

THE VELOCITY OF VALUE

Increased “speed of insight” enables finance to better support strategic decision making.

BY DAVID W. OWENS

At more and more companies, innovation and growth top the agenda. How finance functions can support those efforts was a central concern of senior finance executives responding to a recent CFO Research survey, sponsored by SAP. The survey explored ways in which finance functions are adapting to the accelerating pace of change in their companies, markets, and information technology, as well as the analytical capabilities they must deliver to support growth.

Finance functions can play a key role in guiding corporate executives, business-unit managers, and sales and marketing functions to ensure that new growth is profitable growth. Nearly all the survey respondents (90%) said their companies will be striving to improve profitability over the next year, with 39% looking to make substantial improvements. But nearly everybody also recognized that, to meet those goals, they will need to develop the ability to respond rapidly and effectively: 87% said that managers at their companies will need to analyze financial and performance data much more quickly if they are going to meet their targets.

Uncertainty and volatility in the business environment increase the need for decision makers to get information faster, absorb and analyze it faster, and make adjustments faster. This translates into increasing demands on the finance function to support that decision making with integrative analysis of financial and performance data.

Despite this critical need, only 12% of the respondents said their finance staff currently can respond to requests for financial reports and analysis from business managers immediately — that is, in real time. Although 58% said they respond within a day of receiving a request, the larger question remains as to whether a one-day turnaround is fast enough. Increasingly, the answer is no. (See Figure 1.)

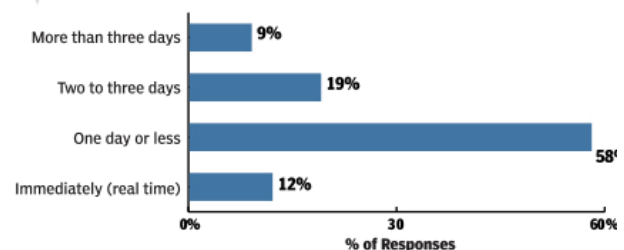
Finance systems that produce reams of data but do not parse that data to support decision making are in many ways counterproductive, because the finance team must spend valuable time sorting and sifting the data for business insights.

So speed of response isn't everything; instead, accelerating the interpretation of what that information means to the business is essential—working with line-of-business management to visualize the problem, simulate solutions, understand both financial and operational impacts, and select the right response. In other words, to be most effective, finance functions can't stop at simply handing over the P&L to a manager, even if it can be generated in real time.

Analysis for strategic business decision-making means identifying and downloading the right data, then putting that data to good use. Many business managers are looking to their finance colleagues for help in addressing both challenges. A CFO from the wholesale/retail sector in Spain makes the point more starkly: “We have [ERP] and CRM, with innumerable data; however, the use of the same by the management is disastrous.”

FIGURE 1

How long does it typically take finance staff at your company to respond to a request for financial reports or analysis from a line-of-business manager?



Role of Technology

Nearly all the finance executives responding to the survey confirmed that their companies will need to upgrade their information systems in order to support the changing role of finance. But improving technology isn't just about getting faster — for example, speeding up the financial consolidation and close cycle. In a larger context, it's about what finance staff can do with the time they gain as they apply faster, more powerful technology.

It was clear to respondents that a finance function should use the time to look forward rather than backward. Finance chiefs are looking for tools that point the user to clues about why the data is trending a certain way. They are also looking for tools that turn those “why” clues into key facts that strategically redirect corporate strategy quickly, without waiting for the month, quarter, or year to close.

In fact, 89% of respondents agreed that, to meet their targets for profitable growth, managers will require more forward-looking, predictive analytics than they have now. In addition, 83% of respondents agreed that better information reporting and data-visualization capabilities would help their line-of-business managers make better decisions.

A director of finance from the U.S. consumer goods industry summarized the need: “easier visualization of data using dashboards; more advanced analytics that look at trends and history to provide more accurate projections.”

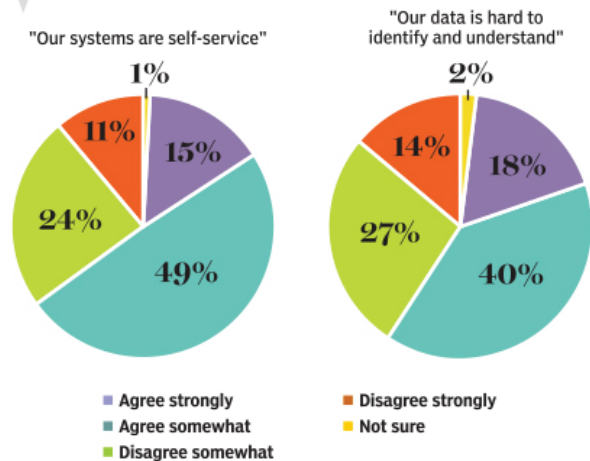
Speeding Up Insight

Many companies are seeking ways to accelerate not just their speed of processing but also their “time to action” — that is, their speed of insight. A finance executive from a Mexican health care company commented on the benefits he seeks: “Greatly improved systems [would] lower the reaction time of our executives, which would translate into an advantage against the competition.”

However, increasing information complexity can create obstacles. The survey found that, as both the

FIGURE 2

Data retrieval may be “self-service,” but data analysis is not.



volume and the complexity of data grow, finance executives no longer believe that “ease of use” is only as simple as “do it yourself.” While 62% of the respondents say that their information systems are largely “self-service,” at the same time 58% of respondents say that line-of-business managers at their companies have difficulty using the companies’ information systems to identify and understand the data they need to make effective decisions. (See Figure 2.)

In sum, finance functions know that they will need to do more than simply churn out numbers if they are to help business managers avoid information disasters. More and more, business managers will expect finance staff to tell the story behind the numbers — to help them integrate financial and operational data in ways that move beyond the P&L statement and get at the real drivers of innovation and change for the business. Companies are beginning to provide the tools that finance can use to accomplish those tasks, moving ahead with the adoption of the systems that can deliver robust and innovative information capabilities into the hands of their business leaders.