

# THE VALUE OF ECONOMIC INTELLIGENCE

## 10 TAKEAWAYS FOR CFOs

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*How can CFOs use economic intelligence to improve business planning and performance? Doug Garis, a division CFO at Masonite International Corporation, shared his experience with economic intelligence during a panel discussion at CFO Live. Here are the top 10 takeaways.*

### 1. Economic intelligence brings the future into focus

Doug credits economic intelligence with “giving us a much better sense of where the business is going.” For Masonite’s architectural division, “it’s been a meaningful way for us to say, hey, we have a directional benchmark.” This forward-looking insight has been an important input to the top-level forecast for the business.

### 2. Economic intelligence advances a data-driven culture

Like many CFOs, Doug wanted to take a more data-driven approach to building the annual operating plan. Or, as he put it, “to have a fact-based baseline that takes a lot of the smoke out of the planning process.” Economic intelligence has been a valuable complement to anecdotal feedback and puts more “confidence behind our short- and medium-range planning.”

### 3. CFOs can take on the role of strategic business partner

Finance leaders can use economic intelligence to help the business set and meet more realistic growth targets. Doug said that FP&A can be a “true business partner” and “democratize the planning process” by sharing a framework that tightens revenue projections. For example, Masonite’s sales organization uses economic insights from Finance to refine their sales strategy and better allocate regional spending.

### 4. Real-time insights deliver real ROI

Bad forecasts are costly for any business, but especially for vertically integrated manufacturers like Masonite. According to Doug, forecasts have been as much as 50% better when economic drivers are taken into account. This has allowed the company to cut material, logistics and warehouse costs and reduce the amount of money tied up in net working capital.



## WHAT IS ECONOMIC INTELLIGENCE?

Economic intelligence is ability to systematically identify and quantify the influence of economic factors on business outcomes.

## 5. Economic intelligence is eye-opening

Companies gain new, often unexpected, insights into the influence of external factors on their business. Doug described how economic intelligence helped explain a slower than expected recovery in Masonite's residential business. "Backtesting the data told us, clear as day, that the bodies we normally depended on for forecasting were *absolutely incorrect*."

## 6. CFO sponsorship is a must

Doug stressed the critical role the CFO plays in driving adoption of economic intelligence. Masonite's initiative started in the CFO suite, which advocated for a standard, market-driven baseline that would "benefit everyone." From there, Doug said, "it actually became more of a pull strategy where folks were much more inclined to actually want to see the data and what's behind it."

## 7. No advanced analytics skills needed

It doesn't take a team of data scientists to take advantage of economic intelligence. As Doug said, "all you need to understand is positive and negative correlation." Prevedere's software does the hard work, and business leaders get "a simple barometer of where we think the market factors and performance benchmarks are going."



"That intelligence is worth its weight in gold."

## 8. It's iterative, not one-and-done

Doug's experience is that "it's imperative to continuously refresh your viewpoint because things change over time." Masonite updates its predictive models once a year during the annual planning process. It's a chance to test current assumptions and stay alert to the early signs of shifting market conditions.

## 9. CFOs can build the confidence of investors

Doug said another benefit of economic intelligence is credibility with Wall Street. His take is that telling a performance story that investors and analysts "know to be true from a market-based standpoint is inherently value-add to the organization." It's easier to stand behind financial guidance and explain any missed targets.

## 10. The time for economic intelligence is now

The accelerating pace of change was a major theme at CFO Live. As business cycles get shorter and the global economy becomes more volatile, having an objective directional outlook that can be updated on demand becomes increasingly valuable. "Any edge that you can build into your process to where you have that intelligence is worth its weight in gold," Doug concluded.