



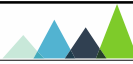
**THE CFO PLAYBOOK ON STRATEGY: HOW TO ADVANCE FROM REPORTING TO ANALYTICS**

April 10, 2018





1

**SPEAKERS**



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- Moderator: Chris Schmidt**  
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2

**1. To what extent are the finance team, and the FP&A function in particular, taking on increasing responsibility for informing a company's strategic decisions?**




3



- The fundamental success of any business strategy depends on
  - product or service market fit,
  - an understanding of a business's core competencies and competitive advantage(s), and
  - careful execution and monitoring.
- Financial goals and metrics help a company implement strategy and track success.
- The FP&A function manages the process and builds the models in which financial goals and metrics reside, which means that FP&A plays an integral part in informing a company's strategic decisions.


4




- Management is demanding greater insight from FP&A so it can make faster, better decisions.
- Digital transformation is freeing up FP&A staff time from repetitive, non-value-add tasks so that FP&A teams can focus on analysis and commentary to inform decision making.
- FP&A has the broad view of the organization to be able to connect the dots between operational decisions and enterprise performance.

5

**2. What are the differences among descriptive, predictive, and prescriptive analytics? What do finance leaders need to know about advances among these types of analytics?**




6




- Descriptive analytics tell you what has happened.
- Predictive analytics tell you what could happen.
- Prescriptive analytics tell you what you should do.
- Continued advances in analytics will lead to precision marketing and personalization.
- Automation will drive increased efficiency while providing mammoth amounts of data through digital platforms, wireless sensors, home computer applications, and billions of mobile phones.
- In addition to increasing the volume of data, automation will also drive down costs and speed up the already rapid pace of business.

7



- FP&A follows an analytics maturity curve, starting with describing past performance, to
  - use Big Data and driver-based models to predict future performance, and
  - leverage these insights and new technologies to come up with recommended action items.
- The Hackett Group's research shows that top-performing finance teams are expecting to see a big shift toward more advanced analytics techniques.

8




- Big Data and new analytics tools enable FP&A teams to recognize patterns and make predictions they never could have made before.
- At this stage, it's virtually required that finance teams use new analytics tools to successfully perform more advanced analysis while leveraging the availability of more diverse and greater volumes of data.

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3. What are the first steps finance leaders should take to identify the latest techniques and types of tools they can use to help expand their finance teams' capabilities so that they include not only reporting but also analysis?




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- The first step is figuring out whether you need these new tools, which will depend on whether you're truly trying to augment your finance team's analytical capabilities or merely adding to what your finance team is already doing.
- The Hackett Group projects an eight-fold growth in the mainstream adoption of advanced analytics tools as finance is being asked by the enterprise to improve the quality of analytics and information that it provides.
- Finance must set the stage for adoption by implementing strong master data management and governance procedures.
- Set up the right organizational structure to optimize the use of analytical techniques and create a center of excellence that can serve the entire enterprise.

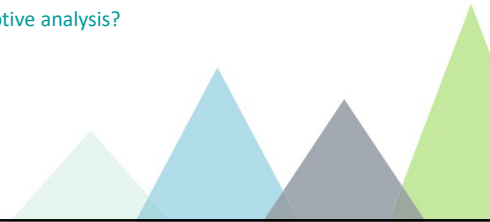
11




- Learn from peers and others in businesses around yours by
  - attending conferences or local finance-related events, and
  - listening to and/or reading a trade journal at least once a quarter.
- Earn continuing professional education (CPE) credit.
  - Require staff to do so as well not only because they must, but also because you want them to.
  - Make it a game and tie compensation to educational goals.
- Listen, listen some more, and then listen again.

12


4. What are the most important criteria finance leaders should keep in mind as they evaluate new techniques and types of tools that enable descriptive, predictive, and/or prescriptive analysis?



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- Greater precision does not always lead to greater accuracy.
  - Consider the following questions:
    - Can you (relatively) easily explain analytics to those with no financial background so that they understand it?
    - Are results intuitive? If not, why not?

14


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- Identify where you are on the analytics maturity curve to determine what type of tools you require; in some cases, existing tools will be more than sufficient.
  - In the area of prescriptive analysis specifically, equations and simulation will be substantially more complex along with the model and volume of the data that's being imported, requiring robust data management platforms.

15


5. What types of skills should finance leaders seek and what types of training should they offer to broaden the analytical capabilities of their finance teams?



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- Finance teams will need hard skills like analytical thinking and the capability to build models and use more advanced analytics tools.
  - Finance teams also require very important soft skills to ensure the analysis makes a difference.
  - Although analytics skills are dominating the finance training agenda, it's critical that finance teams
    - develop the necessary business acumen to optimize their analysis, and
    - communicate the results in a context business leaders can understand.

17


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- Communication skills – If you can't convey the results of your analysis effectively, then no matter how good your analysis is, no one will listen
  - Data science techniques
  - Coding – Only to the extent that your finance team understands what it is doing, so that the team can effectively communicate with experts to gather and analyze necessary data
  - Leverage on-line, in-person, and structured training programs to ensure a continuous learning environment – The “lost” time employees spend in training will improve the overall performance of your team in the long run

18

6. What mistakes should finance leaders avoid in their efforts to widen the purview of their finance teams beyond reporting to encompass analytics?




19



- Not dedicating enough funding and resources to automate repetitive processes to free up time for sophisticated analysis
- Trying to do too much too fast
- Not providing adequate training
- Neglecting to prepare a comprehensive change management initiative to support the transition from reporting to analytics
- Having an unrealistic view of the capabilities and possible impact of analytics tools

20




- Not setting a clear goal of what to achieve – Analytics can be used to understand and optimize virtually anything, so before you start, identify what you want to achieve
- Capturing all the noise but not identifying key performance indicators (KPIs) – With new technology, it is tempting to track everything all the time, but at any one point, a business will only have a finite number of KPIs that really drive performance
- Assuming the more expensive, the better – Selecting a tool should be based on business need and not on how advanced the tool is
- Creating reports with no clear business value – Before preparing a report, ask, “What business decision can be made with this?”

21

7. What are the most essential recommendations attendees ought to remember from our discussion?




22



- Financial goals and metrics help companies implement strategies and track success.
- Increases in the capabilities of analytics will drive down costs, increase the volume of data, and speed up the already rapid pace of business.
- Develop a culture of continuous learning, even if it is a culture of one.
- Communication is just as important as, if not more important than, analytics.

23



- Organizations should know that advanced analytics is not something that companies can consider implementing down the road; companies that are not implementing advanced analytics will find themselves left behind within between 12 and 18 months.
- Use digital technologies to enable current processes, like standardized reporting, to become more efficient so FP&A teams have time to focus on analytical work.
- Prepare your data for sophisticated modeling through master data management and data governance.
- Pilot first; focus on a known problem your organization needs to resolve to test tools and build broad-based credibility.
- Do the homework. Set up the right value proposition.

24

**QUESTIONS AND ANSWERS**

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26

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27