

Extending Your Enterprise



WAY DOWN IN THE DATA MINE

The drive for sophisticated analytics and digitization

A WNS PERSPECTIVE

The rate of analytical change continues to gather momentum for CFOs and the need to go digital has been well recognized. The challenges they face range from maintaining how the business invests in digital and analytical tools to understanding how maintaining a competitive advantage shall enable a forward-looking, virtually real-time understanding of changing conditions and markets.

And CFOs are increasingly expected to be heavily focused on unearthing the opportunities inherent in the data mine with a strong commitment to optimizing value from it. So developing a fact-based understanding of the finance function's capabilities in analytics and digitization is essential to helping CFOs manage their worlds.

The Survey

How successful are finance functions in large enterprises at managing data and extracting value

from it? To explore this question, CFO Research, in collaboration with the business process management firm WNS, surveyed senior finance executives at U.S. companies with more than USD 1 Billion in annual revenues. Based on more than 150 responses, CFO Research developed ratings for the current and future states of finance function analytics and digitization.

The survey provided respondents with definitions of basic, intermediate, and advanced levels of analytics and digitization (see 'Definitions'), and then asked finance executives to rate the current state of their organizations, as well as the level they thought they needed to achieve in two years' time. It also asked about the benefits executives saw in having advanced capabilities, and the obstacles their companies faced in progressing toward an advanced state.

Definitions: Basic, Intermediate, and Advanced Analytics and Digitization

Basic (1 – 3): Focuses primarily on historical analysis of financial information and compliance reporting

Intermediate (4 – 7): Split between historical analysis / compliance reporting and advanced data mining / predictive analytics

Advanced (8 – 10): Focuses primarily on advanced data mining and predictive analytics; integrates financial and operational information

Analysis

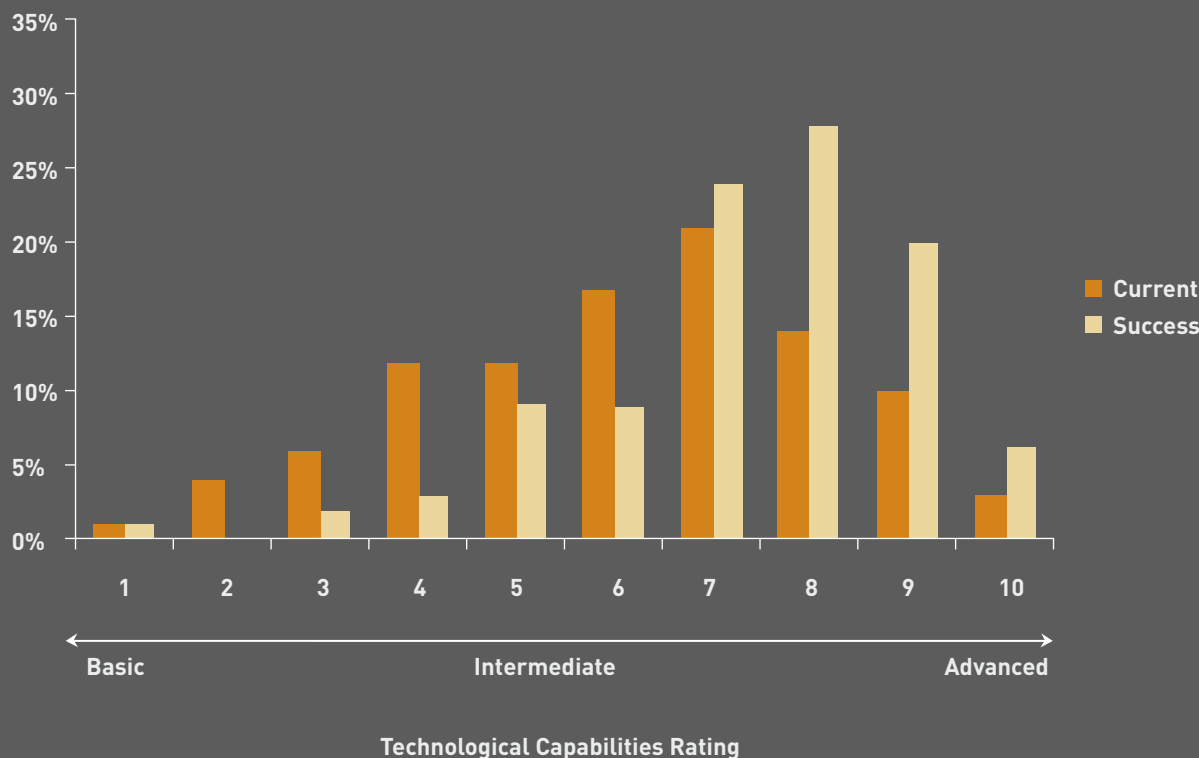
While the implementation and use of sophisticated analytics is an admirable goal, it isn't yet a reality for most respondents. Finance executives recognize the gap that

exists between the current use of technology and the optimal use. More than half (53 percent) believe they will need to progress to an advanced state within two years. (See Figure 1) Only about one-quarter of the respondents (26

percent) characterize their current use of technology as advanced.

Looking forward, respondents realize that success will require improving their use of these technologies and tools.

Figure 1. To be successful in the future, finance executives agree they will need to further adopt advanced analytics and digitization



Although, respondents plan to implement advanced capabilities for data mining and predictive analytics, they current rely on

spreadsheets more than leading-edge technologies. Eight out of ten (80 percent) respondents say that the use of Excel-based

tools is ubiquitous throughout their enterprises. While about half (48 percent) report widespread use of ERP and enterprise-wide



accounting systems; Business Intelligence (BI) applications and data warehouses tend to be used largely by individual business units or functions, but not consistently throughout the enterprise. CFOs recognize a need to standardize here.

In addition, large numbers of respondents report that their companies make limited or no use of advanced capabilities. Half or more of the respondents report that their companies have little experience with statistical tools, dynamic reporting with interactive visualizations or advanced tools and analytics, or XBRL. Going forward they need the right expertise as well as the right technology.

Advanced analytics, including big data analytics, are seen by respondents as a priority for improvement. More than half of the respondents (56 percent) currently make either limited or no use of advanced tools and analytics, such as dynamic moving trends, 'big data,' and web and social media analytics. However, four out of ten of these respondents (41 percent) hope to develop advanced analytical capabilities within two years' time.

Companies that expect to have advanced analytical capabilities within two years' time also expect they would be able to make better use of external data. One-quarter of these companies (25 percent)

believe that at least half of the data used in decision making would be generated from external sources in two years' time; only 15 percent of those at the intermediate level anticipated a high level of use for external data.

Digitization

Digitization is obviously a core enabler of advanced analytics, because you can't analyze what you can't access. But digitization benefits the enterprise in other ways as well, e.g., by improving connections with markets and customers. Respondents see decreased operational costs and / or increased operational efficiency as a primary benefit of digital



transformation (cited by 53 percent of respondents). But one-third of respondents (33 percent) say that digitization will allow their companies to build agile business processes in line with market changes, and an equal number (33 percent) say that digitization will allow their companies to conduct business more readily through digital channels. In addition, 27 percent believe that one of the most important benefits will be helping their companies deliver a differentiated, seamless, and superior digital experience for the customer.

Half of the respondents (50 percent) expect to spend 1-5 percent of the total cost of finance on digitization initiatives over the next two years, and another 31 percent expect to spend more than 6 percent

Barriers to Change

When asked to describe the key barriers or impediments to fulfilling their digitization strategies, respondents primarily focused on their cost and other difficulties related to determining the return on these investments:

- Competing priorities in terms of resources and budgetary allocation (41 percent)
- Cost benefit analysis / value to the business (38 percent)
- Lack of familiarity with digitization
- Difficulty of integrating different processes and operations

It may be up to the finance leaders in a company to advocate for the value of digitization. Finance executives should be

prepared to make the case for how digitization can support advanced analytics in order to drive future competitive advantage.

Faced with these barriers, businesses will still have to become more agile to succeed in competitive and market environments characterized by a rapidly accelerating pace of change. Companies, including their finance functions, will seek to make important improvements in change-enabling capabilities—that is, they must become organizations that are able to embrace change quickly and continuously.

Conclusion

The finance executives responding to the survey agree that their functions—as one respondent writes in the survey—need to “get with the times.” Or rather, they see the need to get ahead of the times, and start to transform their organizations now.

To do so, finance will need to adopt the kind of advanced analytical and

technological capabilities that allow them to keep up with the pace of change in an information-driven business world. One of the first steps on this journey, according to a number of respondents, is to gain executive management’s commitment to culture change throughout the enterprise.

They should also be prepared to make the investment needed in people, processes, and systems—for example, investment in an expanded use of SSCs / BSCs, in technology upgrades, and in training and retraining of finance staff.

In the end, finance leaders find themselves considering the best ways to formulate and communicate a clear vision for a future state, in order to gain commitment to change. The CFO Research survey highlights the need to move away from simply benchmarking past performance and move toward helping a finance function meet future demands.

Sponsor's Perspective

Future readiness ranks high on priority for CFOs of global organizations, however, they are well aware of the challenges. In WNS' experience of partnering with global CFO's offices, we found that finance has a strong stake in defining, administering, reconciling and managing high levels of data. Since data today is available in much more useful formats than ever before, it is now imperative to invest, as it's a lot more riskier not to. A CFO needs to understand how his finance function can embrace the disruptive technology with both, the right mindset and toolset. Organizations which are already in the market and adaptive to this change have by now started reaping the benefits, vis-à-vis organizations who are yet to attain this maturity.

To read the entire report, [click here](#).

About WNS

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