



UNLOCKING VALUE WITH ANALYTICS

How CFOs are becoming the
best source for data and insights

#CFOReimagined

Introduction

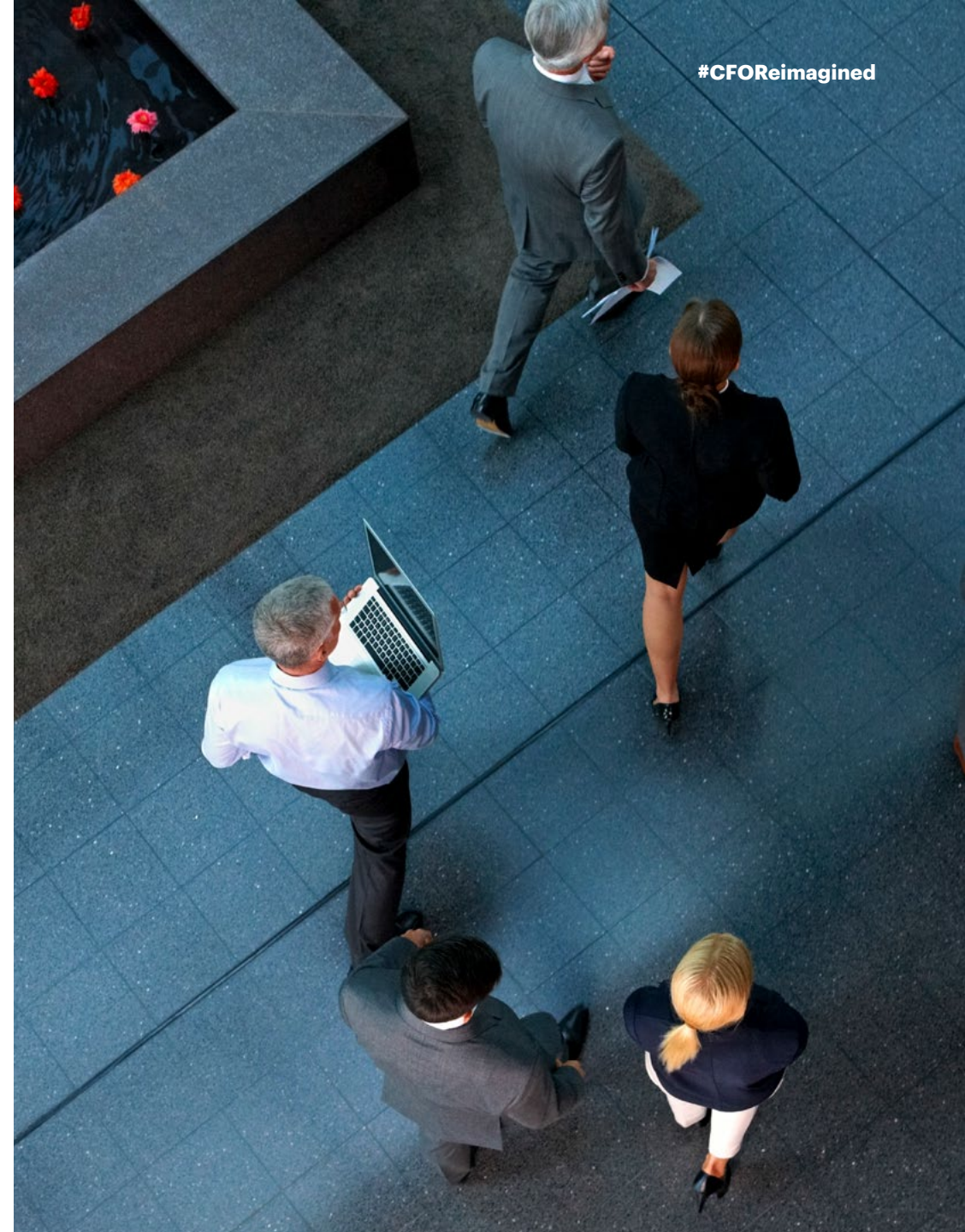
Let's face it: Many organizations have an outdated attitude toward data and analytics. Sure, executives recognize their importance, but more times than not, they underestimate the complexity of capturing data and maintaining its quality, as well as its potential to significantly improve decision making.

In a recent workshop with a major healthcare company, the Chief Executive Officer (CEO) turned to the Chief Financial Officer (CFO) and said: "I don't need more insights after a patient has been diagnosed. I need information that helps our consumers lead healthier lives, even before they are patients."

This is the central challenge to the modern CFO—developing the data and insights that show where the organization should go, rather than where it has been.

CFOs view data as their most critical tool, and as finance teams get better at gathering, combining and analyzing both internal and external data, their influence will become stronger and their insights more important to the enterprise as a whole.

Accenture research¹ shows that many CFOs are moving towards a future state where the finance function plays the lead role in strategic planning, solving complex business problems, and advising cross-functional leaders on the future. But, finance organizations continue to struggle with many of the basics, such as transactional processing, data consolidation and reconciliations, and historical reporting. What are the factors that are holding the organization back?



In many cases, we find that finance leaders either do not believe they have the right to play in the analytics space, or their counterparts in the business do not see value in seeking Finance's input.

Yet when CFOs do get involved in the analytics agenda, they can change the conversation around key decisions and provide differentiated value. When applied to the right business problem, finance-led analytics can unlock significant value for the enterprise.

Subsequent research—and our own experience in helping CFOs transform their roles, their functions and their businesses—has identified tremendous promise for greater involvement in areas including strategic planning, solving complex business problems, and advising leaders in other functions about the right courses of action. The CFO is leaving the traditional boundaries of the finance function to create sustainable growth and long-term value for the enterprise.

New sources of growth and value, from new product lines to new markets to new ways of engaging with customers, can be identified

and explored using enterprise data that crosses functions. The CFO and the finance function—with their central location within the organization and their deep analytics expertise—are uniquely positioned to match the overall business strategy with new opportunities. The CFO and the finance team, for example, can aggregate and organize the appropriate data and do the requisite modeling to generate value.

Finance leaders can apply enterprise data to analytics in support of business strategy. Their focus on value and measurement helps ensure that analytics investments effectively translate into actions that drive positive financial results. Still, one of the biggest hurdles for CFOs—and for the overall finance organization—in pursuit of this goal lies in understanding how to initiate and scale analytics projects.

How CFOs Undertake Successful Analytics Projects

The analytics journey starts with CFOs focusing their efforts on solving a key business problem. They partner across functions and business lines to define success criteria to test an initial hypothesis.

In what we call “strategic scaling”, the CFO then works with multidisciplinary, advanced analytics and data teams to solve bigger problems. Analytics pilots rapidly source and model live data; then results are compared against success criteria. In parallel, CFOs work with their business constituents and prepare them to take actions based on the analytics insights and deliver real results.

When CFOs follow this approach to provide actionable insights, their organizations realize exponential benefits with a greater than 10x return on investment. Our research shows that early adopters are leading the charge, harnessing the data available to deliver value to their organizations.

Organizations realize exponential benefits with a greater than

10x


return on investment.

For example, a multinational oil and gas company sought to free up cash to invest in capital projects, starting with North America operations.

After success with an exercise to rationalize payment terms for suppliers, the CFO decided to focus on opportunities to better manage the company's days inventory outstanding and days sales outstanding positions.

Working with the supply chain, operations, logistics and finance operations—and with their shared services center—the company developed a minimal viable product (MVP) using inventory and receivable data to test opportunities to optimize inventory management, order and invoice processing, and cash collection. By applying analytic techniques across the order-to-cash process, the MVP identified eight areas of leakage representing approximately \$175 million in savings.

The company used these insights to renegotiate payment methods for specific customers, realizing as much as \$15 million in savings in just 12 weeks. Additionally, the team was able to identify warehouse locations that were either not sized correctly, or did not carry the right product mix, hindering order fulfillment.

A high-angle photograph of a man with dark curly hair and glasses, wearing a light blue button-down shirt and grey jeans, walking on a concrete sidewalk while looking at a black smartphone in his hands.

Similarly, a telecommunications company struggled to measure the true costs of individual businesses and product lines.

The CFO spearheaded an analytics pilot to establish a consistent, industrialized methodology to evaluate profitability of business units, segments and products at the EBITDA margin level. The model used statistical methods to assign and allocate \$20 billion in operating expenses to products based on cost attributes and operational drivers. Based on this information, the company discovered that 25 percent of its products were underperforming and should be eliminated or deprioritized, while 18 percent exceeded margin expectations and should receive additional investment in the future. Following the initial pilot, the client used the product profitability model to reveal the true impact of a recent divestiture.

The business immediately recognized the power of this finance-led analytics capability. The company implemented a cloud-based tool to scale the model across all lines of business, ingesting data from over 80 disparate sources and allowing users to test pricing and investment scenarios and rapidly visualize the impacts. Product profitability remains a top priority for the company as it is exploring the ability to incorporate forecast data into the model and analyze the data by customer segment and other key dimensions.

Critical Success Factors

Through our experience in working with CFOs as they help their organizations address critical issues, we have identified five factors that are critical to success.

1

Building consensus.

The CFO should understand the perspectives of the different groups involved, what outcomes they desire and how they measure success. There should be agreement on objectives as the team works across functions and geographies to define and deliver value.

2

Getting the data right.

The CFO can partner with the IT organization to map the current state of data and the data pipeline, and to chart the investments required to meet objectives. Poorly organized and/or inaccessible data—often trapped within organizational silos—is a stumbling block to sophisticated analytics and the resulting insights.

3

Developing the necessary talent.

The CFO takes the lead in talent development, ensuring current team members have the skills needed to become comfortable with planning and advising rather than recording and reporting.

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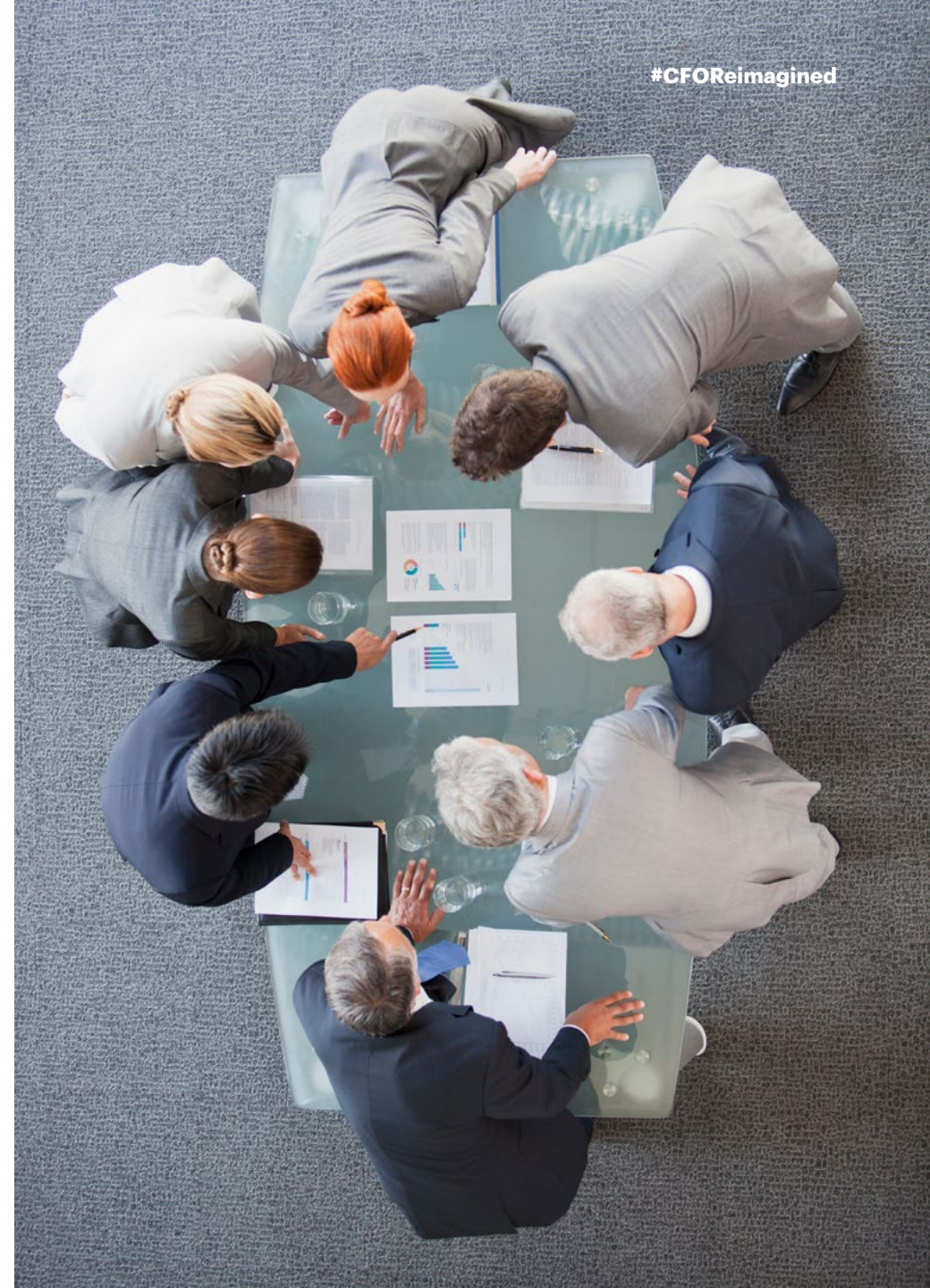
Innovating to build capability.

Successful CFOs use different methods of creating needed capability, including partnering with external providers of platforms, data and services. Some skills are in short supply and others are needed only for concentrated bursts of activity.

5

Winning early and often.

We have seen CFOs post early wins by delivering insights and showcasing value to be captured. This gains the trust of business partners, increases credibility and supports rapid scaling of successful pilots across the enterprise.



Using predictive analytics to reverse a decline in market share.

A global hospitality company wanted to understand the reason behind declining market share even as its revenue seemed to be improving year-over-year.

Finance worked to develop a performance engine to understand the reasons behind this decline, and more importantly, to understand what could be done to change course.

The initiative began with a 12-week project to create the Performance Engine. This involved ingesting over 500 gigabytes of data from over 20 sources, both internal and external. The data scientists ran advanced

statistical models to investigate more than 200 factors affecting market share, winnowing this down to about 40 high-impact drivers. By running these through additional models, the data scientists were then able to identify the 18 drivers that had a material impact on key performance indicators and the correlations between and among these drivers.

The insights from these models were used to develop seven recommendations to increase revenue by \$110 million. These recommendations served as input to the budgeting and forecasting process with the objective of improving enterprise performance.

\$110_m

revenue increase through seven recommendations developed using insights from advanced statistical models.



Conclusion

CFOs have an inherent understanding of the organization's overall strategic objectives. Increasingly, they are playing a lead role in using data and analytics to attain these objectives.

In this role, CFOs have three built-in advantages. First, they occupy a central spot within the organization, one that helps them break down organizational barriers and encourage collaboration among functions and business units.

Second, CFOs and their finance teams can amalgamate and synthesize data from different functions and groups and use it to develop analytics and insights for better decision-making across the enterprise.

Third, CFOs know how to marshal investment funds for optimal returns. They can avoid duplication and maximize value realization by directing analytics-related investments to where they will do the most good.

Twenty years ago, CFOs were rarely thought of as stewards of value creation and developers of business insights. In the face of rapid technological evolution, the CFO's role has evolved as well. The good news is that CFOs embrace this change and understand the value they can add to the organization by serving as unbiased champions of innovation and insight.

By gaining expertise in managing enterprise-wide data, scaling projects to take advantage of initial success, and building teams and talent focused on finding new value, CFOs can expect to see their influence and standing within the organization continue to grow.

The CFO and Analytics: Research Insights

In September 2018, Accenture published The CFO Reimagined: From Driving Value to Building the Digital Enterprise, a research report which examined the changing role of the CFO. This research is based on online surveys with more than 700 finance leaders from around the globe and more than 200 up-and-coming finance professionals. Close to 50 qualitative interviews were conducted with CFOs, senior finance executives, CEOs and chief data officers.

Here are select findings from the report:

81%

More than four out of five (81 percent) of CFOs are focused on identifying and targeting new areas of value across the enterprise and using technology to do it.

3/4

Three quarters of CFOs in our research say they alone are the logical choice to become the ultimate authority of the organization's data.

77%

More than three quarters (77 percent) believe finance is better than other functions at combining different data sets.

76%

A similar number (76 percent) say finance in their organization is, to some extent, taking responsibility for data governance across the entire enterprise; the same proportion say they are managing control of the enterprise's most critical data to some extent.

33%

Finance teams are making progress in using advanced analytics, such as predictive modelling, to plan, budget and forecast (33 percent), manage risk (33 percent), innovate (28 percent) and manage talent (23 percent).

For future finance executives, the most desirable talent combines lateral thinking with data-related skills. This includes the ability to innovate as well as collect data and gain insight from data. They need the right skillset to communicate with the rest of the enterprise, working with other functions to drive the right conclusions and actions out of the insights.

Authors



Athena Reilly

**Managing Director, Accenture
Strategy, Enterprise Data & Analytics**

Focusing on changing business models, competitive agility and digital disruption, Athena helps clients streamline non-value-add activities, drive their enterprises to create and capture more value through data and analytics, and define exciting next-generation operating models. Athena is based in San Francisco.



Sandra Reese

**Managing Director, Accenture
Strategy, CFO & Enterprise Value**

Sandra works with CFOs to help them rethink how digital solutions and data analytics will drive exceptional performance across the enterprise. Sandra is based in Chicago.



Claudia Daisley

**Senior Manager, Accenture
Strategy, CFO & Enterprise Value**

Claudia specializes in elevating Finance organizations as enterprise value creators through leading data and analytics capabilities and simplified operating models. Claudia is based in Washington DC.



Dhruv Jain

**Senior Principal, Accenture
Strategy, CFO & Enterprise Value**

Dhruv brings an innovation mindset to helping his clients find sustainable solutions, focusing on the use of data to deliver actionable insights that enable people to make informed decisions. Dhruv is based in Washington, DC.

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References

- 1 All data is from “The CFO Reimagined: From driving value to building the digital enterprise”, Accenture, 2018.

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