



Empowering Modern Finance

The CFO as Technology Evangelist

Contents



ABOUT THE REPORT



Empowering Modern Finance: The CFO as Technology Evangelist is a research report commissioned by Oracle and Accenture, in collaboration with Longitude Research, that explores how modern CFOs and finance executives are adopting emerging technologies within their finance functions to enable the development of new capabilities and to transform the role of finance.

We conducted in-depth interviews with prominent chief financial officers (CFOs), finance executives, and other experts from leading companies across a range of industries. In addition, our research includes the responses from an online global survey of senior finance executives (975) and line-of-business executives (300), attracting **1,275** respondents in total. Respondents spanned all major geographic regions, including Europe (52%), North America (21%), Latin America (5%), Asia Pacific (15%), and the Middle East and Africa (7%). Among those finance professionals surveyed, about half were CFOs and finance directors, while the balance were in direct report roles. All participating companies were large, with minimum annual revenues of US\$250 million. Overall, 29% had revenues of US\$250 million to US\$500 million; 21% had revenues between US\$500 million and US\$1 billion; 41% had annual revenues of US\$1 billion to US\$5 billion; and 10% representing companies with revenues in excess of US\$5 billion (due to rounding, the total may not tally to 100%).

We surveyed 300 senior non-finance executives with a similar demographic profile and distribution. The objective was to assess the degree of technology enablement in the finance function versus other lines of business, and to ascertain the views of C-suite and line-of-business executives on how well the finance function is delivering on its new mandate to provide strategic guidance and insight to the business.

Thanks to all survey participants and to the following individuals in particular for their time and insight (listed alphabetically by organization):

- + John Stephens, Senior Executive Vice President and CFO, AT&T (US)
- + Jaroslaw Chrupek, Global Data Manager, British American Tobacco (Poland)
- + Professor Andy Neely, Director, Cambridge Service Alliance (UK)
- + Peter Simons, Technical Specialist, Research and Development, CIMA (UK)
- + Gary Simon, Group Publisher, Managing Editor, FSN Newswire (UK)
- + Otto Kroboth Palmer, CFO, Grupo Fármacos (Mexico)
- + Shabbir Malik, Director Finance, MetLife (US)
- + Brian Bird, CFO, NorthWestern Energy (US)
- + Akash Bhatia, Director, Financial Planning and Analysis, OLX (US)
- + Stuart Brown, Senior Vice President and CFO, Red Robin (US)
- + Ian Winham, Executive Vice President, CFO, and CIO, Ricoh Europe (UK)



EXECUTIVE SUMMARY

Today's modern finance function doesn't resemble the classic finance function of old. Empowered by data insights and collaborative new ways of working, modern finance organizations are no longer content to focus on containing costs and keeping score. Modern finance seeks to change the game, leveraging its operational knowledge and analytical expertise to provide management with data-driven insight and forward-looking guidance on where to invest in innovation and growth. Modern finance is service-oriented, working closely with other lines of business as strategic partners able to identify bottlenecks and opportunities based on facts, rather than just opinions. And modern finance is committed to operational excellence, automating or outsourcing routine transactions whenever possible to focus on value-added activities that can differentiate and drive the business forward.

Modern CFO attitudes toward technology have evolved as well. With the benefits of cloud computing well established, CFO skepticism due to IT budget overruns and project delays has given way to greater enthusiasm as IT costs become more predictable and benefits are realized more rapidly.



Combine that with the growing impact CFOs can make using data-based insights to boost profitability along any number of dimensions, and it makes sense that modern CFOs are increasingly viewed as technology evangelists by both their finance teams and other lines of business.

Oracle and Accenture commissioned this new survey of global CFOs and C-level decision-makers to define and benchmark the key attributes of the modern, technology-enabled finance function. Longitude Research undertook case studies and interviews with CFOs who have sponsored large-scale transformations, to understand how technology is enabling their finance teams to have a stronger impact on enterprise strategy and growth.

¹The CFO as Catalyst for Change, Oracle and Accenture, May 2013

And for the first time, we surveyed C-suite and line-of-business executives to understand their views on what it means to be a modern finance organization, from the quality of the finance services they receive internally, to the degree of technology enablement in finance versus other lines of business.

The Evolving Role of the CFO: The CFO as Catalyst for Change

Oracle and Accenture's 2013 survey, *The CFO as Catalyst for Change*,¹ examined how CFOs across Asia, Europe, Latin America, and North America leverage their newfound influence to take the lead in business transformation and growth. CFOs told us back then that their desire for more strategic engagement was hampered by a lack of time; their short-term focus was consumed with battling costs, economic volatility, and organizational complexity. Insufficient collaboration between the finance function and the business was also cited as a barrier to strategic effectiveness, as was lack of familiarity with technology.

Fast-forward to late 2013, and things are changing. Cost-containment strategies are giving way to investments in growth, and finance's partnership role with the business has been strengthened thanks to its enterprise-wide view of operations and expertise in analyzing vast amounts of data. CEOs increasingly look to their finance chiefs to help identify new growth opportunities and oversee investment strategies that can deliver on growth expectations. And finance chiefs have become technology evangelists, as they realize just how critical data insights have become to unlocking new value across the entire business.

Through this in-depth analysis, we identified **four core tenets of modern finance organizations** that appear to best describe the evolution of finance from its classic governance role to its new strategic mandate as a full business partner and value creator.

Modern CFOs are technology evangelists.

CFOs at the helm of modern finance organizations recognize the value of digital technologies and new cloud-delivery mechanisms for finance and the business at large. They are committed to upgrading the skills of finance professionals with modern applications that have analytical, mobile and social capabilities embedded right into the workflow. And a growing number of CFOs are sponsoring enterprise-wide transformation projects where finance can bring its operational knowledge, analytical insights, and budgetary discipline to bear on behalf of the business.

Modern finance delivers insight and value to the rest of the business.

Instead of reactively analyzing historical data and presenting static reports, modern finance works hard to understand what is happening and why, then provides proactive guidance on what actions to take to support broader business objectives. Forward-looking CFOs are empowering their finance teams with sophisticated analytical tools and modern applications with embedded business intelligence to enable real-time, forward-looking planning and decision-making capabilities.

Modern finance acts as a service-oriented, strategic business partner.

Modern finance functions are both service providers and collaborative strategists, embedding analysts into key lines of business to assist in analysis and decision-making. Modern finance also provides business-unit managers with access to self-service, drill-down reports that they can use to analyze information on their own as needed. Modern finance teams also use the latest social, mobile, and collaboration tools to help them stay closely linked to the vision, strategies, and activities of their business partners.

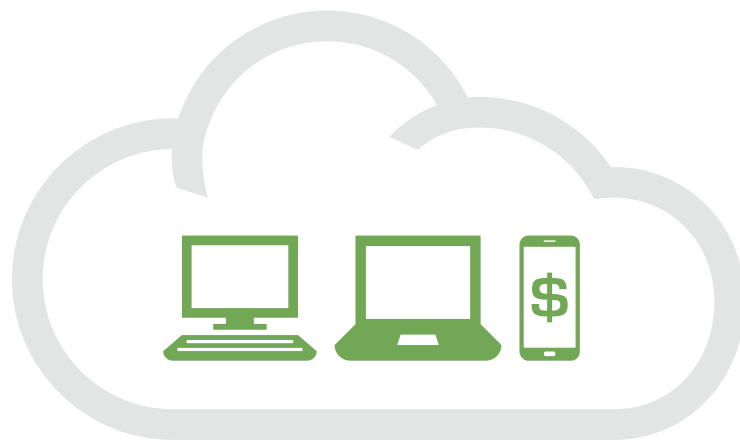
Modern finance helps to enable maximum operational productivity and efficiency.

Modern finance is committed to operational excellence across all service dimensions, the foundation of which is a common finance language that relies on standardized, globalized business processes and real-time data. Modern finance automates or outsources routine transactions when possible to speed up the delivery of information and insights to the rest of the business, and free up analysts to focus on higher-value tasks.

The research findings confirm that finance organizations across the board are making clear progress toward adopting the four tenets of modern finance:

CFOs are seen as technology evangelists, but a gap remains between ambition and reality.

Over two-thirds of respondents within and outside the finance function agree that the CFO is a strong evangelist for the transformational potential of technology. Nearly three-quarters of finance executives believe new technologies such as the cloud, mobile and social media will change how finance is structured and run. Our research shows that many finance leaders have a long way to go to deliver on this potential: while 43% of C-suite executives believe that their sales organizations have adopted leading-edge technologies, only 20% of C-suite executives believe that their finance organizations do so. This seems to be driven by a certain amount of pragmatism on the part of the CFO as to the value delivered by new systems.



CFOs are looking to the cloud to modernize finance.

More than two-thirds of executives surveyed claim to have either already adopted a cloud-based system in some part of their organization for core financials (24%), or are planning a roadmap for doing so (45%). Even higher proportions are adopting cloud-based budgeting, planning and forecasting systems. Survey respondents see more scope for the cloud to deliver new insights through advanced analytics and business intelligence; better service through new tools and functionality to help finance be a more proactive business partner; and greater operational efficiency through the automation and digitization of finance processes.

CFOs continue to focus on automating and digitizing processes, consolidating systems and real-time reporting to drive operational excellence, but more progress is needed.

Although 30% of finance and executives agree that their processes are still paper-based, there is a clear trend toward automating and digitizing processes, with nearly half now using mobile apps and 53% leveraging web-based systems. Similar progress has been made in the area of systems consolidation, with just over half of all companies owning five or fewer finance systems for their core financial transaction systems, and 19% having just one. As a result of these combined efforts, close to one in three companies (28%) now provide data that is never more than one day old, with a further 30% having data that is never more than seven days old. A sizeable minority [42%] still delivers data that is a month old or more.

"For me, it's about how do we add insight and value to the business? How are we always thinking about our stakeholders as a service organization? How can we give them the service they require? How do we make our processes more efficient and add value? And the final one is staying abreast of technology. You've got to make sure that you're at the front end of technology and taking advantage of what that can deliver to the business."

—**Ian Winham**, Executive Vice President, CFO and CIO, Ricoh Europe PLC



New skills and analytics capabilities are needed to execute on modern finance's new mandate.

Nearly half of respondents saw an increase in the number of finance analysts they hired over the past two years, reflecting the growing need for finance talent with a deeper and broader range of business and analytical skills. Finance also feels pressure to boost its analytics capabilities, to ensure that finance professionals have the tools they need to focus on generating valuable insights rather than just collecting data. For example, while 23% of non-finance respondents feel that the ability of finance to provide an up-to-date view of performance against budget "falls below expectations", nearly twice as many finance respondents (42%) think they could do far better.

Senior management backs the technology vision—but obstacles remain.

Only 5% of respondents cite lack of senior-management support as a barrier to adopting new technologies in the finance function. Ability, rather than willingness, seems to be a greater factor, with the lack of internal skills flagged as a key barrier by 38% of respondents, second only to the risks associated with integrating new systems and technologies (cited by 44% of respondents).



38%

of respondents flag
lack of internal skills
as a key barrier



MODERN CFOS ARE TECHNOLOGY EVANGELISTS

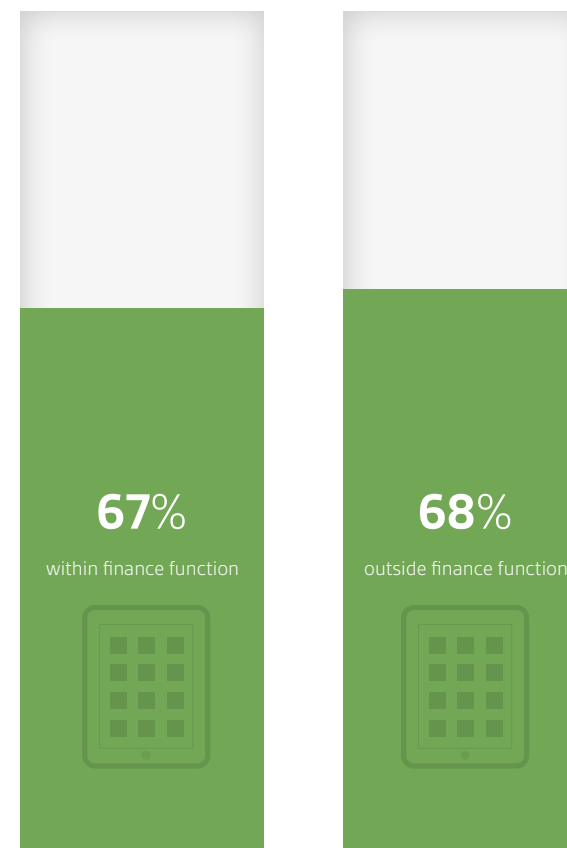
"Technology has raised the bar in terms of what finance can contribute to the rest of the business."

Otto Kroboth Palmer, CFO at Grupo Fármacos, Mexico's leading pharmaceuticals distributor

"Technology has raised the bar in terms of what finance can contribute to the rest of the business," says Otto Kroboth Palmer, CFO at Grupo Fármacos, Mexico's leading pharmaceuticals distributor. Kroboth's observation underscores the extent to which CFOs today are leading the technology charge.

Respondents clearly supported a more technology-enabled finance function, with 65% praising the automation of operations. Although 30% of finance and line-of-business executives report that their processes are still paper-based, there is a clear trend towards automated/digital processes: nearly half now offer mobile apps, while 53% provide Web-based systems. About two-thirds (67%) of respondents said finance fully understands the opportunities for transformation created by the latest technology trends, whether in big-data analytics, mobile enablement, or use of social media.

While technology adoption is the aspiration for finance leaders looking to make an impact on strategy, many have a long way to go to deliver—at least when it comes to C-suite perceptions. While 43% of C-suite executives believe that their sales organizations have adopted leading-edge technologies, only 20% of C-suite executives believe that their finance organizations have done so.



More than two-thirds of respondents both within and outside the finance function (67% and 68%, respectively) agree that the CFO is a strong evangelist for technology's role within the finance function.

CASE STUDY: AT&T CFO LOOKS TO TECHNOLOGY TO TRANSFORM GLOBAL FINANCE

AT&T is one of a few modern-day multinationals that has participated in all three previous eras of telecoms innovation—from Alexander Graham Bell as the lone inventor, to Bell Labs, to accelerated product launches at AT&T Foundries. Technology is at the very heart of everything AT&T does, including its investments in technology innovations to enable AT&T Finance to work more strategically with the business to ensure that investments in growth initiatives are successful.

According to John Stephens, Senior Executive Vice President and CFO of AT&T, the company has mapped out a three-year investment plan to enhance and expand its wireline and wireless IP broadband networks.

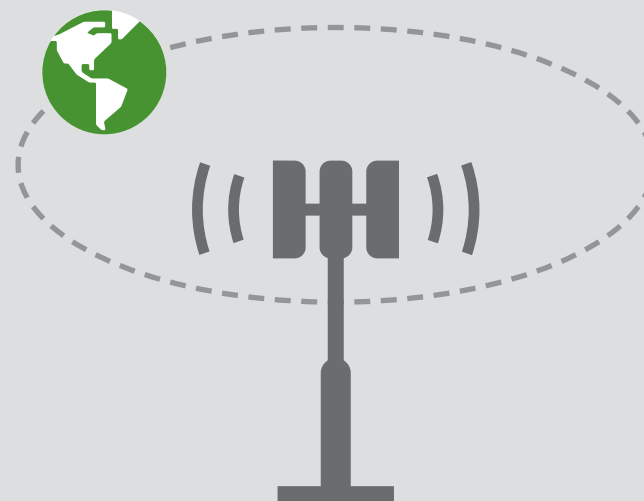
The plan includes deploying 4G LTE service to 300 million people in the US., expanding high-speed IP broadband to about 57 million customer locations, and an expansion of fiber to one million additional business customer locations in its wireline service area.

"The need for speed has never been greater, and this project is our move toward innovation to deliver that speed," Stephens says.

As AT&T modernizes its global infrastructure, its operational processes must be as powerful as its network. It's been a large and complex task, but Stephens is pleased to say that AT&T's finance organization has embraced its role as a corporate catalyst. He started with a simple concept: "Let's get everyone speaking the same language." This meant consolidating finance systems inherited from acquired companies. It was no small task, given that the company has had more than five major acquisitions and a number of other deals. In 2007, AT&T had 17 applications in the accounts payable function alone.

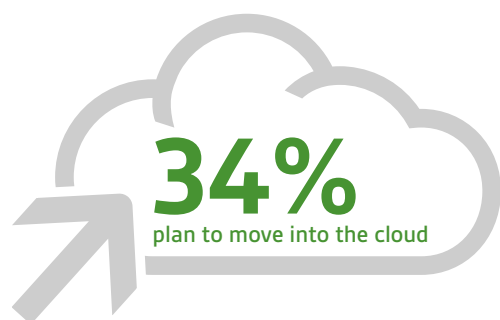
Today, that number has dropped to two. Similarly, there were 50 official management-reporting systems, and now there are three, with plans to get down to just one. By having a single finance-driven language throughout the company, AT&T's finance team has eliminated multiple versions of the same data, as well as reduced potential confusion in discussions and business strategy decisions. These steps have also reduced costs and accelerated decision-making.

"The beauty of the systems is that it allows the talented people with analytical skills to use their time in that area, as opposed to their time collecting, aggregating, and assembling data," Stephens notes. "We have an efficient, effective process that does that for us, so we free people up to do what they're really good at. And we do have a very high-quality team, and they are at their best when they're able to do their business unit support function."



CFOs are looking to the cloud to modernize finance.

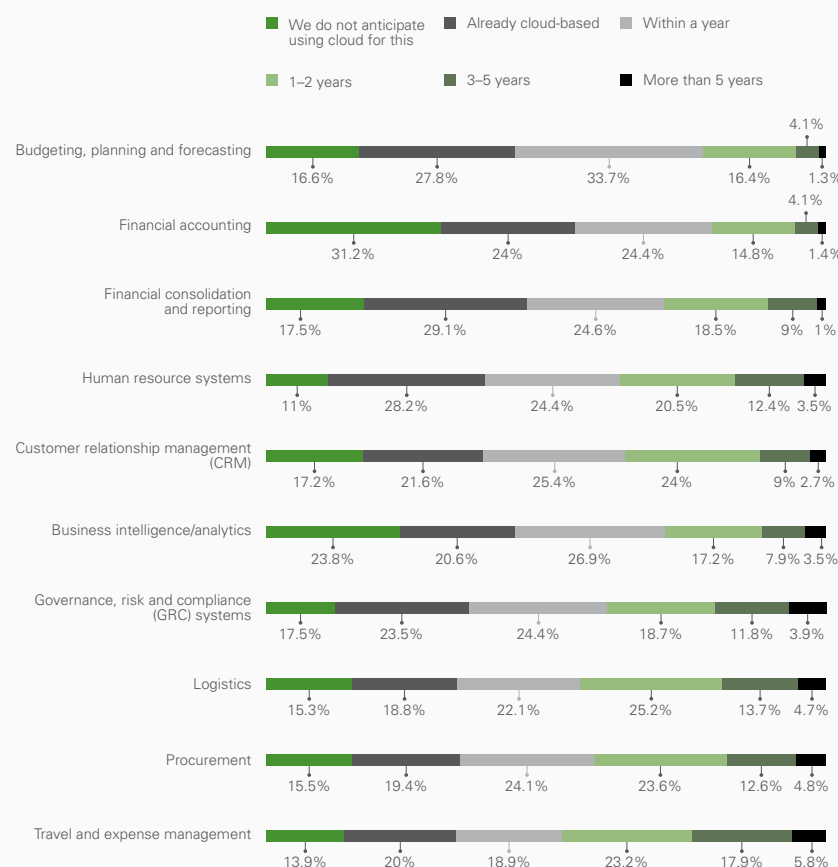
CFOs are increasingly appreciative of the benefits that the cloud helps to deliver, from better scalability and more predictable costs, to improved automation of business processes, better data accuracy, and stronger controls. Already, two-thirds of executives claim to be adopting a cloud-based system for core financials, with 24% already having implemented a cloud-based system, and 45% working on a roadmap for doing so.



Budgeting, planning and forecasting systems stand out as a priority: 28% of respondents are already using the cloud to support these activities, and another 34% plan to move them into the cloud within the next year. These findings suggest that finance functions are keen to focus on more strategic activities in the short term.

A cloud-based system can also provide a foundation for the innovative use of mobile, big-data and social-media technologies. The cloud has been a "huge enabler of mobility, collaboration and new ways of working", says Ian Winham, Executive Vice President, CFO and CIO of Ricoh Europe PLC, a global technology company specializing in office imaging, production print, document management systems and IT services. Several years ago, he recalls, finance generated hard-copy reports that offered no scope for interactivity or dynamic distribution. "Nowadays, those reports are provided online and they can be accessed remotely, and I receive a daily report on how each of our operating companies is doing."

Chart 1: By when do you expect the following specific aspects of your systems to be primarily accessed as a cloud-based service, if at all?



* Due to rounding, the totals in this graph may not equal 100%

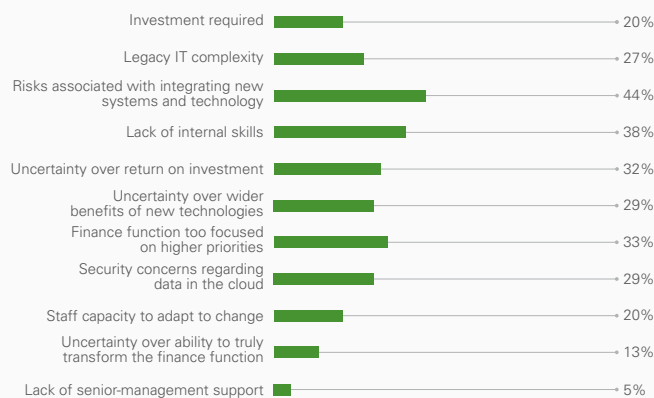
** Results in this graph represent the responses from Finance executives only

Putting faith in technology.

This migration into the cloud is facilitating one of the biggest shifts in financial systems since the original adoption of ERP systems, and cloud technology generally gets buy-in from executive colleagues. Only 5% of respondents cite lack of senior-management support as a barrier to adopting new technologies in the finance function. Nevertheless, while previous concerns about cloud computing have receded, some organizations cite other worries that have come to the forefront.

Most notably, the risk of integrating new systems and technology remains a concern at many organizations, as does the question of whether there are sufficient internal skills to make the shift. Uncertainty over the return on investment was cited as another big anxiety, with high-growth companies especially concerned. Overall, 44% of respondents cite risks associated with integrating new systems and technologies as a key barrier to adoption in the finance function, but this rises to 51% for high-growth companies, compared to 38% among underperforming companies.

Chart 2: Which of the following are the key barriers to adopting new technologies in order to reshape how your finance function operates and performs?



* Due to rounding, the totals in this graph may not equal 100%

** Results in this graph represent the responses from Finance executives only

While the task of introducing new technology may appear especially daunting for large companies with large legacy investments, this appears to be less of a worry than initially suspected. Only about a quarter of respondents from large businesses (those generating more than US\$5 billion in annual revenues) described legacy IT complexity as a key barrier, slightly lower than the results from smaller companies (those with annual revenues of under US\$1 billion).

One organization that has not allowed legacy to stand in the way of technological progress is British American Tobacco (BAT), which has continued to invest in the consolidation of its various systems.

"Having everybody running off the same platform just makes sense economically," says Jaroslav Chrupek, Global Data Manager at BAT. "Moving everything on to a single platform is also likely to facilitate more dynamic reporting."

Similarly, companies appear to be less concerned that cloud computing increases an organization's dependence on a particular vendor—putting it at risk if that supplier encounters interoperability or viability issues.

This growing confidence in the cloud even extends to governance, risk and compliance (GRC) systems, where some organizations have previously been nervous. "For effective enterprise-wide GRC, organizations need complete coverage across a variety of functional areas and compliance initiatives," argues Gary Simon, the Managing Editor of FSN (Financial Systems News) Newswire. "That's easier to accomplish using scalable and affordable cloud technologies."

Historical security concerns about the cloud are fading. For example, just one in three respondents now has security concerns regarding data in the cloud—an encouragingly low proportion given the focus on security issues in the mainstream press. "Businesses using on-premises solutions are saddled with responsibility for their own backups and data security, whereas with cloud computing that should be taken care of by the SaaS provider with redundancy built into their networks," says Simon.

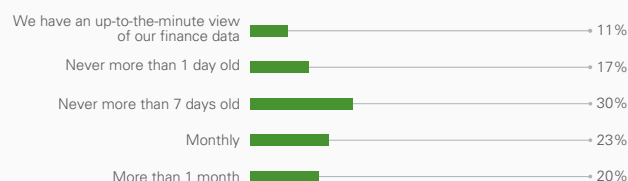


MODERN FINANCE DELIVERS INSIGHT AND VALUE TO THE BUSINESS

Modern finance departments seem to be taking full advantage of new data-analysis tools and techniques to increase the impact that structured and unstructured data can have on the rest of the business. These tools help them to deliver more value and even develop entirely new revenue streams.

A key foundational element of this modern finance practice is ensuring up-to-date data within the business. Much progress has been made here, with almost six in 10 finance functions having access to data that is no more than seven days old, as seen in the chart below.

Chart 3: Which of the following best describes how long it takes to provide the rest of the business internally with a snapshot of overall business performance?



* Due to rounding, the totals in this graph may not equal 100%

** Results in this graph represent the responses from Finance executives only

While encouraging, a gap still remains between the desire to invest in new technologies and the actual level of adoption. More than four in ten (43%) still rely on business data and information that is a month or more old, and 59% concede that many finance processes remain predominantly manual or paper-based. Also, many organizations—especially those yet to embrace the cloud—still maintain a large number of disparate platforms, making it harder to provide dynamic data.

The power of analytics.

More opportunities await finance departments prepared to explore big data and advanced analytics.

A majority (77%) of survey respondents say they have initiated or are part of a big-data project to some extent.



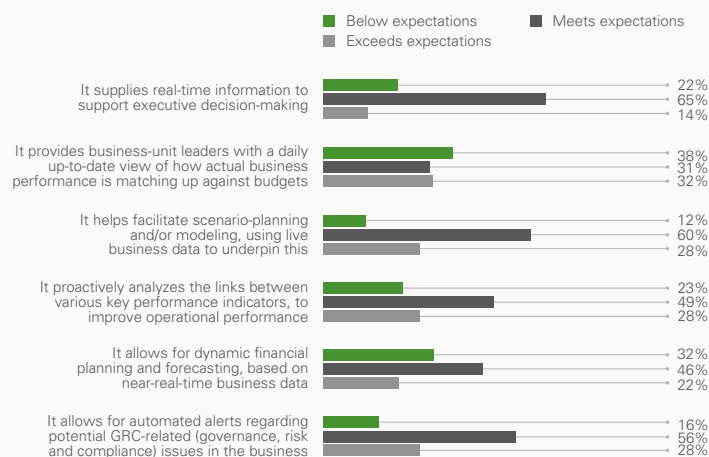
Take Northwestern Energy, a US utility business serving the states of South Dakota, Nebraska, and Montana. Although acknowledging his department is in the “early stages” of this process, CFO Brian Bird believes that big data could help his finance team provide additional input to operating units so they can better manage their costs. “I think the utility industry generally needs to look at using data and technology to reduce the number of people it has in the field—as the industry faces an unprecedented number of retirements in the next five years, technology should allow us to hire a smaller number of replacements,” he says. “After all, lower costs for our business ultimately mean lower costs for our customers.”

In the auto insurance industry, firms like Progressive in the US, Tesco Bank in the UK, and Generali Group in Italy, are harnessing big data and analytics to lower the cost and liability associated with insuring potentially risky drivers. Equipped with tracking devices, cars insured by these firms are now able to monitor driving behavior and generate premiums based on the results, allowing finance to directly shape new products and services and helping to push the evolution of the industry's core business model.

Moving to the next level.

Finance is already making impressive gains with advanced analytics, from using live business data to underpin scenario planning, to exploiting real-time information to support decision-making. Overall, a clear majority of respondents say finance is already meeting or exceeding expectations in this area. This belief is matched by executives from across the rest of the business too, suggesting that finance has made impressive recent progress in tapping into data analytics.

Chart 4: Which term best describes the provision of business intelligence or analytics that your finance function provides to the rest of the business?



* Due to rounding, the totals in this graph may not equal 100%

** Results in this graph represent the responses from Finance executives and non-Finance executives

But finance leaders recognize there is still more work to be done here.

For example, a recent Accenture study notes that investment in analytics, planning, budgeting and forecasting is one of the top three priorities for CFOs over the next two to three years.²

One area requiring more attention in particular is the adoption of event-based planning and rolling forecasts. Only 9% of respondents currently do rolling planning, and none have embraced event-based planning (planning or re-forecasting as and when a change happens in the external or internal environment rather than at a fixed frequency). Quarterly planning is the norm for the highest proportion of executives (30%), followed by monthly planning (26%). A similar story applies to forecasting: half-yearly forecasting (32%) is the norm for most, though 22% do monthly forecasts, and 15% produce ongoing forecasts. None of the respondents creates event-based forecasting, which requires greater progress towards real-time data.

The cloud will enable management accountants to use information captured by other parts of the business—and even data generated externally—in their budgeting and forecasting processes, dramatically improving the guidance that finance can offer to the rest of the business.

Technology also has the potential to improve the accuracy of budgeting and forecasting data. According to Peter Simons, Technical Specialist in the research and development department of the Chartered Institute of Management Accountants (CIMA), the cloud will enable management accountants to use information captured by other parts of the business—and even data generated externally—in their budgeting and forecasting processes, dramatically improving the guidance that finance can offer to the rest of the business.

² Preparing for Growth -The Accenture 2013 CFO Survey, Accenture, July 2013

CASE STUDY: GRUPO FÁRMACOS AND THE DATA-DRIVEN CFO

Otto Kroboth Palmer, CFO of Grupo Fármacos, has introduced business intelligence tools to aid decision-making at the Mexican pharmaceuticals distributor. He is also using cloud-based technologies to disseminate data to other parts of the business, such as the sales force. "It's about moving information out of the office and on to the street," he says. "Without the cloud, mobile would be a difficult-to-manage platform and very inflexible."

Kroboth can draw a direct link between his department's use of technology and the ability of Grupo Fármacos to compete in the Mexican market. By sharing data-driven insights with external parties, including suppliers, the company is creating an additional "hurdle" for any less technology-savvy competitors.

Another innovation has been the introduction of 18-month rolling forecasts that have helped the firm better understand the "macro trends" of the industry. Kroboth says typical monthly and quarterly results can be "distorting" because of seasonality factors, and that rolling forecasts have made the company much more efficient, especially during bidding activities in what is a largely tender-driven business. "Rolling forecasts have allowed us to grow our bottom line at a pace that is 30% faster than our sales growth."

By changing the role of the finance department, the use of data and analytics is requiring Grupo Fármacos to recruit finance workers with an entirely different set of skills. "Now what we're seeking are people who are able to analyze and interpret the data the system provides and contribute insight to the business," says Kroboth.



"Since starting this project we have gained about 15 additional percentage points of market share, and right now we control about 72% of the market," says Kroboth. "We've done that partly by providing value-added services beyond what a normal distributing company can offer."



MODERN FINANCE ACTS AS A SERVICE-ORIENTED, STRATEGIC BUSINESS PARTNER

Having already demonstrated their value to the business during the Great Recession, visionary CFOs are moving rapidly to expand the role of the finance function into an active and strategic business partner and in our view are best equipped to help drive the growth agenda. Today, many finance functions are both service providers and collaborative strategists, with new technologies playing a vital role in the shift. "The question is how many points can the finance organization help put on the board?" notes Stuart Brown, SVP and CFO of Red Robin, a US restaurant chain. "You can only do that by helping the different lines of business become more effective, and so our goal is to exploit business intelligence and business analytics for better and faster decision-making and to make that a competitive advantage."



Furthermore, finance professionals are increasingly seen as proactive collaborators. Most respondents (80%) judge finance to be "excellent" or "above average" in its ability to collaborate with the rest of the business. Large majorities both within and outside the finance function cite this as a strength (81% and 76%, respectively). It's noticeable that high-growth companies—defined as those whose earnings before interest, tax, depreciation, and amortization (EBITDA) grew by at least 10% annually—expect more of finance.

Only 21% of these companies view their finance functions' ability to link strategy to execution as "excellent", compared to 31% of respondents from underperforming companies.

Just 23% of top high-growth companies say their finance function is "excellent" at analyzing data to uncover trends and forecast future performance, compared to 32% of underperforming companies.

As Ricoh Europe's Ian Winham points out, **with closer relationships come rising expectations that must be managed**. At Ricoh Europe, he explains, the demands on finance have increased since it adopted technology enabling it to provide reports remotely and with greater flexibility. That is presenting the department with a fresh challenge in terms of meeting these demands—and sourcing the necessary skills to support them.

No room for complacency.

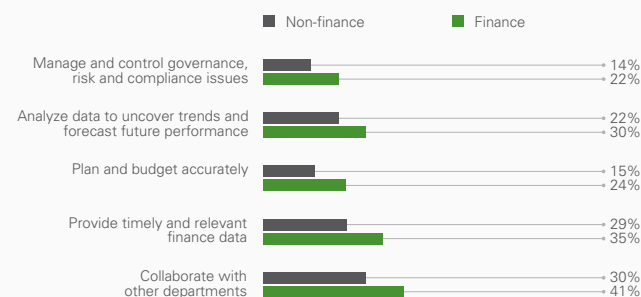
For all the progress that has undoubtedly been made, CFOs and finance executives must not rest on their laurels, either in terms of delivering further improvements or in making sure that what they offer is understood and appreciated.

This survey represents something of a reality check, as respondents in the finance function consistently rated their capabilities more highly than their non-finance peers did. The chart opposite shows the number of finance respondents rating themselves as “excellent” in key areas versus non-finance respondents.

Despite a clear majority of both finance and non-finance leaders agreeing that the CFO is a strong evangelist for technology's role within the business, it is less clear that the current contribution made by finance is viewed as strongly. Overall, the survey results indicate that peers in other lines of business are somewhat more skeptical of the finance function's abilities.

CFOs and finance executives must not rest on their laurels, either in terms of delivering further improvements or in making sure that what they offer is understood and appreciated.

Chart 5: Performance gap? Proportion of finance executives rating various aspects of the finance function as “excellent”, versus the view of non-finance executives.



* Due to rounding, the totals in this graph may not equal 100%

** Results in this graph represent the responses from Finance executives and non-Finance executives

CASE STUDY: SERVING UP STRONGER FINANCE TIES AT RED ROBIN

At US restaurant chain Red Robin, the information services that finance now provides to the rest of the business have given it greater influence over the overall decision-making process.

"With new technologies we can analyze data more quickly than our rivals and then speedily introduce new offers or make adjustments to pricing that has tremendous value to marketing and operations".

—**Stuart Brown**, CFO, Red Robin



Ultimately, argues Brown, technology-driven change has transformed finance from what used to be seen as little more than a compliance function into a true business partner and service department. "Finance has embedded itself in other parts of the business more than ever before," he says. "For example, we partner really well with marketing; they will come up with an idea about a new promotion, and we can run it through our filters and decision-making tools and then give them the answer back. Those are the types of things that keep you from making expensive mistakes, but also help you get other things that are working well rolled out much more quickly."

Keen to be closer to the rest of the business, Red Robin's finance function has also been ahead of the curve on usage of captive social-media tools, which have helped Brown's staff to disseminate information and boost productivity. State-of-the-art payment systems used for interactions with vendors and suppliers have also made finance a more valuable services function. "We're now moving towards a perpetual inventory system that would enable automated ordering," says Brown.



MODERN FINANCE HELPS ENABLE MAXIMUM OPERATIONAL PRODUCTIVITY AND EFFICIENCY

Forward-looking CFOs understand the need to deliver a borderless finance function that can scale and adapt in line with changing business needs. To do so, they are exploring entirely new ways of structuring their underlying finance operating model: shifting transactional activities such as accounts payable into low-cost shared services, while refocusing the core finance function on delivering more valuable services to the rest of the business and improving overall performance.

Many finance leaders have embarked on ambitious transformation programs to deliver on these goals by using technology as the fundamental enabler. About seven in ten (72%) of respondents believe technologies such as cloud, social, and mobile will change the way they structure and run finance within their business. In short, they recognize the major efficiency gains that technology can deliver.

This is particularly evident at high-growth companies. More than three-quarters of these firms believe technology will change the way they structure and run the business, compared with less than two-thirds of respondents in businesses whose EBITDA is either flat or shrinking. This suggests that there is a high correlation between high-growth companies and the strategic adoption of technology as a growth enabler.



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Towards automation and consolidation.

Nearly six in ten finance leaders admit to having many finance processes that remain predominantly manual or paper-based. Furthermore, more than four in ten admit to having made limited or no progress in moving away from a strong reliance on Excel-based spreadsheets to obtain a single view of key corporate data. Eliminating this reliance on spreadsheets through process automation would reduce errors, improve collaboration and cut labor costs by cutting back on the need for finance staff to focus on maintaining spreadsheets.

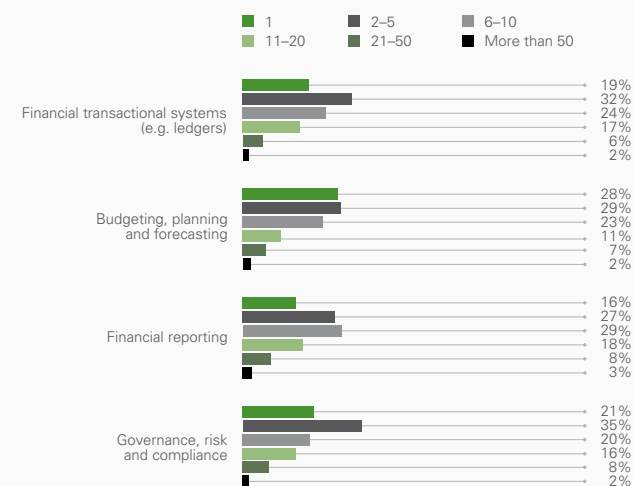
Akash Bhatia, the Director for Financial Planning and Analysis at OLX, epitomizes a finance leader who sees technology as a catalyst for positive change. When he joined the online-classifieds business a year ago, the finance function was still heavily reliant on Excel and similarly outdated systems for a range of core finance activities. "What should have taken 20 minutes took weeks," he says.

Technology-driven efficiency gains will also accrue as companies consolidate the financial systems they maintain, not least for those that have grown through mergers and acquisitions. Nearly one in five organizations polled (19%) now have a single enterprise platform for their core financial transaction systems, such as accounting ledgers, and nearly three in ten (28%) do the same for their planning, budgeting and forecasting.

By taking advantage of the software-as-a-service model, BAT has been able to reduce the number of systems in use from about 60 to just 11 over the past eight years, according to BAT's Global Data Manager Jaroslaw Chrupek.

Chrupek now aims to put the remaining finance applications onto a single platform, shifting more of BAT's transactional processes into the shared-services domain.

Chart 6: Approximately how many disparate finance applications or systems does your organization currently run, across various functions and geographies?



* Due to rounding, the totals in this graph may not equal 100%

** Results in this graph represent the responses from Finance executives only

Embracing mobile and web-based systems.

Automated and digital processes are another key attribute of a modern finance organization, and are increasingly replacing old-fashioned paper and fax-based systems for core transactions such as invoicing or procurement. Nearly half the survey's respondents say they now offer mobile apps, while 53% are providing web-based systems.

Insurance company MetLife, for example, has been able to speed up internal processes to the ultimate benefit of its customers by introducing Web-based technology. MetLife Finance Director Shabbir Malik says the company used to calculate sales-incentive compensation payments using Excel-based spreadsheets, but has now automated the payments process through in-house-built, Web-based applications. "The compensation is generated much more quickly and salespeople can know the details behind the calculation by using the software tools we've put in place," he explains.

At Ricoh Europe, a cloud-enabled streamlining of internal finance processes has even inspired the development of new products and services for customers, with a revenue upside for the business.

Completing the journey.

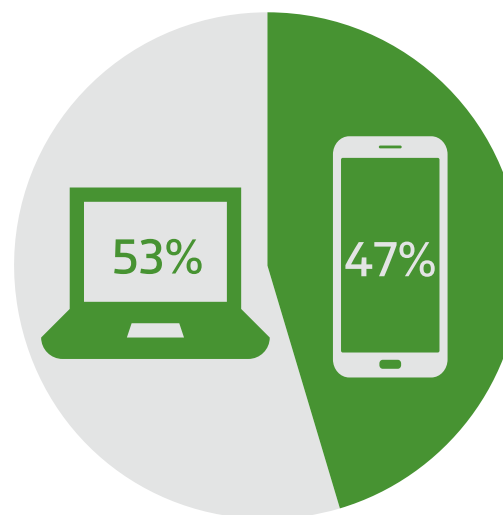
For all the progress made so far, much work is still to be done. One relative weakness for all is the degree to which transactional processes are automated and digitized. Although automation is a fundamental goal of technology transformation, just 15% considered their abilities in this area as excellent or above average overall.

Nor is the consolidation process anywhere near complete. Most firms are dealing with multiple systems elsewhere, with close to half of firms operating six or more systems for their financial transaction systems. Other tasks rely on even more disparate systems: only 16% use a single solution for financial reporting, while 58% have more than five systems, and 29% have more than 10.

New skills may be needed if finance is to confront these challenges with vigor. And while the finance headcount is increasing—34% of respondents expect the overall size of the finance function to grow in the next two years—the type of staff recruited will be as important as the number. Indeed, among high-growth businesses, 38% expect to actually reduce headcount, versus 11% of firms overall. Their focus is on skills rather than quantity, while automating transactional functions as much as possible.

Indeed, with technology driving efficiency, systems staff will be the key hires for many finance departments: 41% expect an increase in headcount here, while only 24% increased systems staff in the past two years.

Only when finance has sufficient technology skills will it be able to realize the full potential of the latest tools and maximize efficiency.



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CASE STUDY: RICOH'S EFFICIENCY TRANSFORMATION

Ian Winham is EVP, CFO, and CIO of Ricoh Europe PLC, the European headquarters of Ricoh Company Limited, a global technology company specializing in office imaging equipment, production print solutions, document management systems and IT services. While emphasizing the strong ties between finance and technology, Winham's dual role means he is constantly thinking about ways of using IT to improve finance processes that will deliver improved customer services both externally and internally.

The transformation of Ricoh's finance department into a modern-day, cloud-enabled function began about four years ago. It was driven by the company's goal to further standardize processes, data and systems, and also to support Ricoh's drive to reduce its environmental impacts. "Globally, we've set ourselves the goal of reducing our environmental footprint by 87.5% by 2015," explains Winham.



Investing in a private cloud and virtualization technology has led to a considerable reduction in both IT and energy expenses; Winham estimates that the reduction of over 1,000 servers across EMEA³ equates to 16.8k tons of CO₂, or the equivalent to emissions from 3,350 cars removed from the highway.

³ Europe, Middle East and Africa

But there have been productivity and efficiency gains as well. Its cloud-based invoicing system has allowed Ricoh to speed up processing and cash collection, for instance. Winham says cloud technology—which he describes as an “enabler”—has sped the standardization of financial processes. Ricoh has massively reduced the number of disparate systems it maintains and has enhanced information-sharing across the business.

The “next big journey”, he says, is greater investment in mobile, making it easier for employees to access data on an “anywhere, anytime” basis.



As Ricoh's transformation continues, Winham is recruiting finance employees with more analytical skills, and is keen to establish a stronger business intelligence function. “It's about finding the right people who can do something with the amounts of data we now generate,” he says. “That is going to be critical to our success in the future.”

CONCLUSION: TOMORROW'S FINANCE FUNCTION

As this report has shown, the finance function of the future will be a radically different entity from that of the past. Led by a new breed of CFO, tomorrow's function will put greater emphasis on taking a forward-looking approach to the rest of the business, and driving the growth agenda through sharper insights from data, which are increasingly provided on a near-real-time basis. It will find new ways to collaborate with the rest of the organization as a strategic business partner, while taking a far more service-oriented approach in its efforts.

Many CFOs are making major strides towards creating a technology-enabled finance function, but it's clear that much work lies ahead. Too many companies still rely on outdated data for key decision-making, for example, not least due to the challenges of consolidating numerous disparate systems. And while there has been great progress in delivering insightful analytics to the business, this can be significantly improved.

To free up capacity for this, tomorrow's finance function will have to be far more automated and efficient. Underpinning all of this will be a plethora of digital technologies, from mobile-enabled finance tools and leading-edge data analytics, to smarter use of social media and the cloud.



KEY IMPLICATIONS FOR MODERN FINANCE



Delivering insights and value to the business starts with establishing a common finance language.

Modern CFOs are focused on using data insights to understand changes in profitability across multiple different dimensions of the business. To measure profitability consistently across all markets, products and geographies, you need to get the baseline right. That means establishing a common finance language that everyone speaks, from a standard reporting architecture and profitability measurement framework, to a common set of analytical tools and processes that everyone can use to analyze structured (internal) and unstructured (external) data and make rational decisions using a common information framework.



Understanding what data matters, and when, will be vital.

As modern finance functions start to tap into big data, new types of expertise will be needed. This partly relates to analysis, but also in discerning what, and when, particular insights will be most meaningful to other parts of the business and for driving value creation across the enterprise.



The finance function of the future will be a full-fledged strategic business partner and service provider.

Modern finance organizations seek to set the growth agenda by providing finance guidance and support to management and lines of business. They embed finance professionals into the lines of business to help interpret the numbers more efficiently, analyze profitability measures more effectively, and uncover new growth opportunities faster, spending at least 40-50% of their time on line-of-business activities. Finance partners increasingly have operational experience and sales and marketing expertise to complement their analytical skills.

Yesterday's transactional work will give way to more complex demands.

To offset growing business complexity, companies should consider outsourcing or automating as many routine, non-value-add transactions as possible. Before automating, think about how to simplify the processes first from end-to-end, then standardize and centralize them using shared services, centers of excellence, or integrated business services.

Look to integrated business services to help deliver higher-value services across the enterprise.

With integrated business services, the finance function can tap into internal and external resources to deliver high-quality and cost-competitive services and solutions that address end-to-end business problems and drive value creation. Across a company and regions, as integrated business services organizations become strategic partners to the enterprise, they can help revolutionize how a firm organizes not only its administrative and support functions, but also more of its middle-and front-office activities. They can also help bring greater focus to process and organizational standardization, and their proximity to the business helps them share responsibility with the company for achieving business results.

Leverage the cloud to make an impact.

Identify where the cloud can make an immediate impact on your organization, whether that's through standardization and integration of key processes; elimination of non-differentiating customizations that can reduce your cost of ownership; or through the delivery of new mobile, social, or analytical capabilities that can improve finance productivity and decision-making.



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