



## How Much Financial Data is Too Much Financial Data?

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There is a perception in the finance community that more data is always better. However, this is not necessarily the case. There is always a tradeoff between the possible benefits that can be derived by creating and delivering more financial information and the cost, in both time and money, required to generate the information.

Also, providing too much financial information to management and other stakeholders can result in the proverbial “information overload.” When management is bombarded with more financial information than they need, it can be difficult to weed through it all to get to the data that’s necessary to make timely decisions.

### **Finding the Right Balance**

The fact is, finance departments must constantly strive to find the right balance between too much and not enough information. These challenges typically include the following:

- When projecting the future, there may be a need for more detailed financial data. However, many things can happen that end up making this data requirement unnecessary.
- At the same time, there’s the possibility that it will take longer and cost more to generate needed data in the future than if you generated the data now.
- More “numbers” can cause confusion and frustration that ends up being counterproductive for everyone involved.
- If the finance department is too focused on excessive financial detail, it may neglect to provide the qualitative financial information that operating managers really need.
- The more information generated by the finance department, the more effort finance employees must put into data gathering and compilation. This can lead to excessive staffing needs or heavy expenditures on software and IT in an era when cost-cutting is at the top of most companies’ agendas.
- There is value in the finance department providing accurate data quickly for closing purposes. Erring on the side of generating too much detailed information can slow down the closing process.

### **How An Outsourced CFO Can Help**

An outsourced CFO services provider can help your finance department find and maintain this balance. For example, an outsourced CFO will be able to:

- Work directly with your managers and CEO in order to quickly grasp the relative importance of all the information generated by your finance department.
- Prioritize the data to ensure that the most important information is generated both first and accurately.

- Quickly assess the capabilities of your financial systems in order to provide a cost-benefit analysis of providing certain kinds of information.
- Understand the capabilities of various financial systems and know how to leverage those systems for maximum benefit.

Your company could reap a host of benefits by hiring an outsourced CFO services provider to help you in these areas, including the following:

- Your finance department will provide the right amount of financial detail to managers in the most efficient and cost-effective manner.
- Managers won't be overwhelmed with too much detailed data and thus suffer from confusion and information overload.
- When your finance department is operating as efficiently and cost-effectively as possible, this will translate into lower financial costs for your company.
- Lower overall costs will inspire confidence in the CEO and other managers that the finance department understands their needs and is responding accordingly.

### **Concluding Thoughts**

There is a perception that more data is always better, but this is not necessarily the case. There is always a tradeoff between the benefits of delivering more financial information and the cost required to generate the data. Finance departments must constantly strive to find the right balance between too much and not enough information. An outsourced CFO services provider can help you find this balance by quickly grasping the relative importance of information and then prioritizing the data. This will help your finance department provide the right amount of detail to managers in the most efficient manner.

### **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we are passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

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