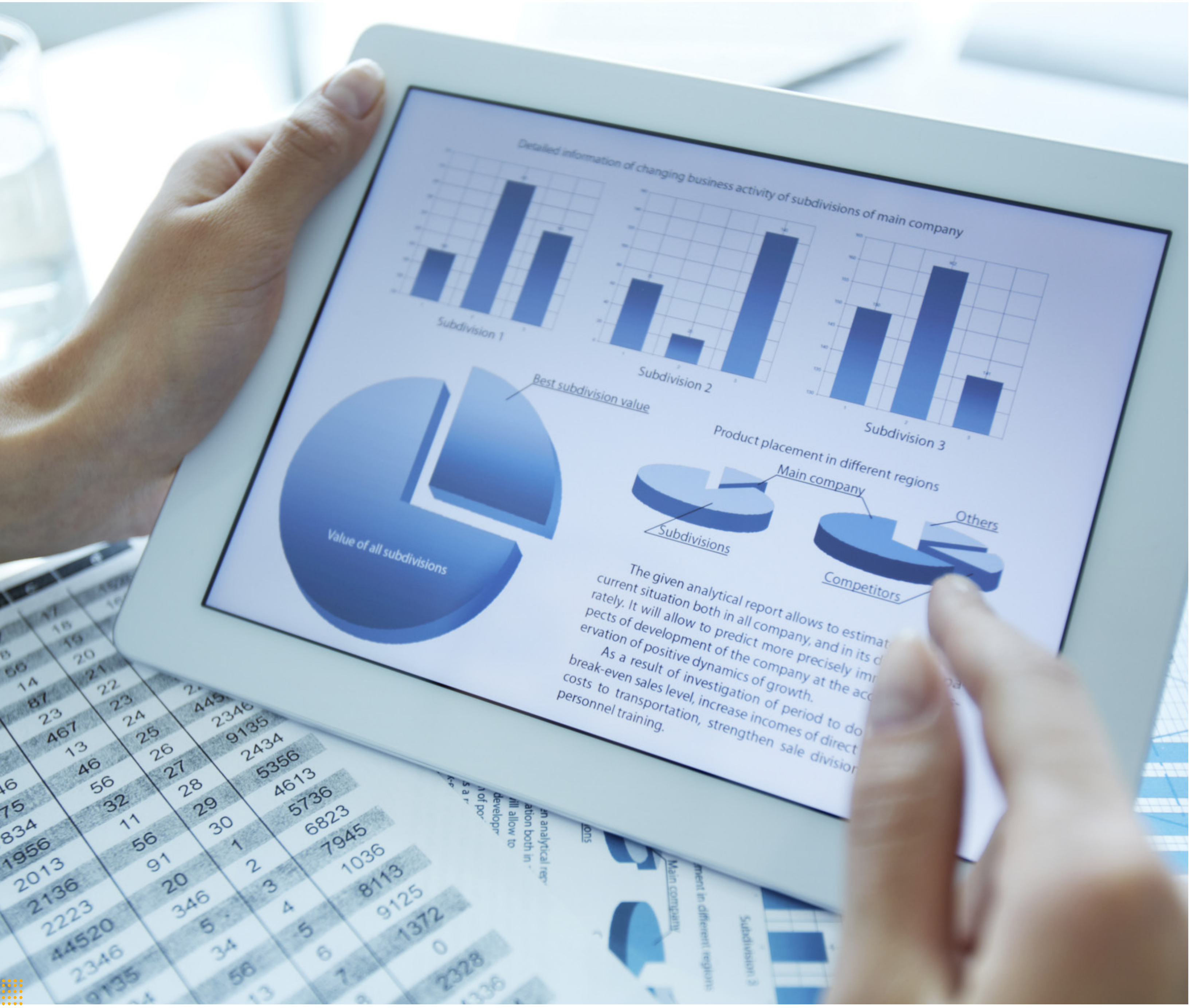

Analytics for CFOs

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FOREWORD: BETTER DATA, BETTER OUTCOMES

Dashboards have been around for years now, but never has their value been as apparent as it is today. In a business climate with little room for error, finance executives are turning to dashboard analytics to guide smarter decision making.

CFOs are uniquely positioned within their organization to oversee important decisions, and they need tools to better enable the decision-making process. In addition to the appeal of seeing everything in one place, the most effective CFOs are leveraging the ever-broadening array of metrics they can access from dashboards. Now finance chiefs can track operational and tactical metrics, such as the number of sales accounts acquired in a particular quarter.

Another big draw for finance functions is the ability to make real-time decisions through access to data, improved technology, and increased visibility. In an increasingly volatile world, finance can't wait to make business-critical choices. Dashboards can help CFOs to narrow down the "decision window"—the period of time it takes to make a decision after a business event.

The CFO's role has expanded beyond finance, and now they are taking the lead in technology and business intelligence (BI) decisions. To make the most of today's analytics capabilities, finance chiefs must cultivate a data-driven culture, supported by a finance team who can apply their own insight to the data. With a smarter, more intelligent team, senior finance executives can make the most of what today's analytics systems have to offer—using increased access to real-time data to make better decisions and realize improved outcomes.

ACCELERATED DECISIONS: DASHBOARDS AND THE DATA YOU NEED

Dashboards have been around for many years, but it has taken time for their actual usage to catch up with their intuitive appeal. As business conditions become ever more volatile, however, and as companies lose what little margin for error they had in terms of responding to unpleasant surprises, interest in dashboards is accelerating. Companies are also starting to broaden the range of metrics they can access from dashboards, says David White, a senior research analyst at Aberdeen Group. While in the past senior executives might have focused solely on high-level metrics like sales revenue and profitability, they now use dashboards to track operational and tactical metrics.

When You Need to Know Now

One major appeal of dashboards, according to White, is that they can help executives narrow the "decision window"—the period of time they have to make a decision after a business event. A recent Aberdeen study found that 64% of business managers have seen their decision-making time shrink over the last year. A different Aberdeen survey found that 28% of business managers said they needed data to make decisions within an hour of a business event; another 42% needed information within a day.

"There's a lot of pressure on the organization to take in raw data and to turn it into useful information in a time frame that suits the business," White says. "There's tremendous pressure on these operational managers to respond faster, and old-fashioned business intelligence is just not intuitive enough."

As an example, if a dashboard showed that sales revenue was not on target, a CFO would want to know more, like what region had the lowest sales, or what product was lagging. For some finance chiefs, getting those numbers often means asking a junior finance staffer or someone in IT to dig them up, which could take days. Deploying dashboards that allow CFOs and business leaders to drill down to the specifics themselves enables them to make decisions faster.

A Leg Up

Kevin Knapp, CFO of the online recruitment site CareerBuilder, agrees. “The importance of dashboards has increased as the speed of change has increased,” he says. “Every organization today needs to adapt quicker than its competitors.” To that end, he says, companies should include operational metrics in their dashboards to gain a competitive advantage. “Financial results are really just the consequence or byproduct of daily operational decisions,” Knapp says. “If you solely focus on financial targets, you can neglect the inputs that truly drive those results.”

At CareerBuilder, operational metrics “have a more prominent share of our executive dashboards than our financial results,” Knapp says. The site’s number of unique visitors, job listings, and applications per job seeker or job posting are all significant pieces of information.

Still, financial metrics remain critical. “By and large, companies . . . are interested in the basic revenue cycle and cash cycle fundamentals,” says David Pefley, CFO for Adaptive Insights. “I think [most businesses] should be focused on bookings, the sales funnel leading to the bookings, the revenues, the receivables, and collections,” he says.

Dashboards can be designed to enable CFOs to combine the two approaches, providing both a financial overview and a deeper look at granular operational data. And they will continue to evolve, says Knapp. “The world has become so much more data-centric, and the advancements in data-warehouse technology and related infrastructure continue to make it faster and easier to glean insights.”

CFO Summary

- While once relegated to high-level metrics only, dashboards today can also help finance executives to track operational and tactical metrics. Dashboards can help finance executives make quick decisions by using raw data to gain information.
- Facing extreme pressure to make time-critical decisions, finance executives are relieved to find that dashboards can help shorten the time it takes to make informed, strategic choices for the business.
- Dashboards can enable CFOs to combine both operational and financial data to have both high-level and granular visibility.

A LOGICAL CHOICE: WHY CFOS SHOULD "OWN" ANALYTICS

In the years since analytics came on the scene, the view that it might be "just a fad" has shifted to a growing understanding of its potential. There is a role for analytics in every aspect of a business: forecasting financial performance, pricing products and services, strengthening operations, identifying new markets, improving margins, and assessing and monitoring risks.

Analytics can be a powerful tool to look ahead, helping answer such questions as: What challenges will organizations face a few years out, and what services might they need? How should those services be priced? What type of resources might be needed and where? Where might the business be vulnerable if the data underlying certain assumptions change?

What's important to keep in mind, though, is that the power of analytics depends heavily on several factors: the quality and preciseness of the questions being asked; the organization's ability to gather the data that can address those questions; the integrity of the data gathered; and the ability of users to draw insights from the data in an objective manner.

Organizations can use analytics to understand who prices well and why, what practice areas have stronger margins than others, and linkages between talent assessment and contributions to performance. Analytics can also provide valuable insight for understanding customers, creating market differentiation, and identifying new services and revenue streams.

Why CFOs Should Lead the Analytics Effort

As with any business process, there must be a system underlying the analytics effort and a leader in order for it to be effective. CFOs are the logical choice to own analytics and put it to work to serve the organization's needs.

First, CFOs "own" most of the unprecedented quantities of data that companies are collecting from their own operations, supply chains, production processes and customer interactions. Many CFOs are already using analytics to better understand where the business is strong and where it needs improvement, and how to allocate limited resources more effectively. Analytics empowers CFOs to exercise more centralized control of operational business decision-making. As profit can fall between the operational cracks, analytics can be a game changer by leading to improved operational discipline.

Second, many CFOs are already using analytics to address their organization's strategic issues. By owning analytics, they can continue to expand their strategic leadership role in growing the top line, strengthen their ties throughout the business and expand their influence outside the finance function.

Third, CFOs' position as the steward of value and impartial guardian of truth across the organization gives them the credibility and trust that is needed when analytics produces insights that debunk some of the myths or accepted wisdom that can reside within the business, or about constraints on business performance. When people are provided observations that do not align with their thinking, there is a tendency to say, "That can't be right," and it can be challenging to convince them that the results and the data they're based on are accurate. If they don't trust the messenger, they are unlikely to trust the message.

Getting Business Leaders' Buy-in

Without the support of the CEO and the buy-in from the businesses, even the most carefully planned analytics effort will likely fail. The CFO and the analytics team should work closely with business leaders to identify relevant questions for analytics to answer. That means asking business leaders what is important to the business and their strategy, and using analytics to advance their strategy, or perhaps even correct it.

Demonstrate the value that analytics can bring to the business by providing data-driven insights to questions such as, "What price point should be used for this customer on this day?" or "What inventory should be pulled forward or out of the supply chain?" Each analysis should have a business purpose and should address the question, "What business responses or actions should this trigger?"

Bringing the businesses in to provide input to the analytics effort gives them an ownership stake in its success. Simply putting charts and tables in front of business leaders at the end of an analytics effort does not.

CFO Summary

- Analytics are a powerful tool to help organizations look ahead and predict various business outcomes.
- The CFO's position within the organization as the steward of value and "guardian of truth" gives them the credibility and trust to lead a successful analytics effort.
- It's critical to have a strong methodology for obtaining and entering data because in order for analytics to reveal business insights, the data must be unimpeachable.

AN EXPANDING ROLE: FINANCE TAKES ON BUSINESS INTELLIGENCE

Once a CFO has evaluated what analytics has on offer and determined his or her role in leading the analytics effort, it is critical that CFOs consider how business intelligence (BI) can propel their business forward. Using cloud computing for BI promises to improve the quality and increase the speed of data-based decision making by tackling two historic BI pain points: the lack of ubiquitous access to data, and too many ill-matched, difficult-to-integrate data silos that inhibit composite analysis. Theoretically, cloud computing can aggregate any type of data for use by anyone in the organization in near real time. And once the data is uniquely combined and standardized across the enterprise, forward-looking and historical analytics become not only much more insightful but also proprietary.

In effect, BI graduates to the rank of a corporate asset, on par with intellectual property (IP).

Now, BI may never be financially booked beyond the cost to acquire and operate it, but its ability to make a net contribution in value has come of age with cloud technology. And, according to the "bible", *Brealey & Myers on Corporate Finance,* the finance function exists to increase shareholder value. To quote Brealey, how this gets done depends upon "experience, creativity, judgment and a pinch of luck."

Now is the time for Finance to embrace BI beyond what's contained in existing systems, to optimize its potential value, and to use it as a coming out party for the Finance function itself. If Finance does not assume specific aspects of BI ownership, it will be adding risk to this newly minted corporate asset and relegating itself to the job of simply reporting shareholder value instead of addressing the far more interesting question of what could happen to it and how to enhance it.

Risks Finance mitigates for cloud-based BI

Revenue and costs for customer satisfaction and loyalty.

Uniting data in the cloud, figuring out what it can mean to customers, and taking action based on that data is a process that has never before had a better chance of successfully producing value for the business. The sources of data for mining also have never been broader — from social networks to geo-spatial technologies. A carefully crafted and functioning BI system can help bring products and services to market faster, with feature sets that are more pleasing to customers. For Finance, that means less trial and error (and, it follows, less cost and better inventory management) and better ways to monetize goods and services. Because mobile device-toting customers are buying 24/7, determining what they like and don't like from a smorgasbord of global offerings, we've reached a moment in which not taking advantage of that data can put an organization at a competitive disadvantage. Customer clicks either promote or demote a company. Increasingly, this is the battleground upon which companies struggle for market share, and competitive differentiation can be achieved through superior interpretation of the sentiments captured in those clicks. In this environment, Finance needs to be able to help the other functions achieve less cost, more margin, and understand impacts to the overall P&L *before* the business takes action. Shareholders would like to know that Finance does more than just report results (even if it does so accurately).

Operational governance.

All parts of the company are affected by what happens to one interconnected system of truth. Sales, Marketing, R&D, and Customer Service departments should focus on using and acting on BI, but it is easy to be distracted by the process and protocol of managing it. Finance is the perfect venue to coordinate operations, beginning with investment, data integrity, HR access and use policy, security, etc. Further, to maximize accountability, Finance can be the one point of internal contact for a BI cloud provider. Finance should be looking for a cloud vendor that provides real time service beyond 24/7 call center support and four 9s monitoring (99.99% of the time). This is all about support for changes, problems, upgrades, and scale. Real, dedicated human contact between the company and the service provider is critical. It may be pricey, but without it you're buying a Maserati with no tires. This doesn't mean that Finance handles technical management, but it does oversee all discussions to understand the need for more or fewer resources and where challenges are occurring.

Privacy.

Data collection and use from any source for any reason is a growing concern for governmental and public interest groups fearful of who's watching from the shadows, especially now that it's becoming public knowledge that much of what people do on their phones (when and where one sends a text message; what apps one is running) is transparent. This could present a considerable risk to organizations trying to mine that data for improving products and services. This may sound like an area for Legal, but it should be a subject in which all functions participate. However, only one is competent to balance value against risk: Finance. In isolation, Legal will always interpret risk based upon current law, not necessarily upon current or future market value.

The Coming out Party for Finance

Before Sarbanes-Oxley, the three groups within the CFO office were more differentiated than they are today. Accounting groups focused on what happened to the business via External Reporting and Audits. Treasury groups managed money. Finance groups acted as an intermediary between how a company operated and how those operations were funded. But governmental demand for strong controls and weak post-2008 economic times have led many organizations to downsize Finance, leaving resources available only for External Reporting, Audit duties, and a sprinkling of Treasury activities. The vast majority of operational analytic roles (outside ERP) now sit within business units, product marketing, or sales departments (a trend only accelerated by the ease of adoption of software-as-a-service applications), and each brands their own version of the truth for enterprise consumption. Each also carves out a portion of their precious budgets to pay for their version of the truth, thereby claiming ownership.

Cloud-based BI is a way to re-unify, de-duplicate, and better interpret how the company prioritizes, analyzes, and executes on data. Finance can use this moment in time to add value by taking control of managing BI and, at the same time, participating more fully in the opinions and conclusions from the outputs of BI that will be translated into future dollars and sense.

CFO Summary

- BI's potential goes beyond ERP. Using cloud computing for BI promises to improve the quality and speed of data-based decision making.
- To mitigate several business risks, the finance function should oversee BI initiatives.
- Finance controlled BI could be used to explore, among many things, the revenue and costs for customer satisfaction and loyalty.

CONCLUSION: SMARTER DECISION MAKING

Since technology now plays such a big role in everyday business practices, much of corporate culture has changed. As such, the role of finance has expanded to include overseeing IT purchases and implementations that affect a company's bottom line. One big example of strategic technology at work is dashboards.

Access to data and dashboards empowers business leaders to make better decisions for the business. Finance has achieved excellent results when they can see operational and financial data in one place, and technology allows business data to be accessible via one dashboard—providing CFOs with unparalleled visibility into the business.

While it may seem like IT ought to be in charge of BI initiatives, finance must take the lead to ensure success and avoid risk. It doesn't hurt that CFOs oversee technology budgets and can get the most from their spend when they better understand what analytics can offer.

One obstacle that finance may face when investigating and implementing analytics is getting buy-in from higher-ups. Fortunately, CFOs are well-respected and trusted within their organizations. By building on this reputation for considering the bottom line while also looking for "grow the business" technology offerings, finance can build a strong case for why analytics investment is critical. Competition today is tough, and your organization cannot afford to fall behind.

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SPONSOR'S PERSPECTIVE: ANALYTICS: A VITAL INSTRUMENT FOR CHANGE

Organizations are changing at an unprecedented pace, and so is the role that finance plays within them. Digital disruption, globalization, and new business models continue to challenge today's businesses. Organizations need to drive faster product cycles, enter new markets and channels more quickly, and evolve from a niche competitor to market gorillas (or vice versa) in a shorter timeframe. To underscore this point, 52% of the S&P 500 of the year 2000 is no longer listed on the S&P 500 in 2015. As organizations seek to keep pace by using data as an asset to gain insights into competitive advantages, this change is both a challenge and an opportunity for finance leaders. Finance chiefs are increasingly being looked to as the natural choice to lead analytics initiatives.

The organization's expectations of finance will only continue to accelerate. In 2015, Forrester Research predicts that business and economic growth will put new demands on finance to have a clear perspective on business performance and opportunities to drive it further. In fact, a study by Deloitte found that, of executive team members, CFOs now rank as the number one driver for analytics initiatives.

But the high water mark has already moved beyond making better decisions faster. The era of collaboration and an expectation of self-service mean empowering stakeholders across the company, beyond finance, so they too can make better, more-informed, faster decisions.

Further, traditional financial data from existing ERP systems is becoming less influential as the main driver of decisions. The new CFO dashboard cannot simply feature core financial Key Performance Indicators (KPIs). It needs to link operational, customer, personnel, and financial data together—from headcount and hiring performance to customer sentiment. In the same way, managers across the business require financial and operational visibility, too.

Yet, with all of this, finance cannot continue to rely on Excel. In addition to the potential for errors, there is also the consideration of manual effort required to manage and share hundreds of spreadsheets. In fact, finance today should no longer be burdened by collecting, integrating, and manually wrangling data from a myriad of source systems—all while handling ad hoc requests from business managers.

There has to be a better way.

The analytics tools of the past—many of which have been around for the better part of the last decade—simply aren't the right tools managers need in this new era of data-driven decision-making. The reason these older tools failed is because they were simply difficult to use, challenging to maintain, cumbersome to deploy, and failed to provide the actionable insights managers need. In an age of agility, rigid and brittle systems are an anathema.

Worse still, Business Intelligence tools of the past at best offered only a third of the equation—"What has happened?" They rarely answered

"What will happen?" and never "What's a better plan?" The second and third part of the equation always mean more Excel documents, more requests made of finance, and more risk of poorly thought out decisions.

The good news is that over the past few years, technology has changed to help organizations keep up. Cloud computing, the ability to simply consume an application as a service, has made analytics much easier to deploy, with Gartner reporting that 81% of CFOs now see the future of their applications in the cloud. What's cloud's biggest draw for finance? Forrester reports that it is agility—being more responsive to change. What this means for finance is that dashboards, managing reporting, and analysis can be rolled out in a fraction of the time and cost of traditional tools,

Cloud analytics opens up new possibilities for the business. With dashboards, metrics, and exceptions driven down to managers at the point of decision wherever they are—whether at their desk, home office, or on-the-go—finance can avoid jumping through hoops to provide them with the latest revenue, expense, or product performance reports.

Finally, with cloud, finance organizations now have the opportunity to rethink analytics beyond simply answering the question "What happened?" Dresner Advisory Services, a leading analytics analyst firm, found that organizations successful with analytics had linked dashboards with tools that enabled them to make better decisions through "closed loop analytics." By unifying dashboards, forecasts, plans, and reports, organizations can leapfrog past rearview mirror dashboards and analysis. The cloud makes it possible to reach the secondary question ("What's a better plan?") without a huge, costly and onerous IT project to achieve it.

Adaptive Insights has helped more than 2,500 finance organizations in more than 85 countries adapt to a new era of analytics. Adaptive customers have cut time to insight by more than 90%—reporting, analyzing, and planning faster and more-efficiently than they'd ever thought possible. Using Adaptive's cloud suite, mid-size and enterprise organizations can see business performance in real-time, and update plans and forecasts to adjust. Better yet, everyone is working with the same data, same metrics, and same version of the truth. The result is that Adaptive organizations can use that freed-up time on strategy, planning, and improved decision-making to drive change.

Learn more about how Adaptive Insights can help you by viewing a demo at www.adaptiveinsights.com.