The Data-Driven CFO

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Data Analytics Inform CFOs in Their Rapidly-Evolving Role

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The role of the chief financial officer (CFO) is undergoing a profound change. Competing financial priorities, increased pressure to optimize performance, and C-suite demands to provide strategic leadership are redefining the critical, yet constantly evolving office of the CFO.

At the same time CFOs need to evaluate new and potentially disruptive financial networks and technologies such as Bitcoin and blockchain, they must also continue serving in their traditional role. That means CFOs must be diligent about complying with ever-changing regulations, providing audits and insights into finances, and overseeing business assets. Plus, if CFOs don't handle risk or compliance issues properly, they could face huge financial loses and significant fines that damage the brand's reputation.

Driving Change for CFOs

According to a survey of senior financial executives conducted by CFO Research, many chief financial officers (CFOs) believe that technology is driving significant changes in finance.

82% say leading-edge technology is essential to business transformation.

73% say leading-edge technology can reduce the number of CFO pain points.

49% say advances in technology will fundamentally change the role of the CFO.

More than ever, CFOs need fact-based data analytics to provide lines of sight across finance and, as their influence in the boardroom grows, enable informed decision making. As they take up this challenge, however, many CFOs are impeded because their finance data is scattered across disparate silos, making it inconsistent, incomplete, and inaccessible.

New Realities of Ever-Increasing Data Volumes

CFOs have historically realized the benefits of leveraging data and analytics. With the new realities of large volumes of data coupled with the rapid advancement of analytic capabilities, finance is facing fresh challenges.

Data management also continues to be a pain point. According to the Hackett Group's 2017 CFO Survey, finance must improve its analytic ability and access to information by applying digital technologies such as collaborative planning tools and advanced analytics. This technological complexity is driven by the fact that the finance function involves myriad tasks, including:

- Gaining visibility into the supply chain to optimize procurement.
- Adapting to new revenue recognition rules to improve revenue reporting.
- Understanding trends in spend to minimize wasteful spending.
- Integrating plans and forecasts against actual results to enhance budgeting and forecasting.
- Leveraging artificial intelligence to better predict challenges and opportunities.
- Utilizing a detailed-driven allocation model to view multiple dimensions of profitability.

The requirements of these multiple functions are microcosms of the enterprise data management struggle and involve access to financial and non-financial data sources throughout the enterprise. The diverse needs of various finance teams often lead to inflexible, siloed data environments. These silos develop over time as individual groups, operating under tight deadlines, create their own quick fixes.

What finance needs is a systematic, corporate-wide or cross-finance integrated approach that aligns with goals and strategies of other departments. This will make the business more efficient and reduce, if not eliminate, duplication of work.

A Finance Architecture Smashes Silos

Most CFOs and other business leaders don't understand that a single analytic solution built around a finance architecture that's leveraged by all groups will yield enterprise-wide benefits. CFOs need a holistic approach into finances to enable them to gain an integrated, detailed view of performance that meets stakeholder expectations.

A next-generation finance architecture, which includes a data warehouse acting as the platform for integrated information, accomplishes this by delivering a complete view across all finance functions. Enterprises that leverage a centralized data warehouse lead their peers in efficiency and effectiveness. When the data warehouse is part of a larger ecosystem, organizations realize even greater value.

A data finance ecosystem addresses the finance-specific elements of an enterprise data environment. This type of ecosystem is uniquely capable of serving as a systems integration platform that links financial details to operational data while also simplifying the provision of consistent information to countless applications and users.

A Finance Foundation Delivers High-Value Results

A Finance Foundation that brings together proven business consulting, intellectual property, and differentiating technology is needed to help CFOs make the best decisions possible and deliver more business value. A Finance Foundation allows CFOs to access financial and non-financial data in near real-time for high-value business results such as:

- Optimizing vendors and suppliers through strategic sourcing.
- Facilitating consistent metrics, driving best practices, and improving yield across all plants and facilities.
- Understanding the financial performance of the end-to-end supply chain at the most granular level, and identifying opportunities to increase efficiencies and reduce costs.
- Improving the flow of products to meet consumer demand.
- Optimizing asset productivity.
- Modeling the impact of business decisions on profitability.
- Accelerating merger and acquisition integration.

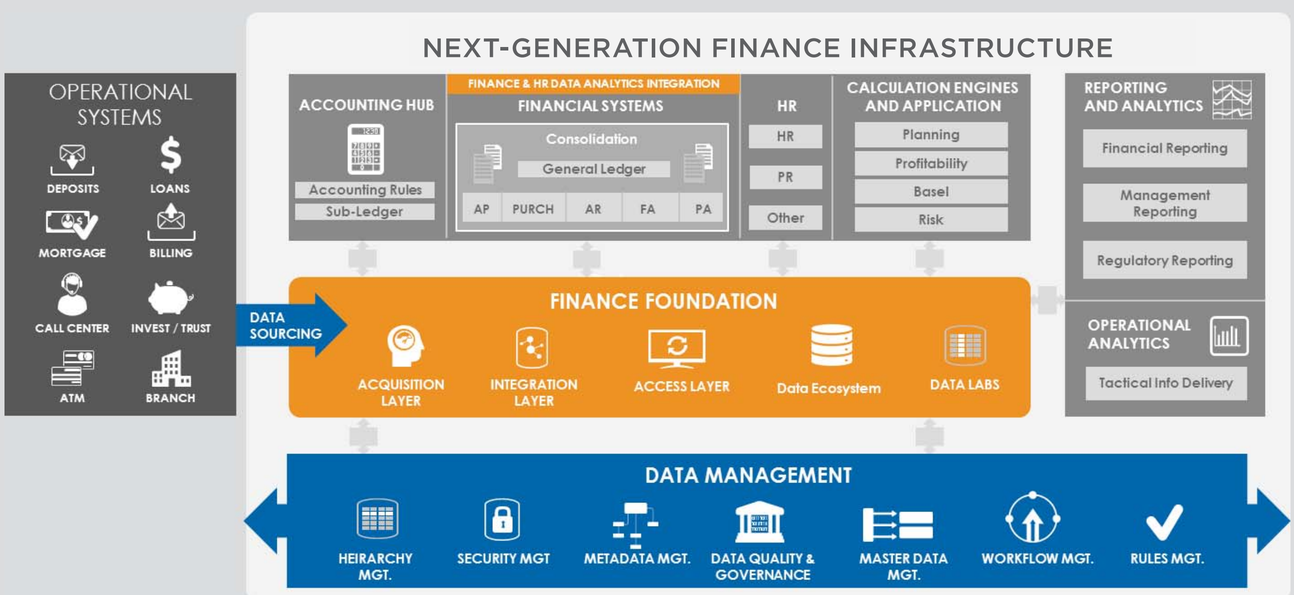

Figure 1: Finance analytic ecosystem.

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With the Finance Foundation, CFOs gain a better understanding of their business drivers, enabling them to take actions to improve business outcomes. This data-driven approach also allows CFOs to visualize new opportunities that span business and IT to resolve financial information problems and build a roadmap for continuous improvement.

In addition, leveraging data for analytics supports CFOs to make financial and operational decisions. Data-informed decision making transitions financial organizations from taking a historical to a forward-looking perspective.

Strengthening the Financial Standing

An essential aspect of the CFO role is to shape and report on the financial health of the business. The ability to provide detailed insights into finances on a timely basis is needed for an accurate, comprehensive view into finances and for actionable planning.

Data analytic solutions provide the deep insights to improve business and financial processes (see Figure 2). The analytics also enable early-warning for events, allowing companies to better manage their business drivers, customers, and financial standing.

Integrate Data into Your Finances

Find out how Teradata consultants, intellectual property solutions, and leading technology can empower chief financial officers (CFOs). The Teradata® Finance Foundation enables today's CFOs to drive financial growth, uncover new opportunities, and gain a single view of current business finances.

The Teradata Finance Foundation will:

- Provide business users with rapid access to data and analytics across the entire ecosystem in a single view.
- Accelerate the development of operational analytic applications.
- Provide a range of fit-for-purpose consumption models to meet a variety of operational and financial needs.
- Build upon existing legacy technology, as well as new and evolving technologies, to deliver the optimal ecosystem performance.

For more information, visit **Teradata.com/Insights/Finance-Transformation.**

Business Solution	Business Impact	Savings
Enterprise Analytics	Improves Revenue/Spend	up to 7%
Global Spend Analytics	Reduces Costs of Annual Controllable Spend	up to 4%
Profitability Analytics	Improves Profitability	up to 5%
Distribution/Channel Optimization	Lifts Revenue	up to 5%
Inventory Optimization	Saves on Annual Maintenance Budget	up to 0.5%
Improved Asset Management	Reduces Cycle Closing Time	by 33%
Optimizing the Financial Closing Process	Improves Efficiencies	by 10%
Regulatory and Compliance Awareness	Avoids fines; Market Capitalization Impairment	up to $1B; $50B
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Human Resources Analytics	Improves Efficiencies and Profitability	up to 10%

Figure 2: Business solutions drive savings.

The Power of a Targeted Data Management Initiative

The chief financial officer (CFO) for a manufacturer of high-tech phones suspected that the contribution margin of the phones was deteriorating. He needed a profitability projection to support a recommendation on whether or not to discontinue the product.

The CFO knew that an analysis was needed to determine the cost at the individual product identification level, but the data was not readily available. That's because the product was sourced or manufactured from locations in Taiwan, France, and Texas. Getting the required data from the invoicing and payables system in Texas took several days. It took even longer to get cost details from Taiwan and France. Validating and consolidating the data from multiple sources also took time.

Even with purchase cost data for the materials from all three sites, there was no guarantee that the cost basis and definitions were consistent. In fact, company analysts found instances in which sales tax and shipping costs were handled differently by location, making it an ongoing challenge to get a consistent definition of product cost.

Analysts also faced the inability to systematically manage vendor master data and hierarchies in a way that provided a clear understanding of supplier relationships. Repeatedly, analysts uncovered separate procurement contracts with multiple suppliers owned by a common parent company. A single procurement contract with the parent company would have enabled the high-tech company to qualify for more favorable quantity purchase discounts.

When analysts made their report to the CFO, it was based partially on incomplete data—and mostly on historical and projected gross margins. As a result, the CFO, and the rest of the executive leadership, made a crucial product decision without having the most accurate information available.

The CFO, and the business as a whole, would have benefitted from a targeted data management initiative that could have established:

- One central system for product costs and revenues.
- A data management structure that assigned consistent cost definitions and associated allocation calculations.
- Consistent vendor master data and hierarchy management tools.
- Self-service BI tools that leverage a common data source and speed data access.

About the Authors

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