Strategic CFOs Break Down Silos to Harness the Power of Data

CFO Indicator Report

Adaptive Insights

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Executive Summary

Today's finance leaders are facing an increasing responsibility in their organizations. They are pushed not only for a historical view of finance and operational data, but a forward-looking view that enables them to make informed, strategic decisions. This brings both opportunity and challenge to the office of the finance, as CFOs navigate the increase in and veracity of data from multiple sources and break down data silos. Whether big or small, public or private, or for-profit or nonprofit, today's CFOs across organizations of all sizes and across all industries are requiring a single source of "truth"—a holistic view of their organization. How will they get there?

According to a global survey of 435 CFOs, conducted by Adaptive Insights, a key challenge for today's CFOs is dealing with multiple sources of data beyond the general ledger that finance teams have traditionally managed. With three in 10 CFOs responding that they manage data from five or more sources, the stakes for accurate and consistent data have been raised. So much so that 69% of CFOs surveyed believe that keeping data siloed is one of the biggest financial mistakes that most companies make. And while financial data is their domain, CFOs are increasingly being asked for non-financial data—namely human resources and sales data—by their CEOs. Combining past, present, and future data, and doing so across the organization, gives a truly holistic view of the business—a vision that is no longer a "nice to have" but a "need to have" for CFOs across the globe.

Even though the (data) stakes have been raised, they will only continue to get higher. Nearly one-third of CFOs anticipate a 26–50% increase in the amount of data their teams will have to manage over the next five years, while more than a third of the CFOs anticipated an increase of more than 50%. In a world where data is doubling every two years[1] this is no surprise. But the impact to finance organizations is just beginning, as they are pushed to adjust processes, teams, and technology to accommodate the data deluge.

Looking ahead to 2016, CFOs cite myriad factors they are considering in their planning, including interest rate increases (48%), expected merger and acquisition (M&A) activity (38%), and cybersecurity (32%), signaling the expansive set of issues with which today's strategic CFOs are faced.

Batten Down the Data Hatches

We are living in a new world where data is gathered about everything we do, touch, see, or consume. Companies are experiencing the same deluge of data, as they are now able to gather detailed information about their customers, buying journeys, supply chains, sales cycles, and employees. When asked about data, 65% of CFOs cited "accuracy and integrity of the data itself" as the most or second most important characteristic of the data. Coming in second was "timeliness/shelf life of data," with 42% of the vote in the most or second most important categories.

But this is just the beginning. CFOs recognize the coming data deluge and should be bracing for the storm, as the majority of CFOs expect data to increase by up to 50% over the next five years (Figure 1), further stretching their finance teams to manage and identify the critical data to deliver insights to inform their business.

Figure 1 *How CFOs Expect Data to Increase Over the Next Five Years*

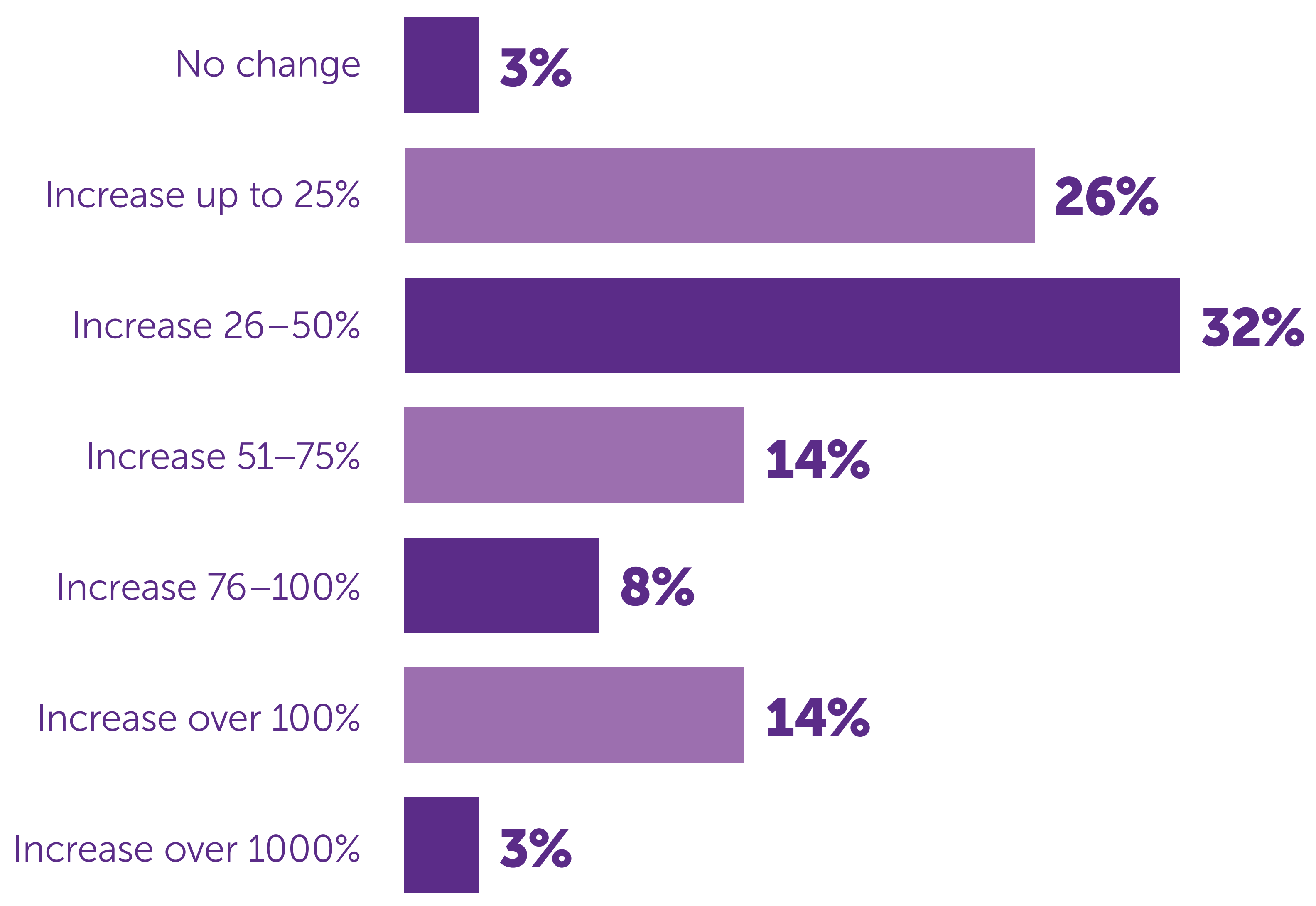


Figure 2 Information CEOs Ask for Most Often

Breaking Down the Silos for Business Success

Not only will the data volume increase, but the type of data CFOs must manage is increasing. Non-financial data is playing a greater role for CFOs, as they are now managing data from multiple sources across the organization. This requires collaboration and access to data at a level not previously experienced. While 41% of CFOs manage data from three to five source systems, another 30% are managing data from five or more source systems, creating operational and process challenges. When asked about the type of data that is most important, it is no surprise that sales data came out on top, with 58% ranking it as the most important or second most important type of non-financial data.

How successful are teams in integrating the data? Two-thirds of CFOs rate their teams "average" at best when it comes to effectively integrating operational data (outside their ERP/GL) into analytics and dashboards. Only 5% of CFOs gave their team a top ranking in integrating this data, clearly signaling that integration is no small challenge for today's finance teams.

71% of finance teams manage data from 3+ source systems.

CFOs are often the go-to source for data within companies. But what do CEOs ask for most often? The word cloud (Figure 2) showcases the variety of information CEOs ask of their CFOs. And, while sales, HR, and operational data are to be expected, many other requests highlight the expanding role of strategic CFOs as they drive toward a single source of truth.

Data Aggregation Driving Insights

CFOs most commonly answered that their teams are still manually aggregating their data, which is surprising given that data is forecast to increase significantly, the sources of data are numbering three-plus, and CFOs are giving their teams an "average" rating on their ability to integrate operational data. An often cited statistic shows 88%[2] of spreadsheets contain errors, which makes manual data aggregation a risky and potentially unsustainable approach for a true 360-degree view of the business—a view that leverages past and current performance data in order to accurately forecast and inform future performance.

How else are finance teams aggregating data from disparate systems? Using the ERP as the primary source of financial data was cited by 32% of the CFOs, while 27% of CFOs noted that they use a consolidated data warehouse or business intelligence (BI)/corporate performance management (CPM) tool. And because more than one answer was allowed, it is clear that teams are using multiple approaches to get a handle on the increasing data and sources, potentially blending manual and automated approaches (Figure 3).

Figure 3 *How have you or your team tried to aggregate data from disparate systems to create a single source of truth? (Select all that apply.)*

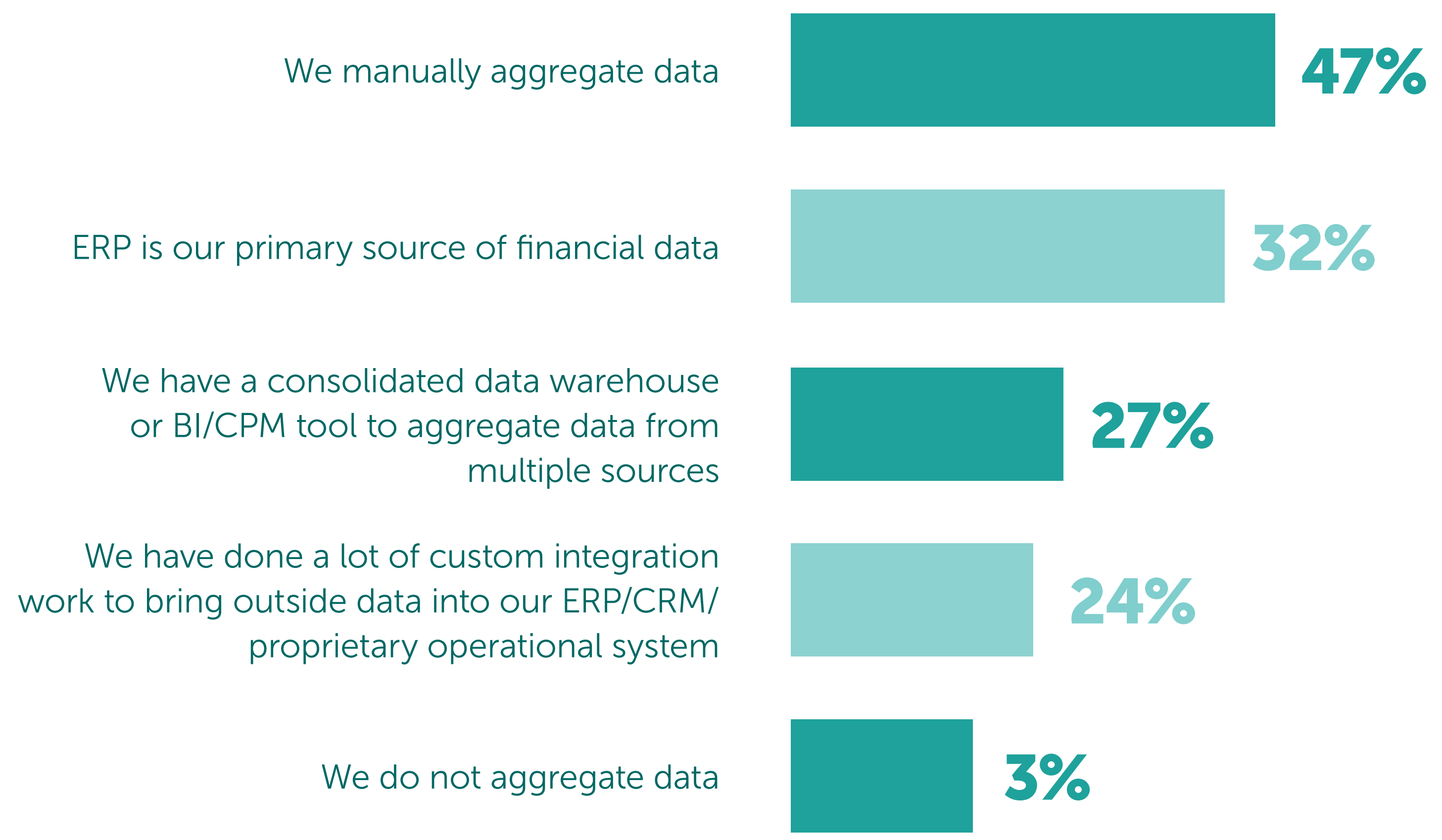
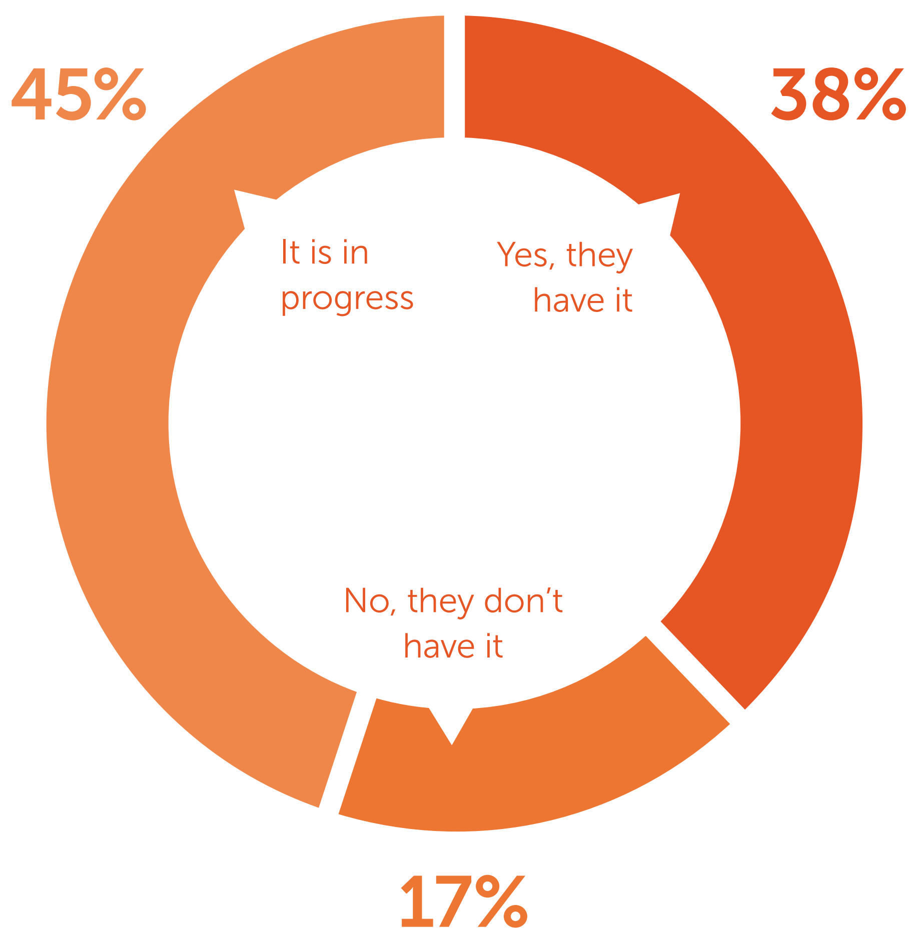


Figure 4 *CFOs Achieving a Single Source of Truth for Their Organizations*



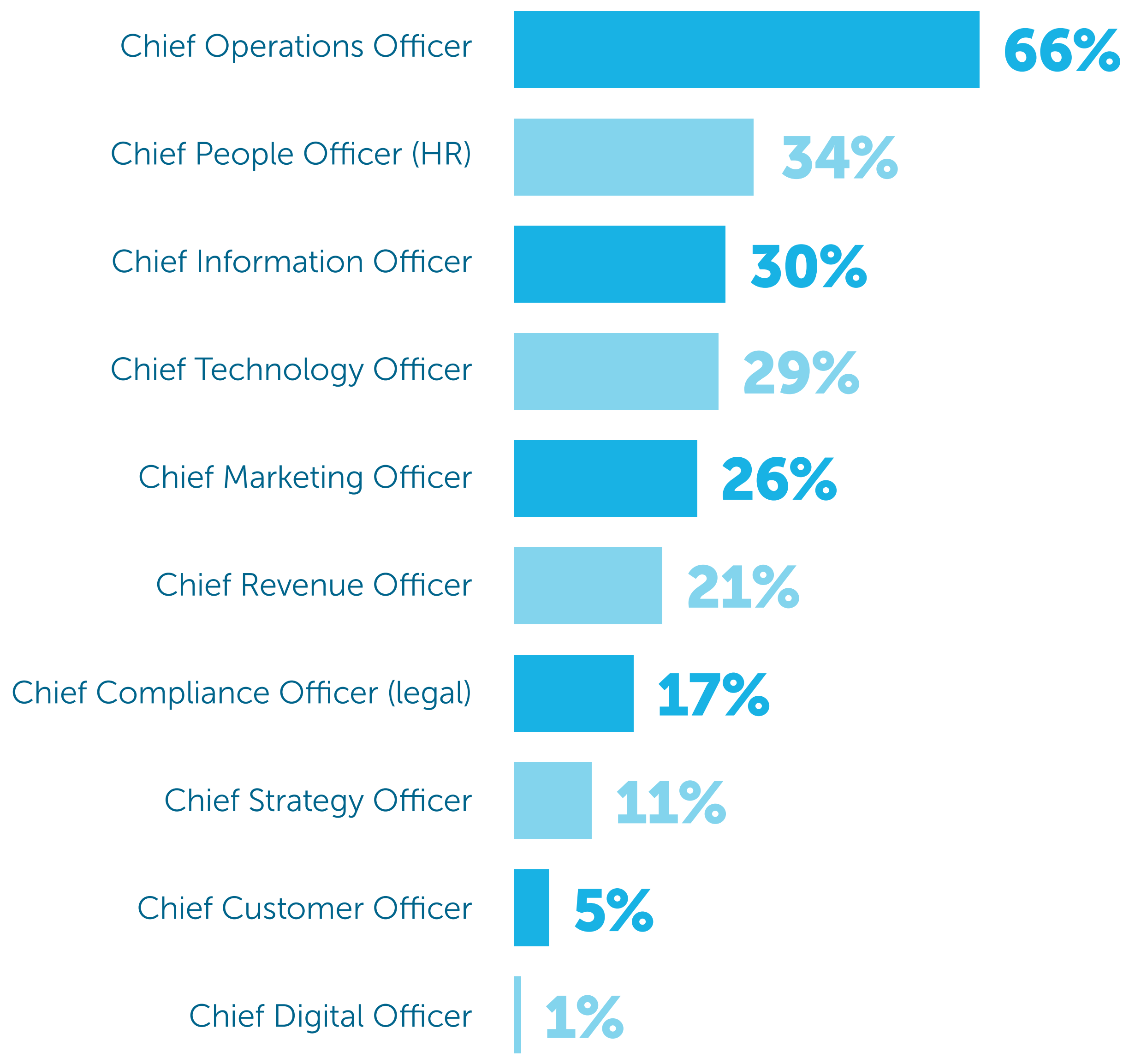
A Singular Focus, a Single Source of Truth

The highest performing organizations rely on data to drive decisions. A single source of truth stops the debate over whose numbers are correct and refocuses the discussion on insights and action. Achieving a single source enables a consistent view of data across the organization in real time, eliminates confusion among competing data sets, and encourages velocity of decision-making.

What are the biggest barriers to achieving a single source of truth? Thirty-seven percent say legacy technology is holding them back, while being too expensive, having too many data sources, and a lack of collaboration all tied as the next biggest barriers cited by CFOs. No matter which barrier, CFOs do believe in driving toward that financial holy grail. While 38% of CFOs said their organization has been able to achieve a single source of truth, another 45% say it is in progress (Figure 4), signaling its importance in today's corporate performance management for three-quarters of global CFOs.

But with one truth, is there one way to measure? When asked if their organizations have a company-wide set of standardized and consistent metrics (KPIs) to measure and track the performance, the majority (54%) of CFOs responded yes, 33% say they are in progress, and 13% do not have company-wide KPIs. In our increasingly data-driven world, common measurements across the organization are critical for CFOs to accurately track, report, and forecast business performance.

Figure 5 *Aside from the CEO, with what other company officers do you most closely work? (Select three.)*



New Levels of Collaboration Across the C-Suite

The drive for information from across the organization is also changing dynamics in C-suite collaboration, as noted in the survey. With 66% of CFOs stating that the chief operations officer (COO) is the executive they work with most closely (besides the CEO), the continuing push for workforce data has likely triggered the chief people officer (executive responsible for human resources) receiving the second highest ranking, with 34% of the vote (Figure 5). Next up was the chief information officer (CIO), followed by the chief technology officer (CTO).

Forecasting the Future

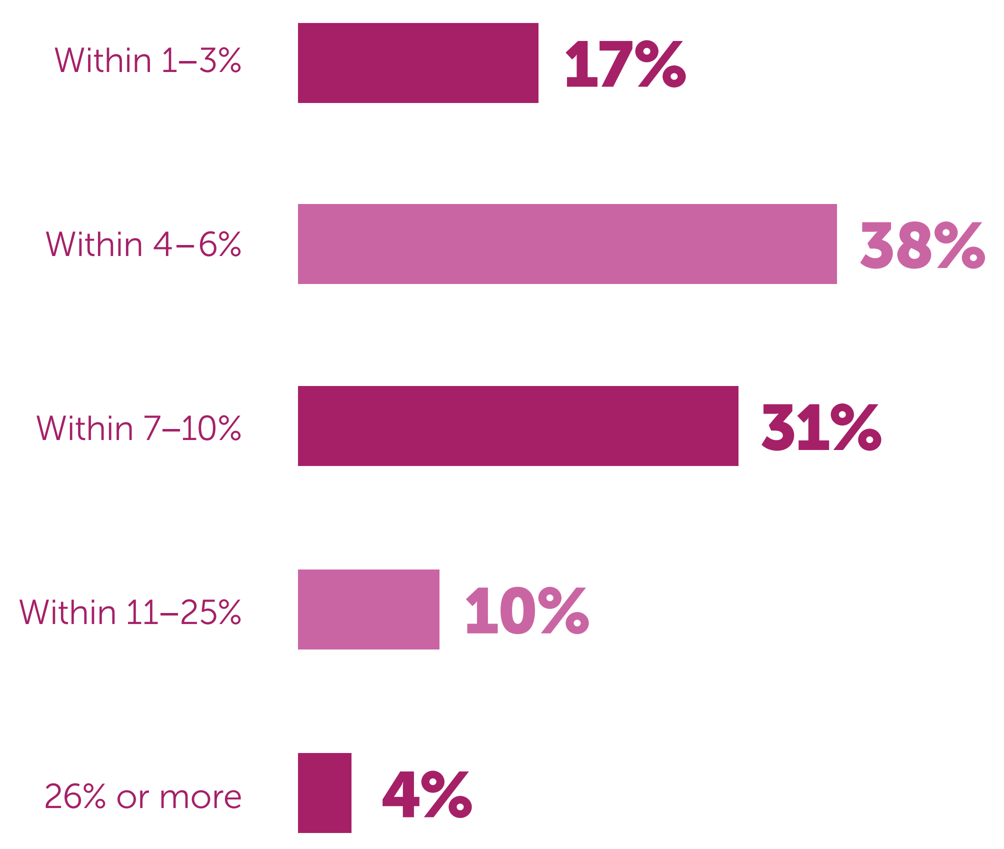
Company forecasts have always challenged the office of the CFO, but today's increasingly complex data streams add an additional layer of difficulty to accurately forecasting corporate performance. While 17% of CFOs stated their team's topline forecast to actuals was within 1–3% on a regular basis, another 14% said they miss it by 26% or more (Figure 6). Well-publicized examples of missed forecasts fuel headlines, but more importantly, they result in lost revenue and shareholder value. As a result, CFOs are increasingly pressured to provide accurate forecasts that account for both internal and external factors.

41% of CFOs miss their topline forecasts by 7% or greater.

When asked what the key contributing factors are that cause a miss in topline forecasts, it is not surprising that the majority of CFOs ranked internal and external factors nearly equally important. The top factor cited by CFOs was sales execution, followed closely by poor data/forecasting, competitive environment, and macroeconomic factors as the key contributing factors. But of these, only data forecasting is within the CFO's control.

While better collaboration, integration of source data, and accuracy of data contribute to better forecasting, a new technology capability in finance is emerging as well. Nearly 60% of CFOs feel the adoption or application of predictive analytics by the finance department would be valuable to their organization's forecasting and scenario planning. By leveraging internal business metrics and external macroeconomic and microeconomic data in real time, predictive data analytics solutions appeal to CFOs as they continue to drive toward truly informed business decisions.

Figure 6 How close is your finance team's topline forecast to actuals?



2016 Planning and Beyond

As CFOs are now planning for 2016, a number of key factors are top of mind, most notably interest rates, M&A activity, and cybersecurity. CFOs aren't overly concerned about the impact of the 2016 U.S. presidential elections to their business or the economy. Nearly 64% believe the U.S. presidential elections will have little to no impact on their company's business, with 42% believing the elections will have very little to no impact on the global economy. However, CFOs had political volatility and China's current economic situation as higher considerations, ranking 29% and 26%, respectively, as top factors in CFOs' 2016 planning (Figure 7).

Figure 7 *Factors CFOs Are Considering in 2016 Planning*

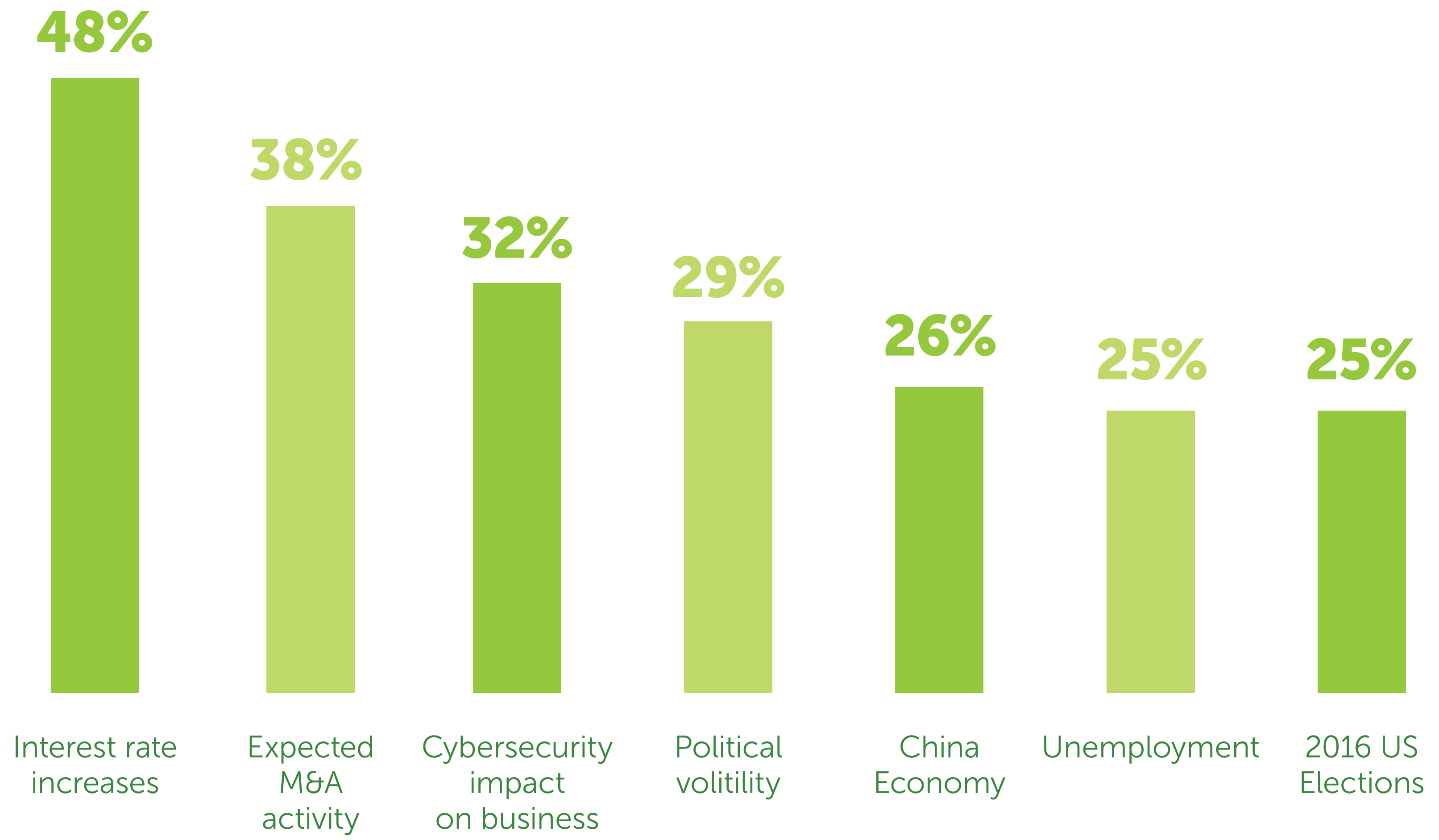
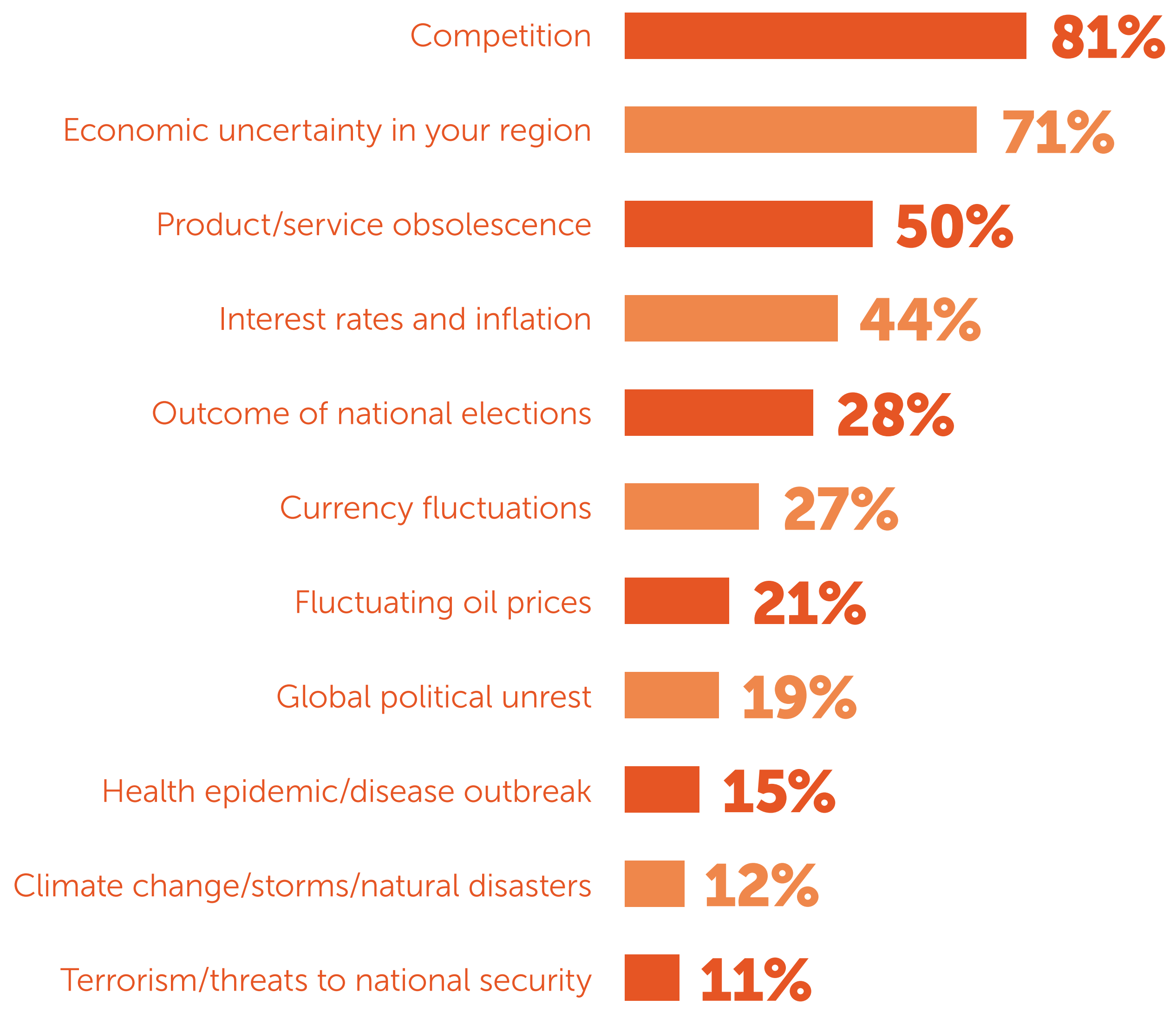


Figure 8 *Top External Forces That Pose Greatest Financial Risk*



CFOs Foresee Risk From External Factors

CFOs are also considering a number of external factors as they assess financial risks for their companies. Competition took the top spot this quarter (Figure 8) compared to last quarter in the CFO Indicator Q2 2015 report when economic uncertainty was cited as the leading financial risk. Product/service obsolescence and interest rates and inflation followed, with 50% and 44%, respectively, of CFOs citing them as top factors.

Key Takeaways for the Strategic CFO

It is clear that CFOs are navigating through unchartered waters. Tasked with managing a deluge of data from multiple sources across the organization, there is an expectation of CFOs and their teams that they can aggregate, accurately process, and interpret the data for actionable insights across the business. As a result, CFOs are looking to break down silos and increasingly driving toward a single source of truth—a key step on the path to finance transformation—allowing them to deliver these insights in real time.

Looking ahead, strategic CFOs must evaluate the tools, processes, and structures they use today and target technology that will help them thrive in this new world of data.

69% of CFOs believe siloed data is the biggest financial mistake

58% of CFOs expect data to increase by up to 50% by 2020

47% of CFOs still manually aggregate data from disparate systems

41% of CFOs say their teams manage data from 3–5 sources

38% of CFOs have achieved a single source of truth

About the Survey

The Adaptive Insights CFO Indicator reports what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. This Q3 2105 report surveyed 435 chief financial officers across the globe online over a period of 10 days ending October 1, 2015. The margin of error is +/- 4.71 percentage points.

435 CFOs surveyed across North America, South America, Europe, Asia, and Australia

Adaptive Insights is the leader in cloud corporate performance management (CPM). Via its software as a service (SaaS) platform, the company offers capabilities for budgeting, forecasting, reporting, consolidation, dashboards, and analytics that empower finance, sales, and other business leaders with insight to drive true competitive advantage.
www.adaptiveinsights.com

[1] Source: IBM, http://www-01.ibm.com/software/data/bigdata/what-is-big-data.html
[2] Source: Raymond R. Panko, University of Hawai'i, http://panko.shidler.hawaii.edu/SSR/Mypapers/whatknow.htm