The Innovation Opportunist:

How Access to the Right Data Fuels Innovative Financial Strategies to Boost Business Growth

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A groundbreaking PwC study shows a deep correlation between innovation and growth for all businesses. Given today's corporate growth imperative, and the leverage gained through innovation, it's important for organizations to make smart investments. Too little investment and organisations can fall behind on the innovation power curve. But too much investment, as it turns out can actually be far worse.

However, making those smart investments to fuel innovative financial strategies is difficult for CFOs lacking operational insight. This is especially challenging in today's era of digital disruption; CFOs must now grapple with more data sources, more channels, more numerous and complex business models, a more global nature of business, and more reliance on external partners. All of this is necessitating greater information accessibility and responsiveness.

The Data Deficit in the CFO Suite

But new survey research reveals many CFOs are dealing with a "data deficit" that threatens decision making and fiscal management and financial operations and organizations ability to navigate digital disruption. In a recent global survey of over 1,500 financial decision makers conducted for Epicor Software Corporation, over 46 percent of CFOs said they rely on "gut-feel" and instinct to make business decisions in lieu of fast access to accurate internal data.

The research reveals that this inability to access the right financial information is having a direct impact on business performance and CFOs' reputations. Of those polled, 45 percent say poor data hampers timely decision making, and inaccurate information is the main cause of organisational mistakes.

Getting Back to Basics

The proliferation of data, combined with a volatile market place can create chaos for any CFO attempting to forecast costs and profits. In South Africa labour unrest, electricity and water shortages and the scarcity of raw materials can wreak havoc with production and make it easy to lose focus, putting an organisation at risk for losing its competitive edge.

When automating processes it's important to pinpoint potential challenges and minimise their impact with thorough planning and smart work flows. For example, CFOs can make the most of expensive resources like electricity by building a process for energy saving into the organisation's production systems. This can introduce savings and maintain business resilience and profitability. However, to do this well, a CFO needs to have access to the right financial information, at the right time.

Blocking the Profitability Path

Survey results demonstrate that a lack of this vital information has a negative effect on corporate profitability. The more the CFO relies on empirical data for decision making, the greater the chances of higher profitability. Within the survey sample CFOs that rely on empirical data for decision making as opposed to instinct had greater profits, with 72% experiencing a profit increase.

And while a lack of operational insights is pilfering profits today, the real losses may be yet to come. There's a link between opportunism, innovation and growth, and without the right data, organisations can't be opportunistic and exacting in making the right smart investments to fuel innovation.

Opportunity Cost

Considering the survey shows nearly 1 in 2 CFOs rely on "gut-feel" and instinct to make business decisions in lieu of fast access to accurate internal data, we can ascertain that many are making educated guesses. This reliance on gut-feel versus empirical data can work out for many; however, the decision-making process becomes less data-driven and more of a "judgment call." It's only by luck or chance that an organisation will arrive at the exact right answer as to how much investment they should make to foster innovation and growth. It's more likely they will arrive at a figure that's either under or over par.

This creates two scenarios: Erring on the side of financial conservatism may put organisations at a competitive disadvantage if CFOs don't have the confidence to maximise their innovation investments.

On the flip side, being over-zealous with innovation investments can cause organisations to miss market expectations, or even outspend revenues. And there's evidence that spending too much on innovation can actually undermine growth and profitability. A study from Bernstein Research found that tech companies spending more than 18% of revenue on R&D tend to underperform the market, while those that spend less outperform.

Considering innovation is key to growth, organisations need a process that enables them to be more exact when planning these investments. Financial executives must be confident when allocating resources to grow the business in areas such as customer service, sales, and marketing, and in critical innovation investment areas such as new product development and partnerships.

Financial System Reboot

While there have been significant changes in business models and financial governance requirements and the velocity and volume of data over the years, many organisations' business systems have stayed the same. The research reveals an incredible 60% of CFOs and finance directors still rely on Excel spreadsheets to gain access to data – even those in businesses with over $1 billion in annual revenues.

To support smart financial strategies for innovation and growth, organisations must be able to access information and analyse it quickly to aid smart, agile decision making. The solution is to have a modern financial IT infrastructure in place that delivers the right data to the right people at the right time in the right way – providing a solid data decision framework.

To be fully prepared for the future, finance professionals must invest in the right technology tools, so they can make the right decisions, foster organisational responsiveness, and confidently take advantage of windows of opportunity – to propel growth and profitability.

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