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Four Big Moves Finance Should Make Right Now

Recapture growth and thrive in an unpredictable future

Introduction

Albert Einstein famously said, "in the middle of difficulty lies opportunity." COVID-19 has fundamentally changed how companies do business, whether that means adopting a digital sales model, adapting to shifts in consumer behavior, or dealing with a new competitor. Yet those organizations that were prepared for change—and those that rapidly embrace change now—can turn unprecedented challenges into growth.

"The companies best positioned for the COVID era had technology that allowed them to adapt quickly to changing times: touchless transactions, robotics, online commerce, or the infrastructure needed to support a decentralized workforce," says a September 2020 article in the *Wall Street Journal*. "Their success may define and reshape the business world for some time to come."

CFOs are leading the charge, making big moves to get out in front of the competition, shifting their business models, leveraging mergers and acquisitions (M&A) or divestitures to support change, and investing in automation to accelerate finance and manage risk. At Oracle, we've seen many customers succeed during the global economic crisis created by COVID-19, having modernized their processes, technology, and workforce prior to 2020.

Take FedEx Services, which has implemented more than 40 cloud applications. "By institutionalizing innovation long before the pandemic and making it an ongoing part of the business, we've had a strong foundation to fall back on," said Chris Wood, vice president of Business Transformation at FedEx Services. Cloud enterprise performance management (EPM) and cloud supply chain management (SCM) solutions give FedEx visibility into increasingly complex financials and global logistics.

Meanwhile, at Western Digital, the decision to move to a unified cloud platform for finance and supply chain enabled them to make quick pivots to remain flexible during the pandemic. "Within days of initiating the work-from-home directive, we had some of our tools scaling 4 to 15 times their pre-COVID use and volume," said the company's previous CIO, Steve Phillpott.

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Indeed, the global health and economic crises have accelerated the digitization of everything from internal processes, to products and services, to customer interactions. A McKinsey & Company survey of global executives found that in the case of remote working, companies moved 40 times more quickly than they thought possible before the pandemic. From September 2019 to July 2020, the global average share of products and services that were partially or fully digitized jumped to 55 percent—seven years ahead of the average rate of adoption from 2017 to 2019. In that same period, the average share of customer interactions that were digital

reached 58 percent, fueled by customers' growing need to interact with companies online. According to the research, respondents are three times likelier now than before the pandemic to say that at least 80 percent of their customer interactions are digital.

The role of finance in a COVID economy and beyond

Many companies have now stabilized—they were able to build and maintain resilience in response to the global crisis, or have begun their recovery from the fallout. They're ready to once again turn their focus to the future, and that means being prepared to respond to whatever comes next. CFOs and their teams were already under pressure to build finance teams with the skills and processes needed to react to the pace of change. Now, they are partnering with leaders across the business as they retool their companies to make sure they're investing in the right path forward.

Experts, including Oracle CEO Safra Catz, agree that small changes aren't enough. Big, innovative moves are what will enable companies to get out in front of the competition. Oracle has a history of making these types of moves to invest in the future during economic downturns—from M&A activity and spending more than $6.1B annually in R&D, to enhancing customer and employee experiences, to transforming core operations by moving all of its legacy systems to the cloud (see "Ahead of the downturn" sidebar). "This is the time to really put your foot on the accelerator," said Catz. "People always think it's risky to go fast. I think that it's risky to go slow."

Kyle Hawke, a former partner in McKinsey & Company's Corporate Business Function practice, agreed that organizations must make bold decisions to withstand disruption brought on by the pandemic. "This is a time to shelve any sort of incremental thinking and seek out transformational plans that could boost revenues or reduce costs, not by 5 percent to 10 percent, but by 30 percent to 40 percent in [certain] pockets of the business," he told attendees of a recent webcast series produced by the Association of International Certified Professional Accountants (AICPA and CIMA) and Oracle. He cited research from McKinsey & Company revealing that in the last financial crisis, the companies that outperformed the market pursued productivity improvements more often and more frequently than others, reducing their operating costs by three times as much as their peers to create the capacity for growth during recovery.

Ahead of the downturn

Three ways a cloud investment helped Oracle pivot

To stay ahead of changing needs and expectations from our customers, partners, and employees, we embarked on our own business transformation prior to 2020. This meant implementing the complete suite of Oracle Cloud applications—a move that left us well positioned for resiliency during the crisis.

Our investment continues to pay off across the business. In finance and operations, specifically, we've seen critical results, including:

1. **Improved speed and accuracy in financial planning**
Oracle Fusion Cloud EPM gives us the ability to perform scenario modeling and financial consolidations faster, enabling finance to provide real-time recommendations to business leaders and plan with accuracy. "When COVID-19 hit, we used scenario planning to identify potential implications to revenue streams and bookings, and where we wanted to invest sales and development resources," said Ivgen Guner, Oracle's executive vice president of global business finance.

2. **Global account reconciliations in 1.5 hours**
We can reconcile our balance sheet accounts at a global level, leveraging our global chart of accounts and global reporting in Oracle Fusion Cloud ERP to reduce time, risk, and errors. We reconcile intercompany accounts for hundreds of subsidiaries in under two hours—with on-premises ERP, this took one week.

3. **Agility to respond to changes in supply chain demand**
"We had already moved our operations from China to Texas in response to tariff increases, and to diversify sourcing," said Giovanni Schoordijk, Oracle's senior director of supply chain strategy and process. "That set us up for success during COVID-19." With Oracle Fusion Cloud SCM, his team has also been able to respond quickly to change: they have the sourcing flexibility to deal with supply and workforce constraints around the world, and can make frequent adjustments in demand planning to reflect coronavirus lockdown patterns, surge demand, and budget constraints.

Read more about our transformation.

Setting the stage for finance-led growth

"Huge moves require support from a very resilient, agile, innovative, and visionary finance function," said Oracle's Ivgen Guner, executive vice president of global business finance. She's turbocharging the role of financial planning and analysis (FP&A) by investing in new finance skills and technologies that empower her team to shift direction in meaningful ways. That means optimizing not only planning and forecasting, but closing and reporting as well—the set of processes that make up a complete EPM suite.

Cloud EPM solutions are adding tremendous value. They offer an alternative to spreadsheets, traditional on-premises tools, and niche solutions that are insufficient when it comes to analyzing the impact of outlier events, such as COVID-19, and rapidly aligning (and realigning) plans not only across finance, but all lines of business.

Forward-looking finance teams are using cloud-based EPM applications in three specific ways as they lead through change and plan for growth.

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>
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> EVP, GLOBAL BUSINESS FINANCE, ORACLE

Modeling multiple scenarios to visualize the future

[During the Agile Finance Reimagined webcast series hosted by AICPA-CIMA](), participants were polled about what strategies they had implemented or were considering adopting as a result of COVID-19. The top strategy, cited by 23 percent of more than 1,000 respondents, was scenario modeling. In uncertain times, this strategic planning method gives finance the agility to visualize multiple "what-if" scenarios and assess how to best respond to each one. It helps them identify the strategic levers they can pull to strengthen the balance sheet and optimize cash forecasting. Many companies, including lululemon, are using scenario modeling within Oracle Fusion Cloud EPM to address uncertainties and guide decision-making.

Understanding costs to uncover new opportunities

As organizations reimagine their future, they're examining their most and least profitable lines of business, locations, or products, so they can shift resources as necessary. Profitability and cost management solutions help them identify areas to reduce costs and uncover investment opportunities.

Zero-based budgeting—a method where finance creates an annual budget based solely on costs with a justified need, rather than simply modifying the previous year's spending—is also key when it comes to resource allocation. It gives you an enterprisewide view and deeper understanding of your exact spend, so you can control costs and reprioritize as needed. Since it's more detailed

and granular than traditional budgeting, it's also more accurate. This method has worked well for Oracle customers such as Argo Group International, which decreased its expense ratio, a key performance indicator used in the insurance industry, by 250 basis points.

Improving communication and reporting

Once a strategy is developed, finance needs to share their plans with key business stakeholders and investors. Never has it been more critical to give those stakeholders confidence in the numbers, and to answer inevitable questions, such as, "Why isn't this in line with original forecasts?" and "Why are you doing this instead of that?" This is where a narrative reporting tool shines, enabling finance to combine quality corporate data with rich narrative text for more detail and clarity. Oracle's research on the value of EPM reveals that 90 percent of companies agree that this type of qualitative commentary is critical—yet most of them spend their days gathering data, with little time to provide context to the numbers. Narrative reporting adds accuracy and consistency to the reporting process for better internal and external discussions.

The four big moves finance should make now

In the planning process and beyond, CFOs and their teams should pay attention to four key opportunities to move their business forward and to the technologies that can fuel success.

1 Embrace business model innovation

Rapid changes in customer behavior during COVID-19 are making one thing clear: organizations must innovate and respond faster to survive, compete, and reignite growth. We've seen companies launch new products and services and rethink their business models—universities are shifting to online education programs, retailers are abandoning malls in favor of ecommerce and "off mall" locations, and B2B companies and associations are swapping onsite events for virtual forums. In a poll of global participants in the AICPA-CIMA webcast series, 46 percent of more than 1000 respondents said they were focused on new business models to prepare their companies for competitive advantage in the next stage of the pandemic. Likewise, PwC's recent US CFO Pulse Survey found that changes to products and services are deemed as most important for rebuilding and enhancing revenue streams.

The next great growth industries are taking shape right now, and the companies defining them share three key traits.

- They're launching services-based business models that provide stable and recurring revenue streams. In the fitness industry for example, many brands that sell workout equipment have added streaming, on-demand classes to their offerings.
- They have a relentless focus on automation and process optimization, which allow them to pivot quickly in response to change.
- They have a continuous commitment to delivering customer excellence through innovation and digital experiences.

For FedEx Services, innovating means building on digital transformation that was already in progress. “Never has leadership been more important—to sustain operations, maintain employee morale, and reassure customers,” said Wood. Since FedEx was deemed an essential business at the start of the COVID-19 lockdown, his team has been focused on continuing to strengthen administrative and operations support and maintaining the “Purple Promise” to “make every FedEx experience outstanding.” He also wants the company’s employees to benefit from the same kinds of digitization and improvements that FedEx has delivered to its customers. To that end, FedEx has implemented Oracle Cloud applications across the organization, including EPM, ERP, SCM, analytics, and digital assistants.

Now, more than ever, cloud is empowering industry disruptors to pivot business models, resources, and talent to capitalize on growth opportunities. Advanced cloud platforms deliver process automation, powered by built-in emerging technologies, and continuous updates and improvements. “As we’re committed to spend $6B annually in research and development, we’re constantly reshaping our innovation efforts for that vision,” says Oracle’s Guner. “We are focused on AI, machine learning, autonomous capabilities, and enhancing our cloud application set of offerings.”

CFOs are investing in cloud applications that deliver benefits across the business to empower innovation, including:

Finance: Cloud ERP and EPM solutions offer:

1. Cost management tools to move capital expenses (CapEx) to operational expenses (OpEx), supporting a shift from physical assets to digital assets such as subscription models.
2. Project management tools to track development of new products/services and keep projects on budget.
3. Revenue management tools to recognize and report annual recurring revenue (ARR) in compliance with accounting standards.
4. Tools to help finance model new scenarios and analyze the cost and profitability of new products, services, or lines of business such as subsidiaries.
5. Native, integrated risk management tools to increase risk intelligence across their organization.

Supply Chain: Cloud-based product lifecycle management (PLM) solutions help supply chain leaders determine what investments best align with company objectives and enable the rapid design and launch of new products. Additionally, Internet of Things (IoT) solutions collect data from connected devices to improve current products and make them smarter.

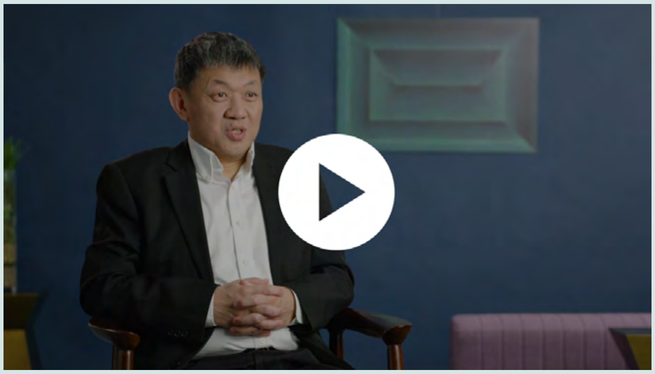
Human Resources: Cloud human capital management helps recruiters hire the right talent for new roles, such as chief innovation officer, or for high-demand skills such as analytics.

Customer Experience: Cloud-based CX capabilities, including subscription management and configure, price, and quote, allow teams to bill customers, provide self-service tools to sign up for or change subscriptions, and quickly configure and price new and complex products.

Broadcom scales through new business models

Leading with innovation doesn’t come without challenges. When Broadcom acquired Brocade Communications Systems to diversify beyond its core semiconductor business, it added a whole new category of products—and increased complexity—to its portfolio. This also meant tracking new revenue models, such as the subscription services Brocade offered its customers. To handle new challenges, Broadcom moved their PLM and revenue management systems to Oracle Cloud.

Watch what happened (2:16):



2 Capitalize on M&A and divestitures to support your pivot

An economic crisis is an opportunity to acquire companies at below-market prices or divest underperforming companies—so it's no surprise that the summer of 2020 was the busiest in decades for mergers and acquisitions. According to Reuters, more than [$1 trillion worth of M&A transactions] were made worldwide in the third quarter alone.

M&A supports business model innovation strategies by building on a company's core business or expanding a company into adjacent markets. Conversely, organizations can strengthen their business by divesting nonperforming assets or shifting resources in favor of higher-value activities.

In the rush to buy and sell, however, finance must act with precision when doing things such as identifying the best M&A targets, spinning up new divisions, modeling the impact of divestitures, and integrating new companies, systems, and employees. A critical and often overlooked question CFOs need to ask is, "How can we assimilate new data and processes to have a single, trustworthy source of financial truth?"

Western Digital faced this challenge when it merged three Fortune 500-sized companies—Western Digital, SanDisk, and HGST—and their three separate ERP systems. "We wanted a streamlined process, something end-to-end from the point you capture the data to the point you want to report out the data," said Bill Roy, a senior director at the company. Western Digital chose to reimagine its business in the cloud, implementing Oracle Fusion Cloud ERP rather than move data from among three systems.

Read how Adventist Health uses Enterprise Data Management to help manage its growth strategy.

CFOs are investing in cloud applications that deliver benefits across the business to empower M&A, divestitures, and subsidiaries, including:

Finance: Scenario modeling helps teams assess the outcomes of M&A and divestitures and improve planning. Enterprise data management (EDM) connects the data structures of disparate applications from merging companies.

Cloud ERP solutions can provide an enterprisewide accounting platform for financial processes, corporate accounting, and financial reporting—a single source of financial truth among corporate accounting and FP&A teams.

Supply Chain: When M&A activity is complete, cloud SCM solutions help companies optimize inventories, improve warehouse utilization, and consolidate transportation requirements. They also fuel process efficiencies across manufacturing and supply chain operations using integrated real-time reporting, analytics, and planning across common data.

Human Resources: Cloud-based solutions for global HR, payroll, and benefits streamline the process of onboarding talent from acquired companies or retiring employees from divested companies.

3 Accelerate an automated close

Big moves such as moving to a digital business model, making an acquisition, or introducing a new product or service can cause delays and inaccuracies in your financial close, especially if you're still using manual finance processes. A manual close can also prevent quick shifts and delay marketplace success, as it slows the process of reporting results to external stakeholders who need to understand the health of your business.

Cloud-based solutions featuring machine learning and intelligent process automation can help you close the books faster, and—perhaps most critical in uncertain times—they're flexible enough to accommodate change, effortlessly. Imagine that you've created a subsidiary as a result of an acquisition, and suddenly, you need to do calculations on a minority interest. The right cloud software will have an automated calculation for this. You just turn it on and get instant results, with no help needed from IT or an outside consultant.

Minimal IT effort is what led SRAM, a global manufacturer of bicycle components, to implement Oracle Cloud EPM for financial consolidation and close. The growing company sought touchless automation to satisfy complex requirements, including intercompany eliminations and currency translations.

Other features to look for in a cloud solution to improve your financial close include:

- Advanced analytics for enhanced insight into your business
- Deep functionality and automation for account reconciliation, consolidation and close, enterprise data management, tax reporting, narrative reporting, and more
- The ability to connect these financial tasks on a single cloud platform

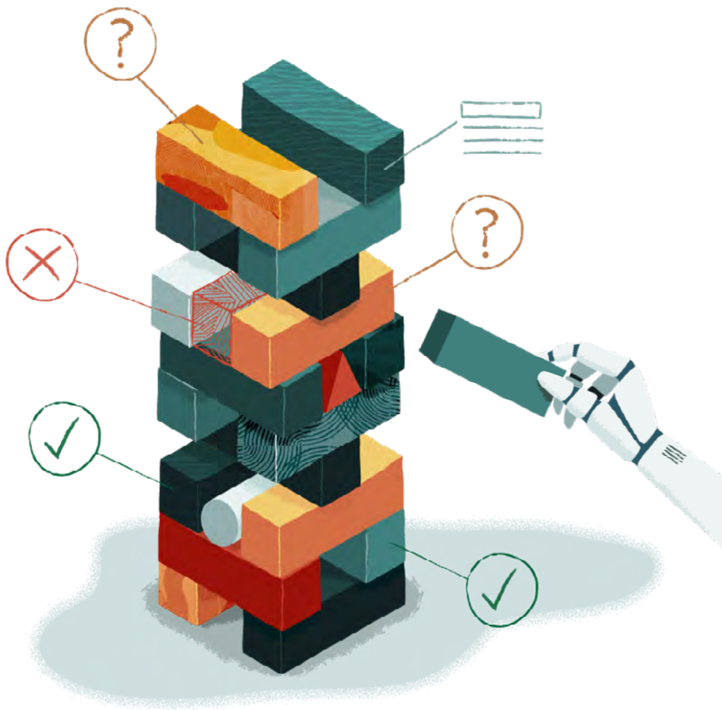
Oracle is making great progress toward its goal of an automated close of its monthly financial books, having shortened the close by 20 percent in March 2020, even with the finance team working from home because of the pandemic. "We had been planning to reduce the close time frame, but to be able to accomplish that while working remotely is incredible," said Maria Smith, Oracle senior vice president and assistant corporate controller. "It was business as usual for us on the cloud."

Among the benefits that Oracle is seeing since implementing its cloud ERP: About 92 percent of global bank transactions are now automatically reconciled; global intercompany balances across hundreds of legal entities are reconciled in 90 minutes; expense allocations have been reduced by 98 percent; accounting for open purchase order accruals globally is now complete in just three hours; and, so far, the company has reduced its manual accounting by 35 percent with multiledger, multicurrency journals. As a result of these benefits, the company can now close out its quarter and report earnings to Wall Street in 10 days.

Smith's next goal is an automated process where the books continuously balance themselves. "The automatic close is where you see a continuous data flow every second of every day—to the people who populate your call centers, to your compensation and benefits data, to customers and revenue and sales," Smith said. Oracle offers all of this data—HR, ERP, customer, and supply chain—in a unified cloud with a common data model.

4 Build a risk-intelligent culture

The same moves enabling growth and transformation can also put a company's most critical and sensitive data at risk. Acquisitions increase a company's data, and the expansion of IoT, mobile, and other digital technologies create new access points and chances for that data to be compromised.



How do you manage risk in an era of data proliferation? It starts with a well-integrated risk management approach to security, risk, and compliance to ensure that any structural or business model changes won't introduce new risks that can negatively impact your brand's reputation or bottom line. It continues with creating a risk-intelligent culture that empowers business process owners in risk identification and prevention, and strengthens risk-based decisions and executive oversight.

Adding new companies, subsidiaries, and business models can provide an opportunity to centralize and automate your security and audit. Finance leaders are realizing they need to have a risk-intelligent culture—the gold standard is to have this from day one, in order to protect critical ERP or sensitive data. This means managing risks at the beginning of a cloud ERP implementation, not afterward, and having embedded risk-assessment activities in financial software.

The 2019 Sans Institute Cloud Security Survey examined business security readiness among several hundred companies in the United States, Asia, Europe, and Canada. It revealed that nearly one in five companies had experienced a breach in the previous year. To prevent their company from becoming a statistic, CFOs should ask themselves these key questions about risk:

- **What are our risks?** How do they factor in business decisions and what is their potential impact on bottom line, compliance, and reputation?
- **What is our company's approach to managing risks?** How do we implement controls and mitigate risks and how do we identify application risks for user access, configuration, and transactions? Do we have a clear, enterprisewide view?
- **What is our risk tolerance?** How can we balance short-term risks and long-term opportunities?
- **How unified and engaged is our company in executing our control strategies?** How integrated are controls across business functions? Are our risk-mitigation strategies and controls embedded in our business functions?
- **Are we prepared?** What is our strategy for continuous monitoring? Are our controls automated and preventative? How fast can we assess and respond to risks?
- **What collaboration and communication tools are in place?** Are our employees knowledgeable about our strategies and risk tolerance? How efficiently can we report on control violations?

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Ashwat Panchal
VICE PRESIDENT OF INTERNAL AUDIT, SKECHERS

Timely and accurate identification and reporting are key to managing threats, and AI and the cloud are increasingly being used to achieve these goals. With risk management as part of your cloud ERP solution, you can eliminate manual, rules-based separation of duties (SoD)—the means by which no one person has sole control over a transaction; replace disconnected bolt-on security, risk, or audit tools; automate advanced security and transaction monitoring to strengthen financial controls; and streamline audit workflows.

Skechers is one organization that has been successful in transforming internal audit and compliance in the cloud. To support the footwear company’s rapid growth and keep up with new and evolving regulatory requirements, Ashwat Panchal, Skecher’s vice president of internal audit, turned to Oracle Risk Management. Panchal was able to ensure local compliance, while saving the business time and money. He accomplished this with a lean, six-person team auditing the $4.5B company.

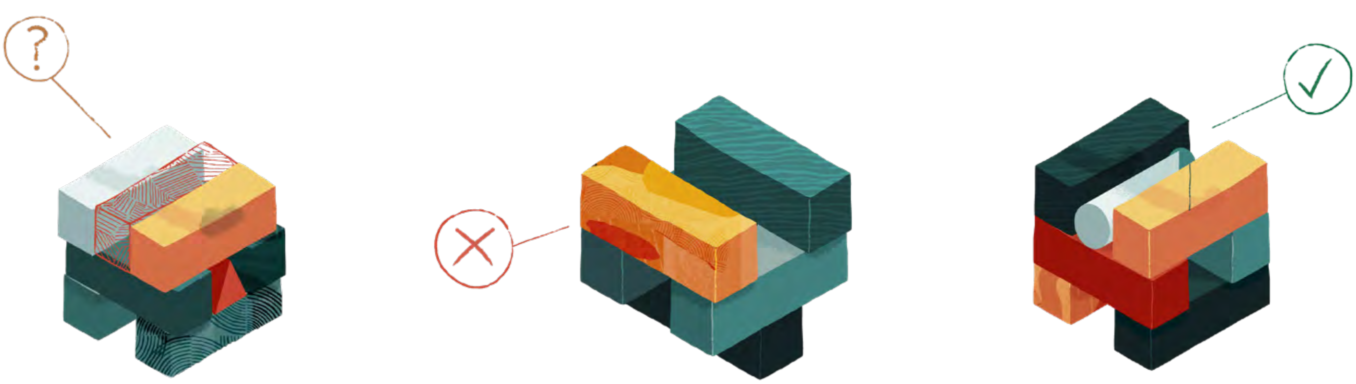
“We can do a lot more with fewer people,” said Panchal. “Without our standardized approach and risk management cloud, we would have 40 to 50 people traveling around the world, all of the time.”

8 use cases for cloud-based risk management

Finance leaders use cloud-based risk management solutions to automate many routine, labor-intensive risk tasks—especially those involving assurance, compliance, security, and fraud. Key use cases include:

1. **Accelerate security design during ERP implementations**
2. **Automate separation of duties compliance reporting**
3. **Continuously monitor user security**
4. **Digitize user access certification workflows**
5. **Continuously monitor configuration changes**
6. **Continuously monitor payments and other critical transactions**
7. **Digitize SOX, audit, and certification workflows**
8. **Digitize enterprise risk management workflows**

Learn more about these use cases.



The time is now

"Use this crisis as an opportunity to innovate," advised Oracle's Guner. She challenges finance leaders to get rid of the "legacy baggage" weighing them down and adopt change-ready cloud solutions to capitalize on the growth and market opportunities being created.

If history is any indication, companies that adapt and innovate today will outperform competitors for the foreseeable future.

It's your move.

Learn more about how finance moves forward.