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DATA

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OPPORTUNITY

By Jeanne E. Johnson

Big data is dominating the strategy discussion for many financial executives. As these market dynamics continue to evolve, expectations will continue to shift about what should be disclosed, when and to whom.

For organizations and their finance functions today, data represents the ultimate challenge and the ultimate opportunity. On the one hand, the ability to collect, manage and analyze data effectively can lead to better business decisions and lasting competitive advantage. So powerful is data that participants in the 2012 World Economic Forum in Davos, Switzerland, declared it a new class of economic asset, like currency or gold.

On the other hand, it is difficult to actually find the value in data when it is coming from everywhere, well beyond what has been managed historically within a company's walls.

Staying on top of all company information generated from transaction systems is challenging enough. But it is compounded by the need to access and analyze insights generated from disparate reporting systems, dashboards and complex decision models.

Throw in new sources and volumes of data generated by third parties, mobile devices, emails, tweets, blogs, sensors and more, and the complexity of getting value from data is augmented even further.

The emerging data-driven economy has two primary characteristics: the abundance and complexity of data and the speed of change, and thus decision-making. Recognizing that data is increasingly driving competitive insights, operational scale and compliance complexities, organizations are embracing wholesale change in how information is accessed, interpreted,

reported and applied.

The conventions for measuring, managing and monitoring a business will be stressed to new extremes as speed, the need for new perspectives and machine learning continue to influence the marketplace.

As these market dynamics continue to evolve, expectations will continue to shift about what should be disclosed, when and to whom. Consider the behavioral changes already taking place in large companies, where social media pressure has forced some to reverse positions that made perfect sense in the boardroom, but were anathema in the marketplace.

In this context, consider the value of being able to better predict the combined tax, regulatory and business impacts of a planned global expansion or an accounting change that affects selected products or divisions.

Consider, too, the risk management opportunities that would be possible with better transparency into a supplier's upstream and downstream financial and operational health.

Success in the data-driven economy will require as much acumen in harnessing what wasn't known or anticipated, as was rewarded historically for those able to optimize what was known and could be acted on to deliver on market expectations.

This is the start of a journey, and there is time to prepare and respond. The key is to take the first step and plan for change. KPMG research indicates that even leading

Just How 'BIG' Is BIG Data?

- 15 out of 17 industry sectors in the United States have more data stored per company than the U.S. Library of Congress, which itself collected 235 terabytes of data in April 2011.
- Wal-Mart Stores Inc. handles more than 1 million customer transactions every hour, feeding databases estimated at more than 2.5 petabytes — the equivalent of 167 times the books in the Library of Congress.
- 30 billion pieces of content are shared on Facebook — monthly; five billion mobile phones were in use in 2010.

organizations face significant internal obstacles that are inhibiting their ability to realize increased value from data.

Many lack sufficient understanding of how to access data or use analytics of scale to improve business performance and manage risk, a substantial problem compounded by skill limitations and competing strategic priorities.

In a global survey, 94 percent of executives identified complexity as their greatest challenge — and information management ranks as one of the top two reasons. Ironically, information management is also the most popular way to manage complexity, cited by 84 percent of executives in the research.

The implications? Tomorrow's competitive advantage will be driven by the ability to consume, produce and govern complex information inside and outside the company walls.

Faced with Big Data, companies need Big Knowledge and Big Perspective. They need the clarity that comes from an organizational capability to leverage data in many forms, from many places, through many methods and for a variety of purposes — all at the right time and for the right situation. This is the essence of effective data analytics

(DA) and the reason it now sits at the center of the business agenda.

Implications of Data and Analytics for Finance

As organizations worldwide generate data more quickly and in greater variety than ever before, entire economies are developing around the business of data analytics. Getting value from data is becoming increasingly challenging, risky and expensive, and ensuring data security and protecting privacy are ever more difficult.

At the same time — and as economic conditions level out — businesses are focused on growing revenue, optimizing operational capabilities and managing new risks and compliance mandates. Increasingly, they understand the need to drive business efficiency, innovation and competitive advantage through better information management and analytics designed to address the challenges of complexity.

For financial executives, these developments offer numerous challenges, as well as opportunities. The finance function and its executives have long faced unfulfilled expectations to provide additional business value and timely insights.

Today's abundance of data and advancement in analytics provide them with both the opportunity and the challenge to exceed expectations — specifically by helping their organizations address complexity and derive new competitive advantage from an information-driven approach to running the business.

Finance can help the organization address the volume, velocity and variability of data — static and streaming, raw and refined, internal and external (the vast majority of it unstructured and representing trapped value across functions, companies and supply chains).

Finance can also help the organization deploy analytics to address data leakage and selective data enablement, enhance data governance and apply analytics of all types (descriptive, diagnostic, predictive, prescriptive) and timing (historical, real time, prospective) — to create information that is relevant for

a variety of needs. In addition, finance can help place information in the context of market conditions and anticipated changes in the operating environment to produce “actionable knowledge.”

By helping the organization enable data and apply analytics — and find the most appropriate mix of the two — finance leaders will be able to bring new value to areas including operating effectiveness, assurance, regulatory and tax compliance and controls.

The finance function is ideally placed within the organization to help ensure ongoing data quality and integrity; respond to the demands of fraud, risk, compliance, performance, assurance and tax issues; and develop talent with cross-functional and enterprise perspectives.

For example, the complex and constantly changing tax regulations to which multinational corporations are subject apply to a high volume of transactions globally. Having the knowledge to understand and monitor the implications specific to its organization presents a tremendous opportunity to the finance function to manage risk and benefit from planning opportunities.

Cutting Through Complexity

Enabling data and applying analytics successfully requires a key catalyst: a culture in which employees recognize that knowledge is indeed power and act accordingly to help the organization deliver the right knowledge at the right time to drive the right decisions.

Developing actionable knowledge calls for a focus on outcomes, the talent to analyze and apply insights and a holistic point of view that encompasses the organization and the extended ecosystem in which it operates.

To be successful, leaders need:
■ **Insight:** Focus on the knowledge that can advance the business agenda. Organizations have traditionally viewed data through the lens of their existing processes. This approach was effective in an age of relative data scarcity and when the overriding goal was to match specific data with established process require-

ments. But in the current information-driven age of structured and unstructured data, leaders are beginning to take a 360-degree view of the extraordinary volume of data available to them — historic, current and predictive — so they can extract from it what they need as well as discover what they don't yet know they need.

That means focusing first on business outcomes (i.e., what goals are most critical?) and then determining the information needed to achieve those objectives (i.e., what knowledge do we need to advance the business agenda?).

■ **Information:** Derive value from data. Organizations often seek data precision, but what they also need is data relevance. Getting value from extraordinary volumes of data is increasingly challenging, risky and expensive, even as the amount of digital information increases exponentially and at a rate faster than the ability to store and manage it.

Increasingly, organizations seeking competitive advantage want to enable, learn from and use data to make better business decisions, grow revenue, optimize operational capabilities and manage enterprise risks and compliance mandates.

By putting the business needs of decision-makers above the requirements of existing processes, leaders will be in a better position to know what information they need to identify, enable and realize value across the organization's value chain. Then they can begin to scope the available data and adapt business processes to meet identified needs.

■ **Actionable Results:** Apply analytics and make sense of the results. Organizations that devote the right resources to performing analytics on relevant data will benefit from an informed perspective that will help them make better business decisions and ultimately achieve the measurable business outcomes they desire.

An informed perspective will help leaders move beyond a traditional "process" focus and how things work, to an information focus and why things

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work in which situations. Such a perspective results when analytical methods are appropriately applied to select data and the resulting knowledge is considered in the context of relevant industry and market circumstances. Data becomes a valuable asset when it can be transformed into actionable information.

Predicting the Future

The ability of leaders to turn data into actionable information that allows them to make timely, more accurate decisions is creating entirely new markets. From custom modeling and analytics, visualizations and dashboards to master data management and storage considerations such as cloud, the world of Big Data and the desire to leverage big analytics are already driving the business of today and tomorrow.

Organizations will also evolve. The proliferation of Big Data and the speed of analytics will significantly disrupt many business models. Information as an asset will transform business and operating models, including how companies obtain assurance on those models. Any disruption offers an opportunity to drive business transformation, including new partnerships, new interactions across global enterprises and new markets, all of which have risk, tax and regulatory implications that are still being defined and discovered.

An information-driven organization

needs an information-driven mindset from the top down. That means employees must be managed, measured and compensated on how well they use data to make decisions and drive business outcomes.

Many organizations do not yet understand how best to use analytics to improve business performance and manage risk. The problem is substantially compounded by skill limitations in their employees and competing strategic priorities, including the challenges associated with legacy IT systems that are needed to manage complexity even as they compound it.

Formal change management efforts will be needed to create a high performance culture prepared for the organizational implications of new skills, capabilities and infrastructure, including underlying performance metrics.

Effectively governed and appropriately implemented, data analytics can bring clarity to business decisions and improve business outcomes. Its scope and application will continue to expand, helping leaders focus on the knowledge they need, derive insights and actionable intelligence from data and create, manage and govern new business models that support the information-driven organization.

Harnessing the ultimate power of an information-driven culture will depend on how organizations approach the opportunities offered by data and analytics. Leading with business insight and industry perspectives is the key to achieving a balanced and sustainable approach to the evolving digital economy.

Those who embrace effective data analytics as a business imperative can gain a competitive advantage in the rapidly evolving global digital economy. With an information-driven culture focused on business outcomes, data analytics can produce the power that drives the growth engine. 🏆

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