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The data directive is an Economist Intelligence Unit (EIU) report, commissioned by Wipro. It seeks to explore the degree to which the ongoing data revolution within business is delivering truly strategic change amongst CFOs and the finance function, as opposed to more incremental optimisation gains. The findings and views expressed in this report are those of the EIU alone and do not necessarily reflect the views of the sponsor.

This research draws on a subset of two larger primary inputs:

- The first is a wide-ranging survey of 318 C-suite executives, of which 62 respondents were CFOs (20%). From an industry perspective, all major sectors were represented, including manufacturing, including chemicals and aerospace, retail and consumer goods, technology, media and telecommunications, and financial services. Regionally, CFO respondents hailed from North America (42%), Europe (31%) and Asia-Pacific (27%).

- The second key input is 20 in-depth interviews with business executives and experts, of which six were with CFOs.

This summary paper also draws from the findings of a major Economist Intelligence Unit white paper—The data directive: How data is driving corporate strategy—and what still lies ahead, also commissioned by Wipro. This paper may be downloaded from our website free of charge at http://www.managementthinking.eiu.com/data-directive.html.

James Watson is the author of the report and David Line is the editor. We would like to thank the following executives for their time and insights (listed alphabetically by company name):

- Jan Siegmund, chief financial officer, ADP
- Antoine Genier, deputy group chief financial officer, Altran Group
- Peter Kelly, executive vice president and chief financial officer, NXP
- Michel Allé, chief financial officer, SNCB Holding
- Chief financial officer, Fortune 100 chemicals business
- Chief financial officer, Fortune 500 retail business
As the business environment shifts towards a more data-centric future, it is inevitable that chief financial officers (CFOs) will have a central role to play. They represent the function that typically must apply its skills and capabilities to transform and make sense of the numbers, helping support the analysis being done by their executive peers on a wide range of both operational and strategic decisions. In recent years, at a growing number of companies, expectations of the role of the CFO have swelled to encompass a widening range of issues, from risk management to greater support of organisational strategy. As such, the rapidly expanding array of data being gathered within all major functions ought to play into the hands of the CFO.

As this research highlights, there is indeed scope for that role for finance leaders—which both CFOs and their peers recognise. However, it is also clear that finance executives must develop their own skills and confidence with manipulating data, while more progress is needed in the systems and tools that they will need to adapt. Given the relatively early stage of data analytics being adopted within many organisations, a number of the CFOs polled for this study remain cautious yet optimistic about the transformational benefits of data. At the same time, many finance leaders see a clear strategic opportunity here, to extend their authority within the business and take a lead on this issue. But in doing so, they will need to transform themselves and their function.

The following summarises the key findings emerging from the research specific to the CFO function.

1) CFOs are seeing the benefits of having more data in several operational areas, with significant potential for more

Among those chief financial officers polled for this study, many are reporting beneficial outcomes from greater volumes of data in a range of areas, from improved internal reporting through to better ways to identify both risks and opportunities. The areas in which the impact so far has been greatest relate to scenario planning.

![Figure 1](image)

**Where data delivers for CFOs**
Top strategic aspects of role in which data has made biggest positive difference
(% respondents selecting in top 3 choices)

<table>
<thead>
<tr>
<th>Aspect</th>
<th>respondents</th>
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<tr>
<td>Improving scenario planning and forecasting</td>
<td>40.3</td>
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<tr>
<td>Improving financial close management</td>
<td>33.9</td>
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<tr>
<td>Improving profitability</td>
<td>32.3</td>
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<tr>
<td>Improving financial risk management</td>
<td>25.8</td>
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<tr>
<td>Increasing organisational transparency</td>
<td>24.2</td>
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<tr>
<td>Improving corporate reporting/dashboards</td>
<td>22.6</td>
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<tr>
<td>Improving operating risk management</td>
<td>21</td>
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<td>Identifying cost efficiencies</td>
<td>17.7</td>
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<tr>
<td>Identifying new revenue opportunities</td>
<td>14.5</td>
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<tr>
<td>Improving corporate compliance</td>
<td>9.7</td>
</tr>
<tr>
<td>Lowering cost of capital</td>
<td>4.8</td>
</tr>
<tr>
<td>Improving business partnering/support</td>
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</tr>
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<tr>
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</table>

Source: Economist Intelligence Unit survey
and forecasting, where 40% of CFOs say that they have derived a clear, positive difference from greater volumes of data available. Furthermore, 34% have improved financial close management, and 32% have used data to bolster profitability (Figure 1).

As one example, at SNCB Holding, a Belgian railway operator, CFO Michel Allé says the greater digitisation of the business and resulting data improvements have helped provide significant gains in areas such as cost management, which has helped the organisation through a tough operating period in recent years.

All this is an encouraging start, but there are other benefits yet to be uncovered that CFOs see merit in pursuing. For example, many CFOs see potential in areas such as financial risk management, where 24% see promising gains to be had (see case study: Data-fuelled competitive analysis at NXP). Elsewhere, better scenario planning and forecasting, and corporate reporting and dashboards, are the other principal areas where more data has the potential to deliver the greatest benefits, each cited by 23% of respondents (Figure 2).

Furthermore, as the skills, tools and capabilities relating to data analysis improve, so too will the range of benefits that finance derives from it. Jan Siegmund, the CFO of ADP, an HR and payroll firm, explains that greater analysis of his company’s transactions are helping to provide new business insights, such as what factors are most important in customer churn rates, while also opening the door to new products that directly help clients understand their own businesses better.

### Figure 2

**Where data has potential to deliver for CFOs**

Top strategic aspects of role in which data has potential to make biggest difference

(\% respondents selecting in top 3 choices)

<table>
<thead>
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</tr>
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<td>Lowering cost of capital</td>
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<td>8.1</td>
</tr>
<tr>
<td>None of the above</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit survey

2) Finance leaders within high-growth firms are focussing on using data to improve profitability

Financial leaders from across all types of industries are seeing clear benefits emerging from having more data. However, segmenting respondents from “high growth” firms—that is, those for which EBITDA has grown most rapidly over the past three years—from the overall sample, some subtle variations emerge.

For example, looking at where data has had most impact, CFOs from high-growth firms report the biggest benefits in terms of improved profitability, while companies overall have seen the most impact in scenario planning and forecasting. In short, CFOs at high-growth firms appear to be prioritising the upside potential from data—ahead of internal efficiency gains and improvements (though, to be sure, the these are not mutually exclusive). Looking ahead, more CFOs see this attention on the upside as the focus: those from high-growth firms see new revenue opportunities as the top area where data holds the greatest potential for their business (Figure 3).
Case study: Data-fuelled competitive analysis at NXP

It used to be that companies operated in relative isolation, with only occasional insights into the inner workings of their rivals. But in a connected era, this is now rarely the case, especially for public companies required to report on their quarterly performance. At NXP, a semiconductor company that was spun out of Philips in 2006, this in turn is providing a source of competitive advantage, argues CFO Peter Kelly. NXP has set up a group that systematically gathers external data in order to analyse the performance of key competitors. “It’s never a clean comparison, but it definitely gives you a view of where the market is going,” explains Mr Kelly.

One obvious aspect of this is benchmarking: “You might feel pretty happy about your gross margin or operational expenditure as a percentage of revenue, but then you look at others and see they’re doing better,” Mr Kelly explains. “It gives you a chance to look at your own performance and ask if you should perhaps be doing better.”

The data sources that feed into this analysis continue to grow, including the simple approach of setting up specific alerts that provide a summary each day of key customers and competitors, drawn from social media, press releases, financial statements and more. “That’s a huge change,” says Mr Kelly. He adds that a recently announced decision to allow US companies to use social media, such as Twitter, to announce their financial earnings will propel this yet further.

Another benefit is a much-improved approach to risk management. “The amount of visibility we now have of markets, competitors, suppliers and customers all definitely gives us the opportunity to spot risk ahead of time,” says Mr Kelly. “Even if it’s something simple, like you find out about a supplier disruption in a factory in China that you’ve never heard of, it can prompt you to check if you have a firm like that in your own supply chain.”

Figure 3: Focus on the upside (% respondents)

Top strategic aspects of role in which data has made biggest positive difference to CFOs

<table>
<thead>
<tr>
<th>High-growth companies</th>
<th>%</th>
<th>No-growth companies</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Improving profitability</td>
<td>38.7</td>
<td>Improving scenario planning and forecasting</td>
<td>53.8</td>
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<tr>
<td>Improving financial close management</td>
<td>38.7</td>
<td>Improving profitability</td>
<td>30.8</td>
</tr>
<tr>
<td>Improving financial risk management</td>
<td>32.3</td>
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Top strategic aspects of role in which data has potential to make biggest difference to CFOs

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<tbody>
<tr>
<td>Identifying new revenue opportunities</td>
<td>25.8</td>
<td>Improving financial risk management</td>
<td>30.8</td>
</tr>
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<td>Identifying cost efficiencies</td>
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</tr>
</tbody>
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Source: Economist Intelligence Unit survey

One example of this in action comes from the CFO at a major Fortune 100 chemicals company, who asked to remain anonymous. His team is using a much larger range of external data sources to feed into its detailed competitive analysis of the market, to help the business identify competitive gaps, more profitable niches and other opportunities and competitive threats. As he explains it, “For us, the biggest impact has been the increasing access to competitive information, helping us understand where our competitors are and their strategic goals within the sector.”
3) CFOs see much work ahead to create an organisation that is able to capitalise on the strategic use of data, not least within the finance function itself

As befits their role as the internal voice of caution, CFOs are rather less likely to believe that their company’s strategic planning is highly data-driven today. About one in four (24%) believe this is the case, noticeably lower than other functions—35% of CEOs think this the case, as do 43% of CMOs, to give just two examples. The same applies to strategic decision-making, where CFOs are the least likely of any C-suite executive to say that this process is highly data-driven in their company (Figure 4).

Furthermore, CFOs are more likely than their peers to argue that the merits of “big data” have been somewhat overhyped, while many believe it is perhaps more useful for improving operational issues, as opposed to strategic ones. But much of this is to be expected: while chief executives or marketing leaders are typically more bullish about the potential of what data could mean for the business, CFOs are typically more focussed on providing additional rigour on the issue. “I don’t think [my CFO peers] are sceptical about big data per se. They are sceptical about the weighting of big data within the decision-making process,” believes SNCB’s Mr Allé.

Indeed, while it is hardly surprising for CFOs to take a more sceptical view on data, it is also clear that finance may be lagging other functions in how it adapts to the data-driven business era. Whereas relatively high proportions of CEOs (48%), CIOs (40%) and CMOs (33%) believe that their company has changed the way they tackle strategic business decisions, as a result of data, notably fewer CFOs believe so (24%; Figure 5). Elsewhere, notably fewer CFOs buy into the notion that strategic decision-making has improved within the business so far, in comparison to their peers. This is not to say that CFOs don’t believe in the merits of data, though: nearly two-thirds (63%) expect their company’s strategy to improve in the coming two years, as a result of having more data.
4) **There is a clear appetite among CFOs to take the lead on data initiatives internally...**

As befits their title, CIOs are typically regarded as the obvious choice to take the lead on any data initiatives. But this research shows that many CFOs see themselves as natural candidates to pick up the mantle on these within their organisations. When asked who currently takes the lead on data-related initiatives within the business, CFOs flagged both themselves and their CIO in equal proportion. This contrasts with the views of many of their C-suite peers, who were far more likely to cite the CIO as the natural point person on this—although CFOs were second in line (28% on average cited CIOs, while 12% opted for CFOs, Figure 6).
In short, CFOs are more likely than not to have some kind of involvement: “As CFO, I personally have a big commitment to data analytics and big data, because I think it’s very important for us and I try to support this by funding the appropriate amount of technology and innovation in this,” notes ADP’s Mr Siegmund.

What emerges at the core of this research is that the organisational structures that worked in yesterday’s world may not necessarily be the ones that are primed for success in tomorrow’s environment. As the broader study highlights, the companies that claim to do best on extracting insights from data are not necessarily looking to their CIOs to lead on this, but see clear scope for other executives to take a lead here. For CFOs, this represents a natural opportunity: finance teams are often engaged in data-related initiatives, especially in terms of providing the analytical support on what is happening within the numbers. But in order make this transition successfully, finance will need to work harder to evolve.

5) …but there is a lack of confidence among finance leaders about their data-related capabilities

CFOs hold a unique opportunity to shift from the tactical to the strategic usage of data, thanks to their overall position within the business. But in doing so, they will need to revisit the skills and capabilities of their teams, as well as their own confidence on this issue. At a basic level, a wider organisational shift towards the collection of far more data, and of a far greater variety—much of which is of the unstructured, messy variety that finance is least familiar with—will push those CFOs wanting to lead on this well out of their comfort zones.

CFOs are already cautious as to their capabilities here: while 34% regard themselves as above average on this, nearly half as many (16%) think they’re below average (Figure 7)—and in comparison to other management studies, where executives are typically highly bullish about their capabilities, a far higher proportion are content to regard themselves as merely average. This is not necessarily a reflection on the skills of these individuals, but often reflects the fact that many finance functions have been hamstrung in their development here by simple market realities and crushing pressures to deliver elsewhere.

“Our company has had to be far more defensive in the past few years, managing a difficult operating environment, so we’ve had very few innovations [in the data area] as a result,” acknowledges SNCB’s Mr Allé.

These issues are also linked to wider organisational challenges. For example, finance leaders are far less likely to believe that their company has a well-defined data management strategy—which the research has flagged as a key indicator of those companies doing more to push ahead on the data front. Just 7% of CFOs polled say their company has such a strategy in place, compared with 20% of their C-suite peers overall.

Part of this issue, as one CFO highlights, is the difficulty in coping with a rapid increase in more qualitative information—whether market sentiment, analyst reports, customer call logs, or otherwise—that finance is increasingly having to factor in to its analysis. The vast majority of companies polled for this study are significantly
expanding the types of data being collected, spanning a range of both structured and unstructured information.

6) Information overload is seen by CFOs as both a challenge and a risk, while a shortage of skills and immature technology are other key barriers to progress

When asked about the toughest challenges to overcome in making more strategic use of data, CFOs pointed to the thorny issue of working out what information—amidst the avalanche of data pouring in, all from varying sources and in differing formats—is most relevant to them. One in two (50%) finance respondents cited this as a problem, while a further one in four (39%) flag up concerns about a lack of necessary skills within the finance function (Figure 8).

Even at companies that are ahead of the curve on this, there are challenges, as the Fortune 100 chemicals company CFO highlights: “We have a mechanism to collect all the data in one environment, but it’s messy,” he explains. “A lot of the data comes through from discrete sources, in differing formats, and it requires a lot of knowledge to even know how to think about trying to organise it, even before you analyse it,” he says. Others see similar challenges, such as with integration of data across a diverse business (see case study: Leading on the data integration challenge at Altran Group).

All this is not just a challenge to overcome, but also a threat: 55% of CFOs see a clear risk in data overload obscuring other issues within the business—well above the typical response rates of their peers. And there are other barriers to progress specific to their function that worry CFOs. Topping the list is the perceived lack of maturity of many IT systems, cited by 44% of CFOs, while a further 40% believe that the relevant tools are simply too complex and time-consuming (Figure 9).
The CFO of a Fortune 500 European retailer, who asked not to be named, expresses clear frustration at the systems challenges, not least in terms of trying to handle new tools on top of older platforms. “We’ve grown by adding new tools to the setup we have, and thus builds up in complexity over time, with varying interfaces, which makes it hard to develop any systematic processes here,” he explains. “Our enterprise resource planning systems are running well, but we are still lacking tools that can specifically encourage people to improve their decision-making.”

Antoine Grenier, the deputy group CFO for Altran Group, a global engineering company, is unequivocal about the importance of data for the business. “For me, data is one of the critical aspects of the finance function, and of management in general,” he says. But there is an immediate caveat to this, as he explains: “Either it becomes a strategic enabler if you master it and control it, or it acts as a huge constraint because you spend so much time producing it.”

Case study: Leading on the data integration challenge at Altran Group

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This gets to the heart of what many fast-growing companies are grappling with, especially those that have grown up on the back of multiple acquisitions, or which are trying to connect numerous operating divisions. “If there has never been any significant transformation project in order to integrate these companies or divisions and their respective systems, then you end up with multiple sources of data and when you want an aggregate view of the business it becomes a nightmare,” explains Mr Grenier. The ability to get past such integration challenges is what, in turn, powers the ability to do more with data, such as improved scenario planning and forecasting.

But getting there requires overcoming the constraints of legacy technology systems. Within Altran, this is an initiative that Mr Grenier is working on hand-in-hand with the CIO, with a view to linking up the entire business. This shared responsibility between finance and IT on data is crucial, in his view. Why the balance? If the CFO alone leads on this, the business risks not getting the technology, as he puts it. Conversely, if the CIO leads alone, there is a risk that a lot of the specificities of business models and other issues being missed. “It’s super important to look at both the functional side and the technical side at the same time,” he says.
While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

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