Minutes on Modern Finance Best Practice Series

Real-Time Versus ‘Right-Time’ Decision Making
A New Competitive Advantage
The Analytics Advantage
Real-Time Versus Right-Time Decision Making:
A New Competitive Advantage

The speed with which companies can access and act upon information has become a critical differentiator in today’s increasingly data-driven economy. Given the need for speed, real-time decision-making is being held up by many as an industry best practice, but what is the advantage of a decision made in real time if it turns out to be the wrong decision? What good is real-time information if it isn’t in the hands of the right decision-makers?

Those are the kinds of questions CFOs should ask themselves as they are increasingly called upon to provide the analytical skills and insights needed to help the business understand the financial impact of its operational decisions. According to Accenture Strategy Managing Director David Axson, what sets apart today’s market leaders is “right-time decision making” - providing the right information to the right decision-makers at the right time. It isn’t just about having any data at your fingertips, but having real-time data at the right time, whether you are a retailer evaluating credit risk at the point of sale, a bank evaluating credit risk during the loan origination process, or a B2B exchange trying to determine the profitability of a relationship with a specific customer during an online transaction.

Right-time Decision Making

“Nearly every company I am working with today is dealing with a large amount of inconsistently defined data that sits in multiple different systems around their organization. Their challenge is harnessing that data in a common, consistent, rapid manner, and also isolating the data that is truly important. Finance really needs to take on the role of being the synthesizer or the filterer of that information to actually determine what is important and what isn’t to speed the decision-making process.”

David Axson, Managing Director, Accenture Strategy
The Data Deluge

The Internet of Things – all of those connected devices we have around us – is driving an explosion in data, which some predict will grow fifty times by 2020. As it stands today, by Oracle’s estimation, businesses are facing a 40% annual growth rate in their data, and rising storage budgets mean that companies increasingly need to decide what data is valuable and what can be discarded. The deluge in data isn’t the only problem. Storage costs, which Oracle estimates already account for 10% of IT budgets, are also increasing as data volumes grow, and threaten to overwhelm tight IT budgets which could otherwise be devoted to IT-led innovation.

Finance is quickly becoming the primary filter through which marketing, sales, HR, and other lines of business can extract value from these growing volumes of information generated from structured data sources, such as ERP and CRM systems, and unstructured sources such as social media chatter, sensor data, geospatial information, and other types of big data. Given that new mandate, Axson believes that finance “is increasingly going to be taking on the role of an educator and a facilitator in choosing the right analytic tools for the types of decisions that business leaders are facing today.” At the end of the day, ensuring data quality also falls to the CFO: once finance gives the data its seal of approval, that increases business leaders’ confidence in using that data to drive decision making.

Focusing on right-time decision making can help deliver a real competitive advantage to CFOs able to create a data governance model, reporting structure, and information delivery systems that keep pace with the data explosion now underway. Take the case of Mexican pharmaceuticals distributor Grupo Fármacos. CFO Otto Kroboth Palmer can draw a direct link between his department’s use of advanced analytics and the ability of Grupo Fármacos to compete in the Mexican market. By sharing data-driven insights with external parties, including suppliers, the company is creating an additional “hurdle” for less technology-savvy competitors – and boosting market share in the process. And Kroboth is using both cloud and mobile functionality to deliver those insights in real time to the company’s sales force. “Without the cloud, mobile would be a difficult-to-manage platform and very inflexible,” he concludes.

Since starting this [analytics] project, we have gained about 15 additional percentage points of market share, and right now we control about 72% of the market. We’ve done that partly by providing value-added services beyond what a normal distributing company can offer.”

Otto Kroboth Palmer, CFO, Grupo Fármacos

According to a recent survey by Accenture, only one in four executives habitually rely on data as a source of inspiration for decision making. The rest turn to instinct, intuition, or past track records - a strategy that can have disastrous results if the product you launch fails, the customers you serve aren’t profitable, or the deal you closed doesn’t deliver the expected synergies.

Modern CFOs must consider how to evolve from making decisions based on gut feeling to using data to drive fact-based decision making. Without ignoring one’s instincts and past experience, it is possible to combine art and science to validate hunches with hard data. A CFO with whom Accenture’s Axson has worked described the move to data-driven, right-time decision making succinctly: “He called it ‘analytics inform my gut,’’ Axson says. “The analytics are really a tool that helps him refine his decision-making skills, his gut instinct, and allows him also to test decisions before he makes them.”

The following best practices can help you leverage data analytics to drive better decision making:

Create a strong governance structure to support data integrity

Select tools that are suitable for the problems you are solving

Invest in the right design for delivering information to decision makers

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2 “Analytics in Action: Breakthroughs and Barriers on the Journey to ROI”, Accenture 2013.
To effectively manage corporate data and ensure that the right people have access to it, you must implement a framework that combines policy, process, and technology to enable data availability, quality, and consistency. Without data governance, you can’t guarantee data quality. And you absolutely require high-quality data to support right-time decision making.

Disciplined data governance requires cross-functional participation throughout the organization. In fact, two key best practices around data governance are to obtain executive sponsorship and identify data stewards in the organization. CFOs and their staff come highly qualified to serve as sponsors and stewards because of importance of data quality in finance-related decisions.

One way to make this possible in the enterprise is to work toward an integrated business (IBS) model, which, according to Accenture, leverages and expands on the traditional shared services foundation of solid service management and keen focus on process and organizational standardization. In a recent survey of nearly two dozen shared services organizations Accenture identified as being well down the road to IBS, the consulting firm found that respondents showed a great deal of enthusiasm about the strategic possibilities that arise from focusing on data and analytics. “Analytics is the highest value service we have, said one respondent. “By applying analytics to one of our primary regions, [the business] was able to recover close to $27 million—two-thirds realized and one-third avoided—in overpayments to suppliers. We [shared services] can now give insights that weren’t available before.”

In addition, CFOs should not overlook the data architecture layer that sits between the source systems, many of which reside outside your company’s walls. Data governance helps ensure that information comes into your organization in such a way that it is possible to quickly and securely access or extract the information when it’s needed.

No company can afford to replace all of its legacy technology, of course. But putting a data governance structure in place allows you to begin to aggregate information from many different sources and make it available in multidimensional views to support decision making.

Select Tools that Are Suitable for the Problems You Are Solving

As with your data governance framework, your data analytics tools should help you ensure that the right data is available to the right people in the right format, so they can solve the problem at hand.

Recently, Oracle and Accenture polled some 200 CFOs and senior finance executives about their strategies for improving the management reporting process. More than a third—41%—said selecting the right analytics tools and technologies was their top concern. The data any decision maker needs varies by his or her job function, as does the delivery device. CFOs must have access to different data depending on what they are focusing on; making a capital investment in a plant and equipment, for example, is different than making a speculative R&D investment in a new product.

Oracle uses a combination of analytical tools to analyze both structured and unstructured data for better decision making, depending on the use case. Those tools include Endeca, an in-memory big data search and discovery tool that is ideal for exploring distinct data sets; and Oracle Business Intelligence, a business intelligence tool that is ideal for frequent users of predefined dashboards and reports. In Oracle’s hardware manufacturing operations, managers use Endeca to uncover anomalies in the manufacturing process to improve engineered systems production and prevent stock outs. Endeca is also used to better understand the digital interests of customers who visit Oracle.com to improve lead quality and lead management. Conversely, managers in Oracle’s Center of Excellence for Reporting use Oracle Business Intelligence to create the pre-defined dashboards and reports that over 10,000+ users rely on to monitor operations across all lines of business.

Explore and Discover

new insights by combining structured and unstructured data

Make Insights

accessible to the right people, anytime, anywhere via mobile devices

Deploy

business best practices for line-of-business analysis and financial management using packaged analytic applications

Your Data Analytics Tools

If data governance has been established, you should be getting quality data, and having the right tools with which to analyze the data is absolutely critical.

Implementing a comprehensive data governance model and data analytics platform will not adequately drive right-time decision making if you can’t get the data to decision makers exactly when and how they need it to make the appropriate decisions in a timely manner.

That is why it is critical to ensure that the analytics tools and platform you invest in can deliver the data in the best way for decision makers to consume it, whether it’s an always-current dashboard available through secure login on a mobile device; real-time alerts when certain parameters or thresholds are triggered; or some other means of quickly, effectively visualizing and consuming data. Over 10,000 managers at Oracle, for example, use the Mobile Sales Intelligence dashboards based on the Oracle Business Intelligence platform to stay abreast of sales forecasts while on the road, including Oracle President Mark Hurd, who accesses the Sales Intelligence dashboard on his tablet to drive sales forecast calls remotely.

Too often, the mobile versions of reports are mashups of a printed report that don’t translate well to the screen and don’t offer the kind of detail that the decision makers consuming the data need. It’s a totally new way of thinking about data delivery—drawing the decision maker’s attention to the relevant information, not simply slapping a facsimile of a printed report onscreen. Filtering and synthesizing the data appropriately is the goal.

Finally and perhaps most importantly, CFOs looking to establish best practices in the area of mobile business intelligence must also evaluate where mobile computing can truly add value, as well as which employees and applications should be supported and provided access. CFOs are scrambling to codify policy and procedure around security and confidentiality. The ‘Bring Your Own Device’ (BYOD) phenomenon is adding to the strain as CFOs seek to guard against the consequences of stolen devices with corporate data on them while at the same time developing fair compensation packages for employees using their own mobile phones and tablet devices in the work place. Establishing a mobile device management policy is an essential part to ensuring the success of any mobile business intelligence strategy.