THE STEPS CFOs CAN TAKE TO GAIN **GREATER ECONOMIC INTELLIGENCE**

BETTER PROCESSES, TECHNOLOGY, AND A NEW MINDSET CAN HELP COMPANIES THRIVE IN ANY CONDITIONS.

TRADE WARS. STOCK MARKET GYRATIONS. FLUCTUATING INTEREST RATES. The economy is in a constant state of flux, but CFOs don't always have access to accurate, detailed, forward-looking economic insights to successfully navigate the turbulent waters that may lie ahead.

Leaders leverage best-in-class economic intelligence, which provides them with the ability understand positive and negative impacts to a business based on changing economic conditions. Meaningful economic intelligence goes beyond examining the past and assessing risk. It is predictive.

Economic intelligence is comparable to IT security, according to Richard Wagner, CEO and president of Prevedere, a leader in cloud-based predictive analytics software for economic intelligence. "Economic intelligence allows you to monitor, protect against, and signal the risks to your business."

CFOs are under pressure to be more predictive, but some have a blind spot when it comes to strategic and operational planning. Incomplete internal data and sketchy external data do not provide a strong enough pulse on what is driving the market.

Clearly, senior finance professionals understand the value of economic intelligence, but many lack a clear path to taking advantage of it.

In a survey of 200 C-level executives and vice presidents conducted by Prevedere, 66% of respondents feel that incorporating external data will result in significant improvement to financial forecasting.

In the same survey, 69% of respondents say that most of their planning processes fail to incorporate external data. Only 30% of respondents say they are incorporating predictive analytics into their planning processes.

In separate Prevedere research, 60% of respondents say that finding the right data is the biggest challenge for data and analytics initiatives. Even more (68%) respondents say that they are not satisfied with their ability to understand the impact of external factors.

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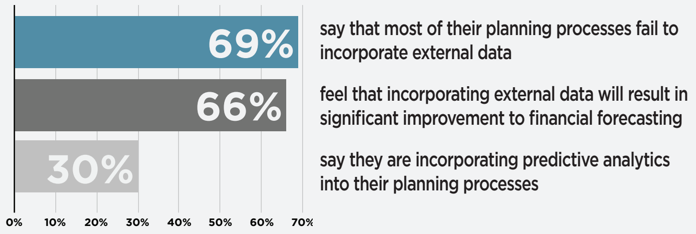

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—Richard Wagner, CEO and president, Prevedere

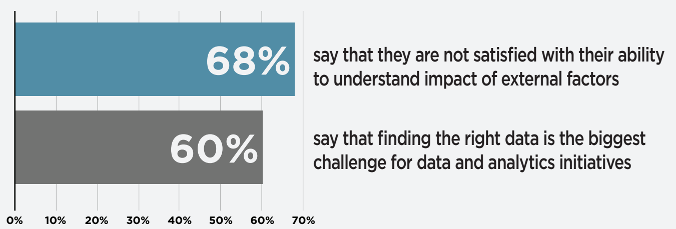
Big Wins When You Boost Economic Intelligence

CFOs are struggling to integrate economic intelligence into their planning processes. Big decisions within organizations are too often made with PowerPoint and Excel spreadsheets focusing largely on internal performance data, only perhaps loosely referencing general market indicators like GDP or interest rates.

While some organizations struggle, there are clear financial benefits to improving economic intelligence. According to a report by Gartner and the Wharton School of Business at the University of Pennsylvania, organizations with a set of leading business indicators earn almost 3% higher returns on assets and a greater than 5% return on equity.

Among the top-line advantages of economic intelligence are more accurate demand planning and lower operating costs due to better forecasting. ▶

In a survey of 125 IT and business professionals conducted by Prevedere



While those are resource-saving benefits, focusing on economic intelligence also helps companies better pinpoint the economic signals that are directly tied to their business outcomes.

When organizations have a pulse on changing consumer behavior and attitudes, they can outperform the competition. Being able to react quickly to market conditions and changing customer sentiment ensures that the company has the right inventory and the right delivery mechanisms in place to meet demand.

A higher level of economic intelligence positions companies to better mitigate the future risk of downturns and unexpected market shifts.

The end result is that companies that leverage economic intelligence are more confident in their decision-making, and their ability to plan for and communicate about — particularly to investors — the future of their business.

Strategies for Boosting Economic Intelligence

Smart leaders take a proactive approach by consistently monitoring and mitigating risk to boost their economic intelligence. It is not simply identifying the right leading signals, but they also use predictive analytics to model the impact on future business outcomes.

Modern CFOs are leveraging tools such as artificial intelligence, along with leading economic indicators, to provide a view of future business opportunities and become more informed about the global economies in which they operate. "Technological advances such as machine learning helps companies quickly collect and classify data from the internet of things, economic trends, consumer behavior, and online activity," says Andrew Duguay, senior economist and data scientist, Prevedere.

5 KEY QUESTIONS to gauge the need for an economic intelligence initiative:

1. **Have you missed an earnings forecast, and did not know the reasons for it?**
2. **Do you carry significant inventory or working capital to buffer against changes in market demand?**
3. **Do you lack confidence or experience bias in your internal forecasts?**
4. **Were you slow to see a new growth opportunity?**
5. **Do you systematically track the leading external indicators that impact your business?**

Using fully integrated economic intelligence solutions bolsters agility. For example, the impact of potential declines in the price of oil on profit is available instantly, and the results can be analyzed in a few minutes or hours. Another benefit: Internal data science teams no longer have to struggle to keep pace with business requests to perform statistical analysis, given its productivity benefits.

To fully achieve economic intelligence, it is critical to understand the unique economic factors that impact the business, and often down to the product category, geography or sales channel level. Companies need to quantify which economic drivers are leading signals for their current and future business objectives. The most reliable way to accomplish that today is through predictive analytics.

Once key economic insights are identified, the next step is to systematically incorporate them into the company's planning processes to mitigate future risks and identify opportunities.

Conclusion

- **Embracing economic intelligence as a mindset and operationalizing it should be a priority of the C-suite, finance, sales, marketing, and operations.**
- **Adopting an economic intelligence mindset ensures that excess inventory and stock-outs are drastically reduced, improving working capital performance.**
- **Minimizing operating costs by reducing unplanned overtime and having facilities well prepared to meet demand is another benefit of an economic intelligence approach.**
- **Improving ROI is a key concern of CFOs, and investments made based on a high level of economic intelligence have a superior success rate.**
- **Identifying opportunities for growth early in the market cycle enables organizations to view changes in global market conditions as opportunities rather than causes for concern.**
- **Leading with an economic intelligence mindset empowers senior finance executives to plan, communicate and act with confidence about what lies ahead for their business.**

Blind Spots: The Fallout When Companies Lack Economic Intelligence

There are some serious consequences when companies fail to strengthen their economic intelligence. Below are a few examples of the risks of ignoring economic intelligence.

Missed Market Downturn/Over-Investment: A leading chemical company mothballs a project due to a market downturn after a $100 million investment.

Extra Operating Costs: Carrying inventory to act as a buffer for demand changes can be costly. One company estimated that every 1% improvement in forecasting accuracy results in $500,000 savings due to lower inventory requirements.

Missed Growth Opportunities: A consumer products company did not see leading indicators for an increase in sales of a particular commodity, resulting in a missed chance to gain market share.

Loss in Shareholder Value: Organizations that cite changing market conditions as the reason for missing revenue targets have to answer to stakeholders. For a typical public company, a miss of a few percentage points can result in hundreds of millions of dollars in lost shareholder value, as well as hinder overall credibility in communicating to investors.