

Big Data, Better Vision: The Agile CFO



EXECUTIVE SUMMARY

As CFOs take on a broader, strategic role in the organization, they are faced with both challenges and opportunities in the form of big data. Big data is impacting every aspect of business today, with the sheer volume, sources, and veracity demands of data continuing to increase. But it is big data's potential that is charting the course for strategic CFOs. As they respond in real time to macroeconomic, industry, and competitive issues, strategic CFOs have the opportunity to harness the power of data and analytics, developing a level of agility not previously possible.

How are CFOs using data and analytics to drive corporate performance? How are they responding in a turbulent economy? And what technologies will they use to manage their business?

In a Q1 2016 survey of 377 global CFOs, we found that CFOs are concerned about the economy, yet confident in their predictions. Why? Big data and analytics, combined with scenario planning, are driving their overall confidence and guiding performance. Whether it is the changing regulatory environment or uncertain economy, CFOs are remaining agile through multiple scenario planning, enabling their organizations to rapidly respond and change course, as necessary. And they are embracing technology to model these potential changes, with an eye toward cloud-based technologies.

CFOs should feel confident in their ability to accurately forecast sales, as nearly 50% believe their forecasts were in the range of $\pm 2\%$ for the last quarter of 2015. And, despite the

recent market turbulence, the financial outlook for the first two quarters of 2016 is very or completely stable for 41% of CFOs responding, with only 14% reporting little or no stability in their forecasts.

While only 23% of CFOs expect the market contraction to worsen, all CFOs were asked how they could provide the most strategic value during such a contraction. Nearly half (48%) said that it was by planning for multiple scenarios in response to growing uncertainty. Turning real-time data into insight to inform actions (30%) was the next most important source of strategic value. Moving far beyond numbers management, the focus on multiple planning scenarios highlights the CFO's recognition of an uncertain climate and the speed of change under which today's corporate environment operates. Uncertainty and multiple scenarios create a desire for quantification—which moves strategy further into the CFO's court.

But CFOs view their value to the organization differently than their CEOs. Sixty-five percent of

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CFOs believe having technical and analytical skills is the most beneficial attribute to their performance. This is in contrast to the views of the CEO, as noted in the 2015 KPMG Global CEO Survey, *'The view from the top,'*¹ where global CEOs were asked about the most important business attribute a CFO can possess. CEOs ranked technical and analytical skills the lowest (8%), and instead ranked global experience (48%) the highest.

This suggests that CFOs have a long way to go to meet CEO expectations. For CEOs, the capability that finance executives value most highly in themselves is simply the price of entry to the CFO role. Where they are aligned is experience with transformation and innovation, with both CFOs (59%) and CEOs (34%) ranking it the second most important attribute, indicating they are united in their concern about the pace of change that CFOs must drive.

How will they drive this change? CFOs (43%) believe big data and analytics will have the single biggest effect on their future role. Analytics are being used to drive the scenario planning process. The challenge for CFOs is combining financial data with real-time transactional data and real-time operational data to see the impact of investments. This combination does a better job predicting where the business is going, using leading indicators instead of lagging KPIs.

When looking for ways to support strategic finance activities, the new technologies with the most promise are dashboards and analytics (identified by 56% of CFOs), underscoring the CFO's role in developing, reporting, and sharing business-critical information across the organization.

Where will these new technologies reside? Increasingly, the cloud, according to CFOs. Validating the shift to a cloud-based approach across all aspects of the organization, CFOs estimate that 33%

of their IT infrastructure is software as a service (SaaS) today, yet forecast this to grow to 60% of their infrastructure in four years. Why? When asked for the biggest advantages of using cloud-based, or SaaS, technologies solutions for financial planning, CFOs

cited increased collaboration (24%), less reliance on the IT department (21%), and significant cost savings (17%).

Our study looks at how CFOs are using big data and analytics, where they see their value in the organization, and how they are planning for the future.

Read on to learn more.

56% of CFOs will
invest in dashboards
& analytics technologies



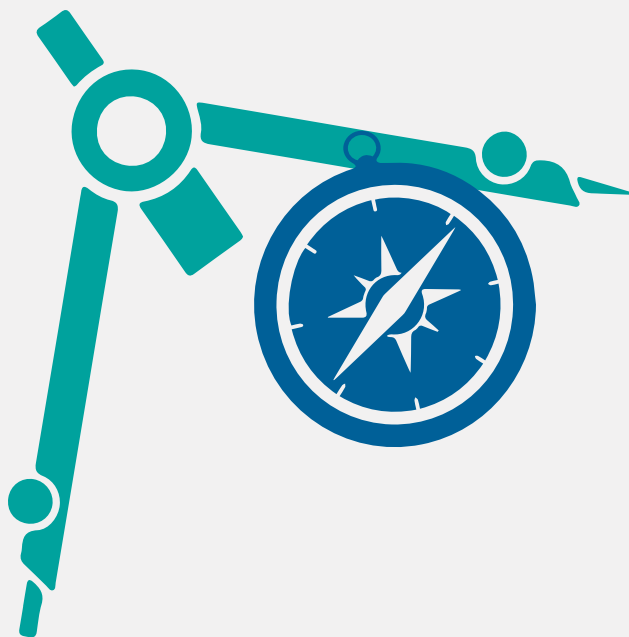
NEW CHALLENGES

Turbulent Times Demand Sound Plans

Our survey reached CFOs following one of the most significant collapses and recoveries seen in the U.S. stock market. As a result, it is no surprise that as we look deeper into the issues facing CFOs for 2016, the economy far and away is top of mind for the majority, regardless of their region. More than two-thirds of CFOs cite economic uncertainty as the greatest financial risk for their company. No other issue was reported by a majority of respondents.

The next most widely reported concerns for CFOs were interest rates and inflation (37%) and the outcome of national elections (33%). These same top three, ranked in the same order, are consistent with the [CFO Indicator Q4 2015](#) results.

With the U.S. national elections less than three quarters away, we asked CFOs how they are preparing for regulatory changes, which could include the U.S. Treasury Department's closing of the "tax inversion loophole" or, more broadly, the European Union's promised actions following the Panama Papers' spotlight on tax avoidance. Not surprising, planning for multiple outcomes topped the list, with 64% calculating what-if scenarios to adjust for the ever-increasing regulatory burdens. Nearly half (46%) will look to find competitive advantages in evolving regulation. This is consistent with CFOs' views of where they see their focus areas, with 61% citing leveraging the regulatory environment for competitive advantage as a key focus today, and 72% expecting it to be a key focus in three years.



64% of CFOs will plan for multiple outcomes to prepare for changes in regulatory requirements



NEW CHALLENGES

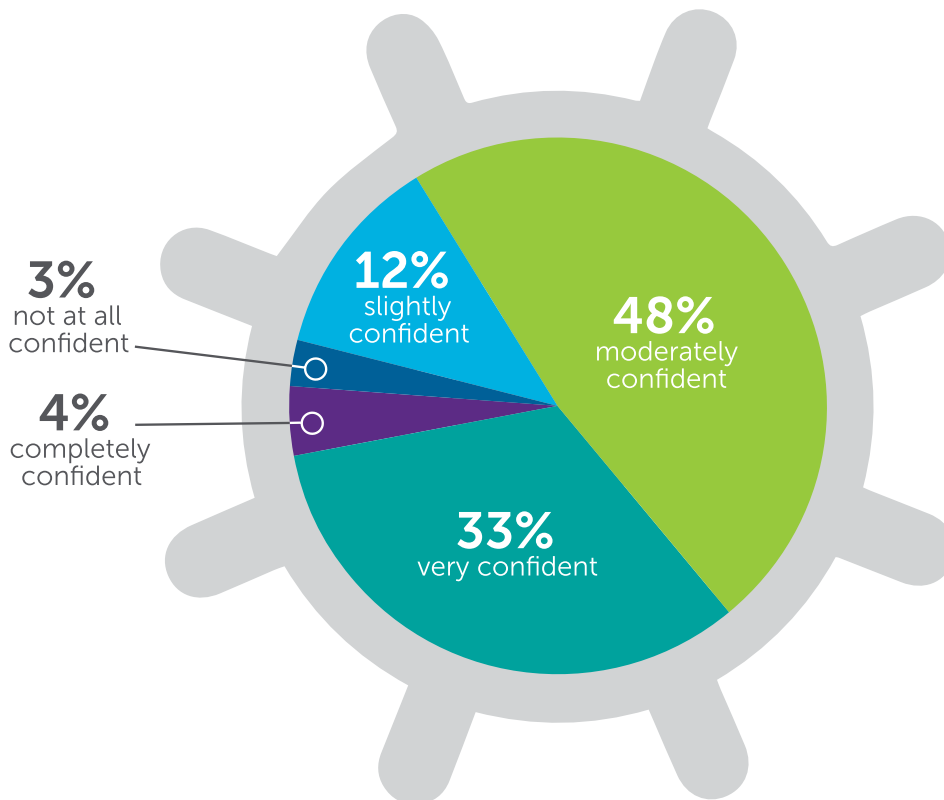
Multiple Scenario Planning Instills Confidence

Despite the market turbulence and corrections experienced in Q1 2016, CFOs remain confident in their ability to forecast and plan for their organizations. CFOs assessed the accuracy of their organization's financial forecast for sales for the last quarter of 2015: 21% said the forecast was on point, and for 47% altogether it was in the range of $\pm 2\%$ of the forecast. Not surprisingly, organizations were more likely to significantly miss their sales forecast than to significantly exceed it: 17% were more than 5% below the forecast, while 8% were more than 5% above it.

But confidence is very high from CFOs, with a staggering 85% feeling moderately, very, or completely confident in their organization's financial forecast for this quarter and next.

How are CFOs managing during these volatile times? It comes down to sound planning and strategy, with the majority of CFOs either planning for multiple scenarios or leveraging analytics to turn real-time data into insights. The knee-jerk capex slashing of

How confident are you in your organization's financial forecasts for this quarter and next?



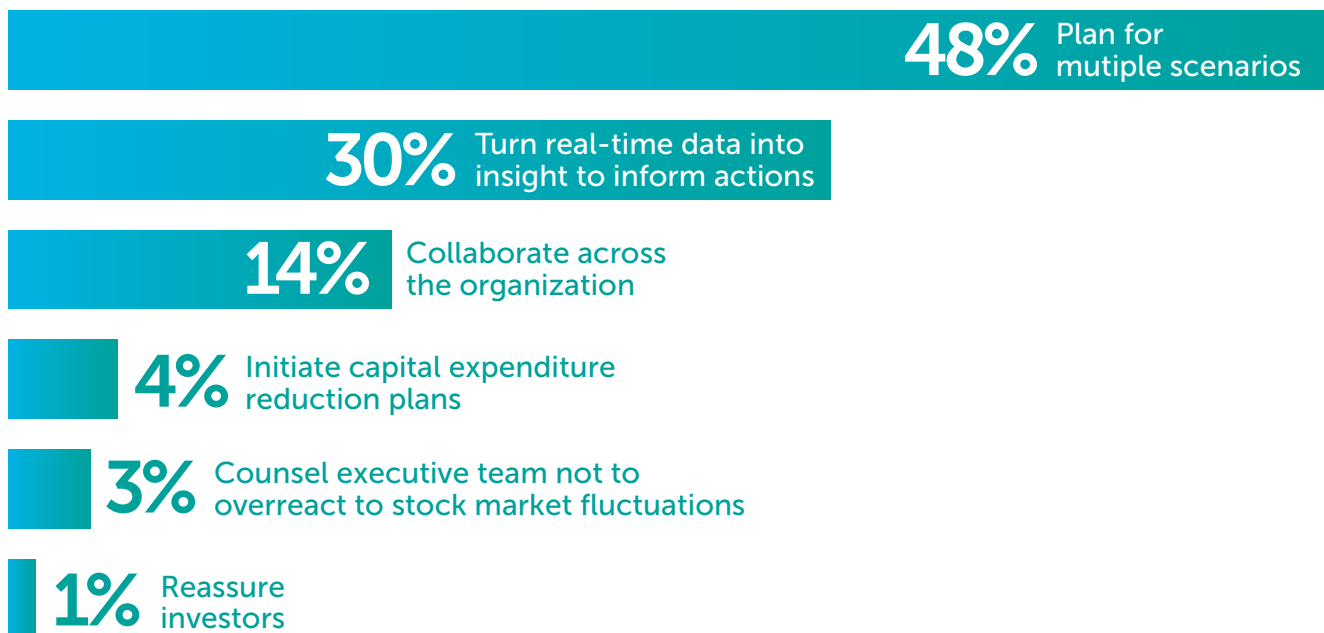
NEW CHALLENGES

the past is no longer a probable reaction to market contractions, as shown below; only 4% of CFOs cite their intent to initiate a capex reduction plan.

But experience does play a factor in how CFOs are approaching their roles. Half of CFOs with 10 or more years of experience reported the need to plan for multiple scenarios, compared to just

37% of those with under 10 years of experience. Less-experienced CFOs placed a greater emphasis on collaboration: 20% reported that collaborating across the organization was the greatest way to add strategic value during a market contraction, compared to just 8% of more experienced CFOs.

During a market contraction, how can a CFO provide the most strategic value?



CFOs and CEOs: An Opportunity for Alignment

As CFOs seek to balance their role in the organization between compliance and strategy, there is a disconnect between how CFOs and CEOs view the role of the CFO. As noted above, CFOs (65%) cite technical and analytical skills as the most important attribute for their performance, ranked lowest by CEOs (8%) in the 2015 KPMG study *"A view from the top."*

Differing opinions on technology exist as well, with the KPMG survey highlighting that CEOs value a CFO's experience with new technologies (21%) higher than agility with new technologies (8%). Conversely, in our study, CFOs valued agility with new technologies (23%) well ahead of experience with new technologies (10%), signaling the mindset

of CFOs to leverage technology to gain business insights that allow them to move rapidly in a fast-paced business environment.

Looking ahead, CEOs and CFOs have different views on which factors will have the biggest effect on the future role of the CFO. For CFOs, big data and analytics topped the list, cited by 43% of CFOs, closely followed by breaking down silos and embedding the finance function across the business unit, cited by 39% of CFOs. Rounding out the top three were talent management and skill shortages in the finance organization, with 38% of CFOs believing these will have a significant impact. All of these indicate the CFO's challenges in driving toward a single source of truth for finance—from



65% of CFOs cite technical and analytic skills as top business attributes most beneficial to their performance



COLLABORATION

a data management, organizational, and talent management perspective.

Grabbing the top spot in the KPMG CEO survey, 40% of CEOs believe the regulatory environment will have the biggest effect on the future role of the CFO. Next up, 37% of CEOs cite risk management, closely followed by big data and analytics. And while both agree on the relative importance of big data and analytics, external factors register high on the CEOs' list while internal factors register high for CFOs. This disconnect between how the CFO and CEO view the future CFO role signal a strong need for alignment.

In last quarter's [CFO Indicator](#), we discovered that nearly 50% of CFOs aspire to be CEO. But what hurdles must they overcome to ascend to the top

spot in their organization? Here we found another disconnect between CEO and CFO views, with the majority of CFOs (54%) believing their perception as safeguards and not visionaries is the top issue they must overcome to assume a CEO role.

Yet, only 17% of CEOs cited this in the KPMG study. Instead the leading perception CEOs feel CFOs must overcome is lack of commercial (non-finance) experience, cited by 45% in the KPMG study. CFOs agree, with 40% also believing their perceived lack of commercial experience must be overcome. Both CFOs and CEOs also agree that CFOs are viewed as too narrowly focused and lacking big picture vision to ascend to the CEO. The real disconnect is with leadership skills.



54% of CFOs believe they must overcome perception as safeguards and not visionaries to assume a CEO role



REDEFINING CFO

Technologically Savvy, Cloud-Friendly CFOs

Having evolved from a traditional accounting-based function, the strategic finance organization—led by the modern CFO—has emerged as a technology-enabled, analytics-driven function providing a 360-degree view of the business. CFOs are more technologically savvy than ever, and as noted in the [CFO Indicator Q4 2015](#) report, CFOs increasingly have the IT function reporting to them.

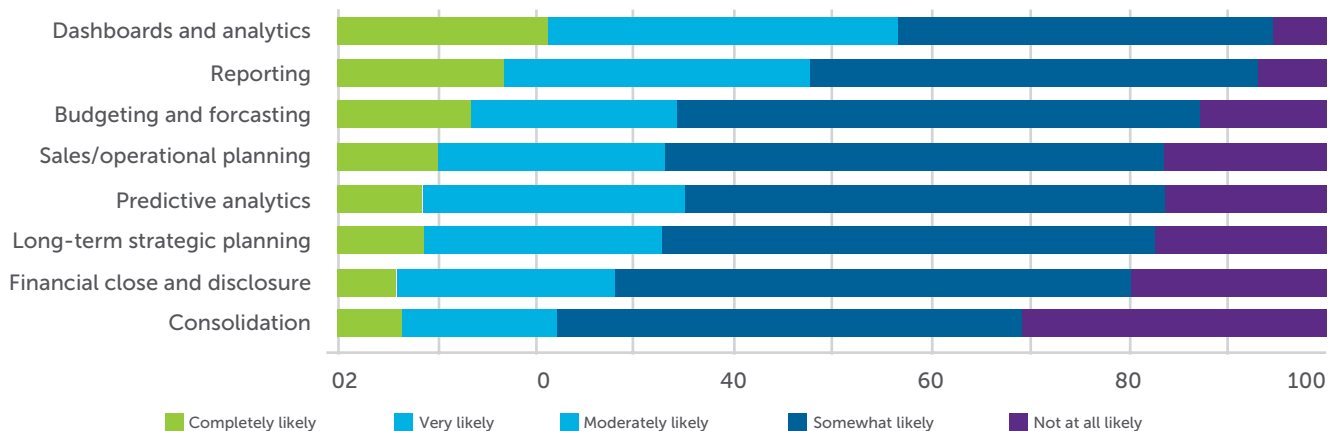
So how savvy are CFOs? Questioned about their personal proficiency in technology overall, again confidence is high from CFOs, with 93% saying they are moderately, very, or extremely proficient. Looking into the type of technology used, 95% of CFOs say they are moderately, extremely, or very proficient with Excel, with proficiency with their enterprise resource planning (ERP) software coming in second (67%). An even 50% feel moderate, very or extremely proficient with customer relationships management (CRM) software, which is not surprising as CFOs and their

finance teams are increasingly mining CRM data for valuable insights beyond day-to-day operations and pipeline to inform their strategic plans.

Looking ahead to technologies that CFOs are most likely to invest in to support strategic finance activities, the majority of CFOs (56%) reported they were very or completely likely to invest in dashboards and analytics, and 46% were very or completely likely to invest in reporting. Reflecting the continued drive toward predictive analytics, 35% of CFOs noted they were very or completely likely to invest in predictive analytics technologies.

CFOs also expect technologies to increasingly reside in the cloud. CFOs estimate that 33% of their IT infrastructure is SaaS today, and they forecast this to grow to 60% of their infrastructure in four years.

Please rate how likely you are to invest in the following technologies to support strategic finance activities.



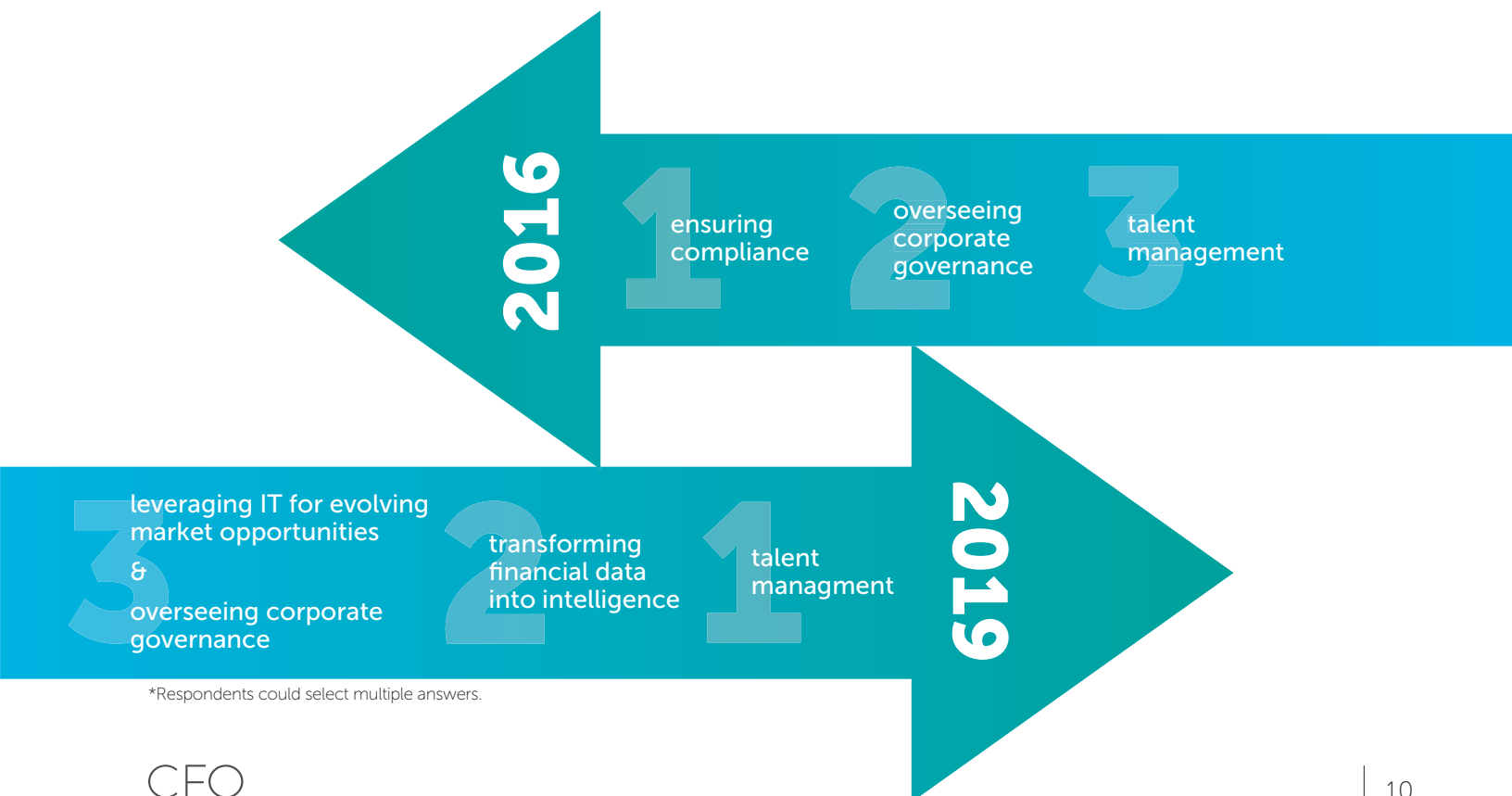
The View Ahead: Talent Management and (More) Big Data and Analytics

As CFOs assume a broader, strategic position in the C-suite, they recognize their priorities must change. While nearly all CFOs (93%) agree that ensuring compliance is their main focus today, only 62% of CFOs see compliance as their main focus three years from now. Instead, the majority (78%) believe talent management will be their greatest focus in three years, closely followed by the ability to transform financial data into intelligence to drive growth (77%). A tie for third rounded out the top focus areas: understanding how to leverage IT to take advantage of evolving

market opportunities and overseeing corporate governance, both cited by 74% of CFOs.

The CFO initiatives that will bring the most strategic value to the organization are applying financial data analysis to achieve profitability and growth (78%) and applying financial data analysis to derive new operating models (75%), both tying back to the CFOs' view of their top strengths: technical and analytical skills and experience with transformation and innovation.

What are your main focus areas as CFO now? What do you think your main focus will be three years from now?*



*Respondents could select multiple answers.



Final Thoughts

Big data is fueling big changes for the finance function. Today's CFO role is evolving as a result of new technology, process, and people demands required to keep pace and find meaningful insights that will drive corporate performance. Increased expectations from the CEO, along with mismatched perceptions of CFO value, is an opportunity for better alignment between the corporate captain and finance officer.

And while the volume of data continues to explode amid a sea of market volatility, CFOs are managing the complexity by embracing analytics. Planning for multiple scenarios is driving competitive advantage and providing unprecedented visibility to the organization. Agility is key, as CFOs must be able to pivot and adjust to both internal and external conditions.

Today's modern CFO knows that while you can't control the winds, you can adjust the sails.

About the Survey

The Adaptive Insights CFO Indicator Report reveals what is top of mind for CFOs, as well as unveils key attributes that define the strategic CFO. An [infographic](#) is available, as well as [blogs](#) that highlight key findings and takeaways. This report surveyed 377 chief financial officers across the globe online over a period of 14 days ending March 28, 2016.

For additional insights, read results from the previous CFO Indicator surveys:

[The Evolution of the CFO: Key Attributes of the Modern CFO \(Q1 2015\)](#)

[CFOs Bank on Technology to Achieve Business Success \(Q2 2015\)](#)

[Strategic CFOs Break Down Silos to Harness the Power of Data \(Q3 2015\)](#)

[Collaborative Finance Organizations \(Q4 2015\)](#)

