

# IoT explained for the CFO

 By Roger Hislop

20 Aug 2018

When you boil it right down, the primary responsibility of the corporate chief financial officer comes down to a few short words. "Allocate resources well, reduce waste and manage risk".



Source: [pixabay.com](http://pixabay.com)

For CFOs and the finance leadership in organisations, someone raising the overhyped term “Internet of Things (IoT)” has most likely returned only sighs and eye-rolls. Most finance executives have seen too many new technologies that promise to do astonishing things, but end up just being smoke and mirrors.

IoT is not one of these technologies. It won't change much. It will change everything.

Why? Because for the first time, it's easy and cheap to "instrument" the real world. To put it as an allegory, a company is a car driving along the highway as far as it can. You buy a car (capital), put in fuel (revenues), lose headway from air and tyre friction (operational costs) and sometimes break down (capex).

You know exactly how much you spent on the car, and how much fuel and repairs cost, and you certainly know how far you've gone (accrued revenue), but you can only guess what is habitually slowing you down, or what you need to change to get out a little more mileage.

That's because almost all of the 'instrumentation' available to the CFO is financial – money spent and earned. This is generally the only easily available and accurate data a company has – it can be counted, tracked, measured and predicted.

Almost every other aspect of a company's performance uses financial performance as a proxy.

How efficiently are we running our office air conditioners? How much utilisation are we getting from our expensive forklifts? What is the active utilisation of office square meterage reserved for meeting rooms?

## Take a hard look at IoT

This is why CFOs need to look very hard at IoT. Certainly, modern IoT products are a technical person's dream (easy to implement, low cost, flexible, connecting the physical world with awesome software tools available in the Cloud). However, it also gives the CFO incredible tools that they never had before.

If the true job of the CFO is to "better allocate resources, reduce waste and manage risk", then the ability for IoT tech to provide CFOs with a rich range of new tools is unprecedented in corporate history.

Instead of knowing how much was spent on inventory, and how much was tallied up by the point of sale terminal, you can now know exactly how many of each item is sitting on the shelf.

Instead of estimating metrics of how much spoiled dairy product was delivered to retailers and how much as "fake overstock returns", you can now know exactly what the temperature of every crate is at all times until the milk is handed over. You no longer use a rough formula fed with usage guesstimates to allocate how much meeting room space you need, you allocate the exact square meterage that is needed, and know exactly when it changes.

## A new world of real-time data

Having real-time physical data direct from your operating environment lets you know exactly how your systems suppliers are meeting their service levels. You can cost equipment maintenance better, and you can push it much closer to its operating limits, but still be able to do pre-emptive maintenance because you know whether failure is imminent through artificial intelligence based on multiple, accurate sources of physical data.



### Data availability - The next frontier

Kate Mollett 20 Aug 2018



This new world of real-time operating data to validate financial data is going to be a huge challenge for the corporate CFO.

A decade ago, product design and marketing was totally upended by the oxymoron of "mass customisation", and "mass targeting" – respectively manufacturing technology that allowed you to create a completely customised, but mass produced item; and marketing technology that let you fine-grain target millions of people. These techniques used to be impossibly expensive in practical terms but became highly affordable.

## Understanding the business environment

Now we have "mass instrumentation" – low cost, flexible, real-time ways to measure our physical environment. IoT technology gives finance leaders detailed tools to get a firm handle on every aspect of their business environment. Instead of trying to make intelligent guesses using financial proxies, CFOs now have a direct way of measuring efficient allocation of resources, pinpointing exactly where waste is happening and getting a tight handle on day-to-day risks.

Combine IoT with modern cloud software technologies, and it becomes unbeatable as a tool. You don't need to drown in a sea of details – rules engines, Artificial Intelligence, Machine Learning, advanced analytics – all these can filter out the background hum of your business operations, and give you just the important information.

The modern CFO can't leave the investigating of IoT to the technical people – it's far too important as the enterprise evolves.

With IoT, the chief financial officer watching the rands and the cents must become the chief resource officer watching everything.

## ABOUT ROGER HISLOP

Roger Hislop is an engineer and strategist at Internet Solutions (IS), driving business innovation through the smart application of new technologies. Contact Roger on [roger@reasonable.com](mailto:roger@reasonable.com) and follow @d0dja on Twitter.  
■ IoT explained for the CFO - 20 Aug 2018

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>