

Half of UK CFOs Risk Profit by Relying on ‘Gut-Feel’ to Make Major Business Decisions

CFOs Regard ‘Gut-Feel’ and ‘Instinct’ as Valid Decision-Making Tools

However, CFOs Who Use Accurate Data Rather Than ‘Gut-Feel’ Lead Peers in Profitability

BRACKNELL, UK – 17 June, 2015 -- 50 per cent of the UK’s CFOs rely on “gut-feel” and instinct to make business decisions, as access to accurate empirical data is limited. In fact, 47 per cent of the UK’s CFOs have difficulties making vital business decisions due to poor data. This is according to new research announced today by Epicor Software Corporation, a global leader in [business software solutions](#) for manufacturing, distribution, retail, and services organisations. The use of gut-feel, in lieu of fast access to accurate internal data, has emerged as a practice that delays decision making, and introduces errors as CFOs grapple with today’s disruptive digital environment.

The research was commissioned by Epicor Software, in conjunction with Redshift Research, to better understand the use of gut-feel and instinct as a valid basis of business decision making, when accurate and timely empirical data is not available.¹ The survey reveals that an inability to access the right financial information is having a direct impact on business performance and in turn CFOs’ reputations.

The research painted the picture of a fast-paced financial environment where a CFO’s ability to make quick, accurate decisions is key to business performance. Nearly half of all CFOs (49%) said “increasing profits” was their top business objective in 2015. However, just over half (54%) of CFOs say that decisions are often made opportunistically to exploit situations as they arise and over one-third (34%) said that financial decision-making is hampered by a lack of time and resources.

According to the survey, using empirical data rather than gut-feel is more likely to result in profit. Of the CFOs relying on empirical data and hard facts across the globe, 72 per cent also experienced a profit increase.

Despite its importance for profitability, CFOs said visibility of financial information is often less than perfect in many areas; only around half (43%) of CFOs felt they had “good visibility” of financial information including: overall and business unit performance, product line performance and profitability, sales and labor costs, sales forecasts, raw material costs, and customer profitability.

CFOs in the manufacturing/engineering sector were the most likely to have a basic/legacy financial IT infrastructure and a high necessity to rely on instinct for decision making. In addition, despite the wide availability of specialist business systems and applications, 70 per cent of CFOs said they still rely on Excel spreadsheets to gain access to data; this percentage was consistent across businesses of all sizes.

While the survey data shows that CFOs recognise the importance of data visibility and accuracy, it also makes a case for best-practice decision making being a blending of hard facts and emotions.

“Instinct, intuition and even emotion was considered by a significant number of respondents to have a valid role in decision making, with the most effective CFOs knowing when to use their instincts to guide and add value in the way numbers alone cannot achieve, as opposed to just using it to fill information gaps left by inadequate processes and infrastructure,” said Malcolm Fox, vice president, product marketing, Epicor Software.

Along with the need to use instinct, the level of collaboration necessary to do the job of the CFO is also increasing. Around half of CFO's surveyed (52%) said that decisions are often made collectively; involving people from outside finance.

Fox concluded, “Reliance on ‘gut-feel’ versus empirical data can work out for many companies; however, it’s worth remembering that in today’s fast-paced, highly competitive environment, erring on the side of financial conservatism may put organisations at a competitive disadvantage if CFOs don’t have the confidence to make important business decisions quickly. When it comes to allocating the correct resources for customer service, sales, marketing, and innovation (new product development, partnerships, etc.), the CFO’s decision is key. On the flip side, over-confidence can cause organisations to miss market expectations, or even outspend revenues.

“The solution is to have a modern financial IT infrastructure in place that is not just high function, but delivers the right data, to the right people, at the right time, leaving the CFO to collaborate and be confidently opportunistic.”

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Results from the survey also revealed:

- **Digital disruption is impacting the Office of Finance** - When asked about issues having the biggest impact on finance and accounting in the business over the next two to three years, the top response was big data (35%); other chief concerns included managing “regulations and compliance” and “increased complexity in the business.” Another relatively new challenge that CFOs are grappling with -- and which is necessitating greater information accessibility and responsiveness -- is digital disruption.
- **CFOs need advanced financial systems to keep up with data** - Nearly one-third (30%) surveyed say the financial IT system they currently use needs updating and 23 percent believe that new / more advanced financial systems investment will deliver the greatest positive impact on their finance and accounting functions over the next 2 to 3 years.
- **CFOs are embracing the cloud** - Nearly half of CFOs surveyed have already deployed financial applications in the cloud – such as financial accounting, CRM, HR, forecasting and budgeting, business intelligence, and financial consolidation and reporting – or plan to do so

within the next 12 months. Reducing costs (staff and capital expenditures) and support for remote workers were perceived to be the most compelling benefits to cloud deployments.

About Epicor Software Corporation

Epicor Software Corporation is a global leader delivering inspired business software solutions to the manufacturing, distribution, retail and services industries. With over 40 years of experience serving small, midmarket and larger enterprises, Epicor has more than 20,000 customers in over 150 countries. Epicor enterprise resource planning (ERP), retail management software, supply chain management (SCM), and human capital management (HCM) enable companies to drive increased efficiency and improve profitability. With a history of innovation, industry expertise and passion for excellence, Epicor provides the single point of accountability that local, regional and global businesses demand. The Company's headquarters are located in Austin, Texas, with offices and affiliates worldwide. For more information, visit www.epicor.com. Follow Epicor news on Twitter [@Epicor](https://twitter.com/Epicor), [@Epicor_Retail](https://twitter.com/Epicor_Retail), [@Epicor_DIST](https://twitter.com/Epicor_DIST), [@Epicor_MFG](https://twitter.com/Epicor_MFG), [@EpicorEMEA](https://twitter.com/EpicorEMEA), [@EpicorUK](https://twitter.com/EpicorUK), [@EpicorAPAC](https://twitter.com/EpicorAPAC), [@EpicorLAC](https://twitter.com/EpicorLAC) and [@EpicorRU](https://twitter.com/EpicorRU).

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ⁱ The research was conducted by Redshift Research, which surveyed 1532 financial decision makers in businesses with 100+ staff spanning the manufacturing, distribution and service industries in Australia, China, France, Germany, Hong Kong, Mexico, Singapore, Sweden, the UK, US, and Canada.