How CFOs Can Own and Lead Analytics

Much has been made about the unprecedented quantities of data companies collect these days, from their own operations, supply chains, production processes and customer interactions. And even more has been made of the promise of business analytics to analyze data for competitive advantage in new ways, providing real-time insights across the value chain, from inventory management to pricing.

Who should own analytics remains an open question, however. Findings from *The Analytics Advantage*,* Deloitte Touche Tohmatsu Limited's first annual survey on the state of analytics readiness at leading corporations, reveal wide variations in analytics oversight, with the most frequent leader of analytics—named by 23% of respondents—being the "business unit or division head," who also typically has significant budgetary responsibility. Not far behind, however, is the CFO, at 18% (20% said there was no single overseer). Finance itself is cited as the area most often found to invest in analytics, at 79%.

Given that many CFOs and their finance teams traditionally have led and used data-driven analytics for strategic aspects of managing the business, a case can be made for ceding ownership of analytics to the finance chief. Moreover, it only makes sense that by taking the lead to apply analytics to operational decisions as well, CFOs can strengthen ties throughout the business and expand influence outside core finance functions.

From Managing the Business to Running It

Finance has long been data-driven, but the availability of big data and the growth of data analytics capabilities have further heightened its importance. But to truly own analytics, CFOs should bridge the gap between strategic and operational decision-making with analytics. That's a fundamental change in roles: it's the difference between "managing the business"—the big, upper-level strategic decisions, such as planning, budgeting and forecasting, that are the CFO's traditional responsibilities—and "running the business," the day-to-day or even minute-to-minute, operational decision-making that typically resides outside the finance chief's purview (for instance, in the business units, or sales and marketing).

Armed with analytics, however, CFOs can exercise more-centralized control of operational business decision-making, answering questions such as, What price point should be used for this customer on this day? or What inventory products should be pulled forward or out of the supply chain?

Moreover, advanced analytics can allow companies to hedge against volatility and to respond faster and with greater insight to changes in the marketplace, to such a degree that the predictive power that analytics offers—in pricing, the supply chain and other areas—can have an increased impact on how business is done.

While some CFOs may hesitate to lead analytics in operational areas because it's not necessarily about "big picture" issues, the insights into the customer that analytics can provide go right to the

bottom line. A lot of profit can fall between the operational cracks, and analytics can be a game changer in the way it leads to improved operational discipline.

Steps to Taking the Analytics Lead

The following steps can help CFOs and finance organizations take a lead in driving analytics throughout the business.

1. Define the analytics advantage.

CFOs can show how finance can lead analytics by identifying business areas where analytics can bring value and competitive advantage (for example, driving operational insights). In many cases, finance doesn't own the data on the operational side of the business that is gained from customer-, pricing-, supply chain- or asset-tracking. But through finance-supported analytics, the CFO can drive value outside finance's core functions throughout the business.

At a $1 billion food manufacturer, for example, finance led a spend-analytics initiative that created supply-chain efficiency and reduced costs by improving the management of supply-chain sourcing. Finance developed analytic models that looked at SKU-level profitability and brought these insights forward to help the operation better understand the types of decisions it could make to reduce costs. Finance crossed over into decision-making traditionally outside its function by using an analytics solution to evaluate sourcing and suppliers, and then deployed the data to buyers on a monthly basis by individual commodity.

Other areas in which finance-supported analytics can drive value outside the finance function include procurement (spend analysis and vendor management), business units (margin-erosion analysis, pricing analytics and service level and customer profitability alignment), sales and marketing (price-point, revenue-leakage, revenue-driver, demand/price-elasticity, customer-retention and churn-analyses), supply chain (sales- and finance-linked forecasting, new product introduction profitability and dollarization effect) and information technology (technology investment planning and prioritization).

2. Deliver operational value with analytics.

Still, CFOs who want to lead analytics across the organization have to show they can deliver on the operational side. Then, once they make the case for leading analytics in operational decision-making and identify the value of doing so, it comes down to delivering that value.

To start, identify an analytics-focused initiative that cuts across areas to make a major impact at the operational level. Demonstrate the value that analytics can bring through inventory management—a better customer experience, or whatever component you need to be thinking about. And don't be limited by traditional constraints. Ask yourself: "What business decision or goal would drive margin or growth through analytics outside finance?" For example, the business need may lie in marketing or sales, which is why some consumer-products companies are looking at price points, margin yields and other analytics that can help influence profitability.

Define, Articulate, Deploy

Delivering analytics insights to operational decision-making is a matter of articulating and capturing the required data, performing the analysis and finally, working with business teams to deploy the analytics-based model.

CFOs can drive the benefits of analytics throughout the enterprise either directly, from finance's analytics team, or by establishing an Analytics Center of Expertise led by finance and reporting directly to the finance chief.

As an example of how CFOs can lead analytics in areas outside finance's traditional role, consider a telecom whose CFO led an initiative to target the company's most profitable customers and tailor service—and pricing—levels. He did so by taking the following steps:

- **Defined the operational decision-making challenge:** For this telecom, the objective was to gain a larger share of prime customers' wallets with tiered service.
- **Articulated the analytics solution:** The telecom's CFO directed finance to calculate the lifetime value of individual customers and develop scenario models for discounts, marketing and rewards to guide interactions with the customer.
- **Deployed:** Working cross-functionally to execute the plan and capture value, the telecom's CFO brought the analytics solution to front-line employees and marketers to derive individual customer profitability from each transaction, in real time.

Leading analytics to support operational decision-making demands a high-level commitment to shift the organization from a historical perspective to a forward-looking perspective. It also requires a willingness to invest in a small group of talented people who can help you determine and implement the analytic capabilities you're going to need. And importantly, it needs a CFO who can drive analytics for both strategic and operational decision-making.

About the *Analytics Advantage* Survey

The Analytics Advantage was commissioned by DTTL to better understand the state of analytics readiness at leading corporations today and what the future may hold. It was conducted using a mix of online questionnaires to which 100 individuals representing companies in financial services, technology, communications, entertainment, health care, consumer products/retail and other sectors responded, plus "deep dive" interviews with senior executives at 35 companies in North America, China and the United Kingdom. Interviews were overseen or conducted by analytics thought leader and author Thomas H. Davenport, President's Distinguished Professor of Information Technology and Management at Babson College and director of research at the International Institute for Analytics.

—Produced by Thomas H. Davenport, President's Distinguished Professor of Information Technology and Management, Babson College, and Independent Advisor, Deloitte Analytics, Deloitte Consulting LLP; Miles Ewing, Principal, Deloitte Consulting LLP; Dr. Ajit Kambil, Global Research Director, CFO Program, Deloitte LLP; and Tim Phillipps, Global Analytics Leader, Deloitte Touche Tohmatsu Limited.