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Why CFOs Should Govern Data Analytics

Overview

Big data and data analytics are becoming ever more prevalent in today's business environment. Firms are beginning to realize the value in their data and the benefits derived from its analysis. Nearly half of all executives surveyed in the 2017 *Newvantage Partners Big Data Executive Survey* indicated that they decreased expenses as a direct result of their investments in big data (Bean, 2017). Many firms currently use big data/analytics for informed decision making and improved operations efficiency. However, with these innovations, the question of who should own and govern data-driven analytics has arisen. In a recent survey, *Grant Thornton* found that 89% of those surveyed believed that the CFO of the future will require much stronger data analytics skills (Sachdev, 2018). Likewise, according to the *EY* and *Forbes Insights' Survey*, in the past five years, 50% of CFOs have increased time and monetary resources devoted to analytics in hopes of providing more valuable information for the CEO and senior management (EY-Global, 2018). Given that finance is usually the driver of analytics-based innovations, this presents a strong case for conceding ownership of analytics to the CFO.

For CFOs to truly own analytics within a company, they must first close the gap between strategic and operational decision-making by use of advanced data analytics. This concept is a drastic change for a CFO by connecting "running the business" with "managing the business" (Kambil, 2013). While managing the business is a familiar role for a CFO, running the business can often seem like a daunting and unappealing task. Day to day operations and lower level decisions may seem out of a CFO's purview; however, there is a vast amount of customer data collection at this level that can be interpreted via the use of analytics to increase performance and positively affect the bottom line. For example, while profits can be lost via the performance of stale operational tasks, analytics can help assist companies in reducing costs by analyzing these processes and improving performance. Furthermore, as CFOs pave the way for the use of analytics via enterprise technology like ERP systems, they will establish a reputation of being leaders and innovators in technology and value creation inside the companies they lead. By owning analytics, CFOs have an opportunity to spread analytics and value creation from traditional finance functions to the operational needs of the business as a whole (EY-Global, 2018).

While advanced data analytics will be able to improve performance and cut costs, it is important to understand that big data and advanced analytics have more potential than that. The next generation of computing will fundamentally change how data is connected and used. The next innovation in data analytics will come in the form of risk management and the ability to respond and hedge against volatility (Jennifer Ho, 2017). CFOs that can use their data to manage, identify, and respond to emerging risks will be able to operate more effectively in both volatile and stable periods.

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Steps CFOs Should Take to Own Data Analytics

1. Define the Advantage Analytics can Deliver

For CFOs to own data analytics, they must first make a clear and convincing case as to how the investment in analytics will add value and create a competitive advantage within multiple business areas (Kambil, 2013). To do this, CFOs should identify key business processes/areas and explain how aligned analytics create the desired value and competitive advantage (Jennifer Ho, 2017). Additionally, CFOs need to emphasize the importance of buy-in and support from all departments within the organization. They need to explain that without adequate support, both monetarily and from the effected departments, that the full benefits of analytics will not be reached. For example, using digital tools such as analytics is necessary to scale solutions across sales organizations. That includes creating tailored dashboards for all sales personnel as well as decisioning tools to help representatives in the field make better decisions. These don't need to be overly complex; even quick and dirty solutions can deliver profitable results without waiting for more sophisticated IT investment and development (Chappuis, Reis, Valdivieso De Uster, & Vietler, 2018).

Likewise, CFOs should stress that data collection and retention are vital for analytics to create value and a competitive advantage. They should reinforce their explanation by citing areas outside of finance's influence that can be positively affected by analytics. Examples include looking at a firm's supply chain and using analytics to examine their suppliers and comparing data from a payroll system against data from a work order management system to see which workers are most productive and leveraging that information to increase the productivity of laggards.

2. Deliver Value Using Analytics

Once the CEO and senior management have bought in on CFO-run analytics, the next step is delivering value. To deliver value, a CFO must ensure that they have the right leadership, culture, and technology in place (EY-Global, 2018). Next, CFOs need to provide the proper training and tools to ensure those responsible for analytics are identifying trends correctly and not making assumptions based upon incorrect trends which could lead to poor decision-making. After completing the above, those responsible for analytics can then begin to produce, present, and act on analytics-based insights. These insights should align with business needs and goals and create value in areas both within and outside of finance's reach. Lastly, it is crucial for analytics not to be held down by traditional constraints. The use of data analytics may produce information which seems counterintuitive to conventional wisdom; however, the information is most likely shedding light on a trend previously unknown to management. The data must be studied and considered valuable.

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3. Protect and Classify Data

While new technology and innovation can create value, it also creates security risks. As noted, big data and the related analysis of this data has massive potential to improve the bottom line of a business. However, these benefits should not come at the expense of security. It is crucial for the CFO and finance to include IT when setting the goals of the firm's big data platform (Curran, 2018). Big data platforms are unique in that the platform is made up of a variety of systems and data collection points. There is no blanket security system that can adequately protect a system of this scale. As a result, it is crucial for IT to be included from day one so that adequate coverage can be built into the system and not inadequately applied after the fact (Curran, 2018). An effective tactic is to start with the objectives of the system so that security can be built in place around all objectives. During this process, IT must be looked at as a valuable resource in the implantation of big data and analytics and not as a hinderance. Ideally, the system will be implemented within a broader Enterprise Risk Management framework. Through this implementation, management can weigh the benefits and costs of securing the data in the context of the entire organization. Lastly, when designing the system, data classification and access controls should be implemented to ensure data is categorized correctly, protected, and available only to those with the proper clearance.

Final Thoughts/Conclusion

As CFOs and finance have set the precedent of implementing value adding technological advancements, a strong case is presented for ownership of analytics being the responsibility of the CFO. By owning analytics, CFOs have the opportunity to spread analytics from traditional finance functions to the operational needs of the business as a whole (EY-Global, 2018). This dispersion of analytics will create value through increased efficiencies and cost reductions in areas previously outside of finance's traditional reach. Likewise, through the implementation of analytics, CFOs must remember what the firm hopes to achieve from analytics, the necessary costs involved to succeed, the skills necessary, and the changes that will need to be managed along the way.

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