THE DATA MAZE
Building Insight-Driven Finance for Digital CFOs

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Written by
Sanjeev Bhatt
F&A Capability Development, EXL

lookdeeper@exlservice.com
Sometimes the best reality checks can come from unexpected sources. For instance, an excerpt from a book written over 100 years ago has never been more relevant for businesses:

“Would you tell me, please, which way I ought to go from here?”
“That depends a good deal on where you want to get to,” said the Cat.
“I don’t much care where –“ said Alice.
“Then it doesn’t much matter which way you go,” said the Cat.

–Alice’s Adventures in Wonderland, Lewis Carroll

This also holds true for many CFOs and their functions. External disruptive changes led by digital, new business models and customer preferences are drastically impacting internal functions. For them, this is a critical and transformative change.

Alarmingly, not many CFOs are either ready for this change or are struggling to find a way to steer away from disruption. In a world where the need for transformation is becoming increasingly evident, CFOs don’t have the freedom of primarily focusing on past performance anymore. Without the ability to think provide forward-looking predictions in real time, the CFO and its function is reduced to a mere keeper of accounts. The market and information changes so rapidly now that simply basing efforts on the last week, month, or quarter are insufficient.

With real-time conventional reporting now available, CFOs are expected to put more effort on the financial strategy needed to support the other elements of the business: growth, markets, M&A, capital. Perhaps the most important expectation for CFOs is to provide data-driven insights and a forward-looking approach to enable strategic decisions.

The CFO needs to encourage and reinvent their finance teams to look ahead and be involved in shaping business strategy. This transition requires some key changes, mainly cultural, in finance – critically in their way of thinking, working and role in supporting the business.

Finding Direction from Data

The ability to access and analyze larger amounts of data than ever before is critical. Per IDC estimates, online business-to-business and business-to-consumer transactions will reach 450 billion per day by 2020.

Finance teams have yet to leverage the full potential of this gold mine of insights. A key reason for this is that the amount of available information is overwhelming. Conventional data processing tools and approaches are not enough to parse what information is relevant and what is irrelevant. The limitation of conventional tools and the focus on mainly reporting of numbers means that the finance team often fails to generate insights. Even effectively leveraging these tools can be a challenge for
finance teams, as they still need to understand the right data sources and questions that can deliver actionable insights. CFOs must assess their teams when they tackle business problems, ensuring they know what questions to ask, arrive at answers that empower them to act, and evaluate their recommendation.

There is a need to build an analytical mindset and structured analysis approach in the finance function. A structured approach can enable businesses to successfully process both financial and non-financial data.

Develop the right set of questions: Finance teams will struggle to find solutions if they are unable to identify the essential questions that let them define the problems. Therefore, finance teams need to develop an analytical mindset to probe deeply the stakeholders they work with to know what the stakeholders are being evaluated on and how they expect to measure it?

Analysis Plan: Having identified what questions need answering, scenario- or situation-driven planning can limit the scope of analysis to only the core questions. This allows the finance team to choose the appropriate data and the correct analysis techniques.

Data Collection: After defining the time period for which data should be collected, shunt the long tail in the data and perform a data audit. While most data scientists spend approximately 80% of their time finding, cleaning, and reorganizing huge amounts of data, resulting in a large waste of time, this approach enables data scientists to operate at maximum efficiency.

Derive Insights: Running various scenario analyses on the collected data can generate insights that can drive decisions. Leveraging innovative analytical tools helps the finance team focus on analysis, while efficiency is increased by automating transactional data cleaning, compiling and processing.

Recommendations: This is the most important step of an insight-driven finance process, where the finance team imparts the full impact of its analysis. These recommendations should be made using accessible language free of finance jargon that any audience can understand. The focus should be on sharing less information and more insights, or in other words, less finance more strategy. Visualization tools can convey these recommendations in an understandable manner.

Data has power to transform sales, product, marketing, and operations. Members of these teams can most benefit
from data-driven insights. Finance professionals with no statistical background can solve many problems using simple techniques and analytical tools. These insights can be used to drive revenue and growth while decreasing costs and losses.

**Culture Maze: Build Insight-Driven Actions**

While finance teams generally work well with quantitative data, they may miss the bigger business context due to not understanding the operational execution strategy. Therefore, it is important to bring finance closer to the business units. The key necessity for finance professionals is to step outside of their comfort zones and work more closely with their colleagues in other functions to fully embrace the key drivers for financial outcomes.

A way to create this cultural change is by establishing programs or opportunities for finance team members to spend more time with other business functions in order to understand their perspective and requirements.

Another method of boosting innovation involves inviting technology partners to help finance teams figure out

Digitally enabled data models and technologies will provide better insights of business performance and help drive organic and inorganic growth, faster.
what else they can do with data, and how to do it. CFOs should also encourage members to try and share better ways to perform data processing and insight generations. The success of any team is a result of the collective contribution of the individuals following two basic behavioral protocols:

(a) Make successful behavior visible to others

(b) Follow this successful behavior

CFOs must ensure they provide the right ecosystem for the finance team to start exhibiting this behavior. Accordingly, CFOs should work closely on focused capability development based around team members’ qualities as business partners. This can create a higher degree of connectivity between the finance function and the rest of the business, fostering greater mutual understanding and respect.

CFOs should also drive special projects where the finance team examines data outside the traditional financial planning purview. This will enable the teams to better visualize the bigger picture, and connect various data sets that would otherwise go overlooked. These approaches will help to substantially broaden finance’s view and make it a more holistic and future-ready team.

Rebuild Teams to Lead the Way

The increasing complex work and organizational impact of finance activities creates a need to upgrade the competencies and skills of finance professionals. Till now, the main focus has mostly been on developing specialist financial skills within the available pool of talent. Now, in the new world of volatility, uncertainty, complexity, and ambiguity, quickly adapting to change has become a continuous process. It is logical to develop a broader and higher management perspective. Likewise, abilities to analyze data and anticipate the cross-functional implications of organizational changes are just some of the critical new competencies finance teams must develop.

The two key broad capability requirements for finance teams are:

Digital Capabilities: Extracting relevant insights from financial and operational data requires data analytics and other digital tools. Applying analytics can reduce cost per transaction, monitor the gross margins of product/service lines, and identify variance in transactions. The finance function should leverage analyses and provide feedback to other functions for process and policy improvements. Use visualization tools to convey these messages in a simple but effective way.

Business Capabilities: Teams should be aware of the latest business developments and thinking to understand the current and future direction of the company and what insights they should be sharing for the future growth. New way of working involving technology and design thinking can also help with spotting trends and changes in the business environment.

The finance team should also keep abreast of the latest risk management developments, practices, and emergency risk management (ERM) models to ensure
Supplementing the present skill with the required capabilities will make the finance team future ready

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<th>Present</th>
<th>Required</th>
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<tbody>
<tr>
<td><strong>Finance Core / Technical Capabilities</strong></td>
<td><strong>Digital Capabilities</strong></td>
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<tr>
<td>Understanding of legacy system, business process</td>
<td>Data management &amp; governance</td>
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<td>Financial analysis</td>
<td>Databases</td>
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<td>Budgeting and forecast</td>
<td>Advanced PowerPoint Presentations</td>
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<td>Finance modelling</td>
<td>Advanced MS Excel</td>
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The Way Forward

Finance teams are now at the transformational crossroads of strategy and business intelligence. The constant changes fueled by digital pose both challenges and opportunities. The finance function must reinvent itself to become the driving engine for business, providing key empirical evidence for strategic decisions. It should engage stakeholders with personalized analyses and help them to be more engaged through these insights. The insight-driven finance function will put CFOs in a more strategic role of provide predictive financial guidance to ensure the future of the business.

A powerful and strategic finance function comes from restructuring current working models and business culture. If the finance function reworks these two elements, it can become the company’s North Star.

CFOs must re-examine the finance function to keep it relevant and growing. This takes driving cultural change and embracing technology for better services. Finally, they must become more strategic by partnering with the rest of the business by sharing insights as well as numbers. The focus should shift from defining the what and why of business problems to the how and when of business solutions.

Quickly adapting to these external and internal changes is the key to survival and growth. The best way to say this can be found in another unexpected source:

“Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

–Through the Looking Glass, Lewis Carroll

Business risk are continuously identified and the ERM framework is effectively updated.

Finance teams need to effectively communicate any change in strategy and direction to the internal stakeholders in timely and detailed way.
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