

# AGILE FINANCE REVEALED

The New Operating Model for Modern Finance



## About American Institute of CPAs

The American Institute of CPAs (AICPA) is the world's largest member association representing the CPA profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, and offers specialized credentials for qualified professionals who concentrate on personal financial planning; forensic accounting; business valuation; and information management and technology assurance. With The Chartered Institute of Management Accountants (CIMA), it offers the Chartered Global Management Accountant® (CGMA®) designation, which sets the global benchmark for quality and recognition in management accounting.

The AICPA and CIMA also make up the Association of International Certified Professional Accountants (the Association), which represents public and management accounting globally, advocating on behalf of the public interest and advancing the quality, competency and employability of CPAs, CGMAs and other accounting and finance professionals worldwide. CGMA and Chartered Global Management Accountant are trademarks of the Association of International Certified Professional Accountants. These trademarks are registered in the United States and in other countries.

The AICPA maintains offices in New York, Washington, DC, Durham, NC, and Ewing, NJ.

Media representatives are invited to visit the AICPA Press Center at [aicpa.org/press](https://aicpa.org/press)

## About Oracle

Oracle offers a comprehensive and fully integrated stack of cloud applications, platform services, and engineered systems. With more than 420,000 customers in more than 145 countries, Oracle provides a complete technology stack both in the cloud and in the data center. Oracle's industry-leading cloud-based and on-premises solutions give customers complete deployment flexibility and unmatched benefits including application integration, advanced security, high availability, scalability, energy efficiency, powerful performance, and low total cost of ownership. For more information about Oracle (NYSE: ORCL), visit [oracle.com](https://oracle.com)

# Contents

	<b>FOREWORD</b>	<b>4</b>
<b>1</b>	<b>EXECUTIVE SUMMARY</b>	<b>6</b>
<b>2</b>	<b>INTRODUCTION</b>	<b>11</b>
	Business Agility	12
<b>3</b>	<b>THE NEW OPERATING MODEL FOR MODERN FINANCE</b>	<b>14</b>
	Modern Finance: The Chief Characteristics	17
	Accounting Operations	17
	Subject Matter Expertise	18
	Financial Planning & Analysis/Analytics	18
	Decision Support/Performance Management	19
	Management and Development	19
	Finance Transformation	20
	Measuring the Progress of Transformation	20
	The Obstacles to Agile Finance	22
	The Obstacles: Sectoral Differences	23
<b>4</b>	<b>AGILE FINANCE LEADERS: ATTRIBUTES REVEALED</b>	<b>26</b>
	The Traits of Agile Finance Leaders	27
	Analysis by Age and Sector	27
	Implementation Progress: Outstripping the Competition	28
	Leading the Way on Centralization	29
	Key Skills: Ahead of the Pack	30
	Recognizing the Challenges Ahead	31
	Supporting Improvement Through KPIs	32
<b>5</b>	<b>REVEALING AGILITY IN FINANCE</b>	<b>34</b>
	The Attributes of Agility	35
	Measuring the Key Intangible Drivers of Value	38
	The Key Measures of Business Agility	40
<b>6</b>	<b>CONCLUSION</b>	<b>42</b>
<b>7</b>	<b>APPENDICES</b>	<b>46</b>
	I. Research Methodology	47
	II. References	48
	III. Authors	48

# Foreword

For most businesses these days, change is not an option—it's an imperative driven by customer expectations and the pace of innovation.

For the past two years, Oracle has partnered with the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) to conduct research on how finance can navigate successfully through today's economic uncertainty and create value in the digital age.

Our latest study, Agile Finance Revealed, looks to identify the traits of agile finance leaders and benchmark their success in creating a dynamic new operating model that is resilient, responsive, and predictive – enabling finance to lead digital transformation – not just react to it. At Oracle, we believe that digital transformation brings companies into the future, and it enables them to be more competitive.

The wonderful benefit of an enlightened digital enterprise is, aside from making better decisions and optimizing all your assets, you are also spending less on things that don't advance the agenda of the company or empower employees or customers, and spending more on your core strengths. There has never been a more important time to be in finance, using your data-driven insights and enterprise-wide view into operations to guide your organization through today's uncertain times. I hope you find Agile Finance Revealed useful as you look to optimize your own operating model for modern finance, and strengthen your strategic role as co-pilot to the business.

**Safra Catz**  
Chief Executive Officer  
Oracle

# Foreword

## The AICPA welcomes working together with Oracle on our latest report *Agile Finance Revealed*.

The digital age and turbulent market conditions present opportunities and threats to many current business models – to survive and to thrive, organizations have to be increasingly agile. Companies need to be able to take informed decisions swiftly about how to adapt to rapid and constant changes and to then implement new strategies. In addition, they need to be able to manage performance nimbly, constantly monitoring what is working and what is not working and redeploying resources to where the returns or opportunities are best.

The digital age has already changed the nature of work, and will continue to do so. Finance professionals are not immune: we need to adapt and transform too. By embracing a new operating model for modern finance we can become exactly the kind of “agile finance leaders” business requires. This includes using cloud and digital technologies effectively. But it also requires finance professionals to develop a broader skill set.

Agile Finance Revealed is about this new breed of finance function. Equally, it gets to the heart of what management accounting is about. Chartered Global Management Accountants (CGMAs) and CPAs in corporate finance roles are equipped to shape the transformation to a new finance operating model as described in this report, and participate in and lead agile finance functions.

Today’s changing business environments need finance professionals such as CGMAs and CPAs to act as transformation leaders. We therefore strongly encourage CFOs to read this report to find out about how to develop their people for the future and to ensure an agile finance function that is fit for purpose in the digital age. We hope that they consider our CGMA designation as part of their and their company’s future.

**John Windle, FCMA, CGMA**  
Chief Financial Officer  
Association of International Certified Professional Accountants

# 1. EXECUTIVE SUMMARY



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or Broken?

**AICPA**

# Modern Finance

A new modern finance delivery model is emerging, equipped for high performance and success in the digital age. Modern finance teams have fully embraced a new operating model for finance that is responsive and change-ready, embracing digital technologies to proactively automate traditional transactional work, while investing in new skill sets to provide the analytical insights and strategic guidance management needs to adopt new digital business models and ways of working.

In this report, we reveal what exemplifies these high-performing teams: what sets them apart from their traditional peers, what benefits they bring to their organizations, and what attributes others can grasp and replicate for their own advantage.

“Agile Finance Revealed: The New Operating Model for Modern Finance” contains the blueprint for the new operating model for modern finance. It shows what organizations can expect to gain from this fast-evolving and highly-effective source of competitive advantage.

## Enabling Business Agility

Everybody agrees that organizations need to be agile in the digital age.

But how can finance professionals adapt and survive when new digital technologies are threatening the future of knowledge work? And what does finance have to do to remain relevant, to empower the CFO, and to enable a business to become agile?

In our efforts to find answers to these questions, we’ve identified a new operating model for modern finance consisting of the following attributes that enable CFOs and their teams to drive greater business agility:

- Cross-functional, integrated teams that are centralized in shared services or centers of excellence. Empowered by cloud and digital technologies like robotic process automation and machine learning, the ever-improving accounting services and efficiency delivered by these teams are driving highly significant business improvement.
- The ability to unleash the full potential in big data analytics and artificial intelligence. Doing so stretches the Financial Planning & Analysis (FP&A) role beyond recognition, into a powerhouse that generates the insights organizations need to develop innovative strategies and achieve performance levels that eclipse the competition.
- New skill sets in statistics, data analysis, data visualization, and business partnering, to support rapid decision making and performance management. States GE Digital CFO Khozema Shipchandler, one of the CFOs interviewed for this report: “While it is important to have people with strong commercial awareness, you cannot replace all the hardcore data scientists and data analysts with training in statistics who are the true data masters.”

# Agile Finance Leaders Revealed

These are some of the reasons why Oracle and the AICPA came together to research and reveal the key attributes of these “agile finance leaders”: those teams that are most advanced in their transformation towards this new operating model.

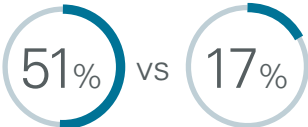
To do so, we commissioned an extensive survey of 483 senior finance executives in large businesses or other organizations across the USA and Canada, in five key industries: financial services, manufacturing, retail, healthcare and life sciences, and higher education. We also interviewed CFOs who have embraced the new operating model and are investing in finance modernization to excel in their respective industries.

In this report, we identify how agile finance leaders differ from those who are less advanced in their transformation journey in terms of structure, systems and skills. And we show how they’re more likely than others to possess the attributes that enable a business to be agile.

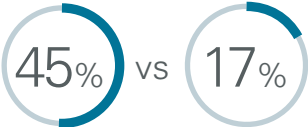
## Achieving Profitable Growth

In one of the most important outcomes, we found that the businesses supported by such leaders are more likely than others to demonstrate agility and achieve profitable growth:

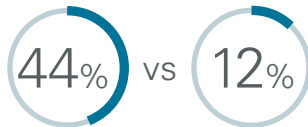
- Agile finance leaders are far more likely than others to have fully implemented cloud-based enterprise performance management (51% vs 17%) and emerging technologies like robotic process automation (44% vs 12%). They’re also far more likely to have fully implemented cloud ERP for standardizing their accounting processes (45% vs 17%). (This is to be expected, however, as we used a high level of implementation as a criterion to segment the leaders.)



Cloud Based EPM



Cloud Based ERP



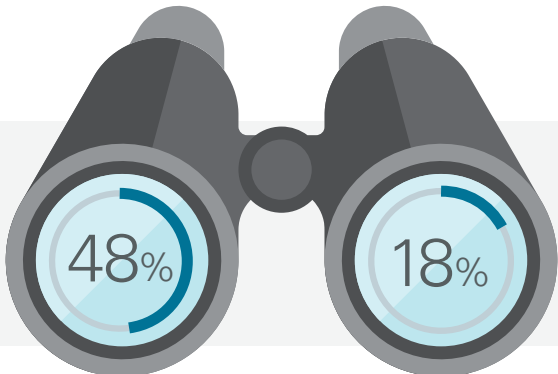
Emerging Technologies (eg RPA)

- They’re also far more likely to have set up centers for Financial Planning & Analysis (FP&A), the area of expertise that’s most important for modern finance (81% vs 56%).



FP&A Centers

- Far more agile finance leaders (48% vs 18%) are rated highly effective at delivering forward-looking analysis that identifies new opportunities for revenue growth.

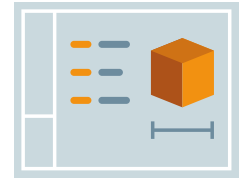




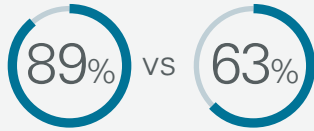


Agility in New Product Releases

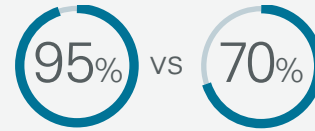
- 56% of businesses with agile finance leader teams have demonstrated their agility by successfully launching a new product or service. (Just 43% of others have done so.)



- Businesses supported by agile finance leaders are considerably more likely to report positive revenue growth (89% vs 63%) and increasing profitability (95% vs 70%).



Positive Revenue Growth



Increasing Profitability

Modern CFOs realize that finance transformation is a continuous journey, and new skill sets are needed to lead the way through today's disruptive economy. The new operating model for modern finance gives genuine clarity about the next destination – but getting there requires leadership and the creation of a culture of change within finance. Clarity of direction, sponsorship by senior management, and buy-in from business users are all essential. And, as in any change management project, changes in structure, systems, and skills must all be fully aligned.

The research also points out a danger of complacency within finance. More than 80% of respondents reported that their finance function has a leading role to play in driving business agility, but only 30% agreed or strongly agreed that their finance function is actually providing the forms of support that businesses need to become agile.

## Determining the Role of Finance

Business leaders will need to determine the role of finance in their organization. The new operating model for modern finance is an essential step towards establishing an agile foundation for success in the digital age. It provides a framework to help companies prioritize their investments in modernizing the finance function to better support new digital business models and ways of working.

Agile finance leaders provide management with the insights and support they need to execute against their digital strategies. And the cloud can provide the systems and technologies they need to enable this. But developing and recruiting talent with the right skills will be the biggest challenge businesses face.

And it is high time for them to make a start on meeting this challenge: their competitors certainly include agile finance leaders who have already invested in the new operating model and skill sets needed to drive profitable growth.



## Determining the Role of Technology

Modern CFOs are strong advocates for the use of advanced analytics and modern mobile, social, and cloud technologies to help their teams execute on their responsibilities.<sup>1</sup> Increasingly, CFOs are deploying staff into IT to gain deeper knowledge of the role of technology in operations and how to manage IT more effectively for competitive advantage.

“You’re not only seeing more finance executives rotating into IT, but the two functions are starting to merge. Being an expert in debits and credits isn’t enough anymore. Finance has to know IT, and IT has to know finance.”

BRETT SWEET, CFO, VANDERBILT UNIVERSITY

When North Carolina-based Wake Forest Baptist Medical Center was looking for a CFO to drive its transformation, deep experience with both IT and finance was an essential trait. “I was hired in 2014 to specifically focus on creating a financially sustainable organization, starting with the IT function,” said Chad A. Eckes, executive vice president of corporate services and CFO at Wake Forest Baptist Medical Center. “Having a strong understanding of IT in the CFO seat was viewed as critical and fundamental to our transformation success. There’s not one function that gets done within the medical center that doesn’t have an element of IT wrapped around it.”

## Becoming Powered Up for Success

“An organization that has a robust management accounting function is one that is powered up for success,” notes John Windle FCMA, CGMA, Chief Financial Officer at the Association of International Certified Professional Accountants. “We are investing in the finance skills and cloud-based technologies required to modernize our own operations, and get the information we need to confidently drive our organization forward in a volatile, uncertain, complex, and ambiguous (VUCA) world.”

The message is clear: ensure your finance function is fully fit for purpose in the digital age.

To help with the transformation to a new finance operating model, the Association is already elevating the profession of management accounting. This is through the provision of the CPA credential and the CGMA designation, which recognize those accountants with the rare combination of accounting, analysis, and business skills.

These, we believe, are the professionals best positioned to participate in and lead the agile finance teams of today and tomorrow.

# 2. INTRODUCTION

BUSINESS AGILITY AND THE ROLE OF MODERN FINANCE



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or

**AICPA**

# Business Agility

This research exercise aims to answer one central question.

How can the finance function support business agility?

One thing is clear: internet-enabled business models and disruptive technologies will continue to radically alter the basis of competition in many sectors. Businesses must grasp these developments in technology and drive the agility they need to develop and then implement new strategies promptly whenever threats or opportunities arise.

That's not all. They must also be nimble in how they manage their on-going performance, constantly able to adapt or innovate to increase their value to stakeholders.



*Only 30% of respondents agreed or strongly agreed that their finance function provides the support that businesses need to become agile.*

## Rethinking the Finance Mission

Increasingly, the CFO has a demanding role to play as the corporate strategist or “co-pilot” to the CEO in ensuring the business adapts for the digital age. These new demands on CFOs and their finance teams are often driving finance to rethink their mission and operating model – and the pace is accelerating.

According to new research from McKinsey, CEOs increasingly expect their CFOs to have a seat at the strategy table. This is largely because the CFO is often “first among equals” on the board and can help engage colleagues more productively on strategy.<sup>ii</sup>

Second, and just as important, the hard, data-based and factual mindset that the CFO brings to the table can be invaluable in setting and executing the company's game plan. This is especially true when it comes to forecasting trends or managing all-important government and regulatory relationships.

“We’re trying to create a new business (GE Digital). We’re trying to do it within the context and construct of an existing industrial company, leveraging all of the great domain capabilities that we have within it, while at the same time trying to bring in great talent and capabilities from the external market. Then, also at the same time, we’re trying to create a horizontal organization that runs across the entirety of GE. And we’re trying to do it at a speed that’s much quicker than any other markets and the consumer landscape have developed. That’s a heavy lift.”

KHOZEMA SHIPCHANDLER, CFO, GE DIGITAL

But how must finance’s operating model change to better support the CFO and enable business agility? With the context of CFO as corporate strategist in mind, Oracle has sponsored this new AICPA research to explore how far CFOs have progressed towards a new operating model empowered by digital technologies.

During this process, we identified an emerging new operating model for modern finance. Naturally, we then wanted to explore if this can drive better business agility, revenue growth, and profitability.

If so, we would want to devise measures of “finance agility”; in other words, to reveal what differentiates agile finance leaders so that others can replicate their success.

Please see Appendix I. for a description of the project methodology.

# 3. THE NEW OPERATING MODEL FOR MODERN FINANCE



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or

**AICPA**

In his thought-provoking article *Finance 2020: Death by digital*, industry analyst David Axson writes that, in just three short years, finance won't look anything like it does today. Complex legacy systems will be gone, replaced by cloud-based platforms for reporting, planning, forecasting, and analytics that will deliver self-service data to decision-makers across the enterprise. Machine-learning and robotic systems will ruthlessly automate many routine businesses, freeing up your finance team to spend 75% of its time on decision support and predictive analysis, guided by artificial intelligence and input from statisticians, data scientists, behavioral economists, and even anthropologists.<sup>iii</sup>

In investigating how the finance functions of a number of leading organizations enable business agility, we've identified that the high performers share a number of attributes. We have adopted these as the operating model for what we call 'modern finance'.

"Finance is doing things that it never could before thanks to digital technologies. End-to-end multi-dimensional data access is enabling total visibility into both enterprise and customer data. The result? The finance organization will evolve from an expense control, spreadsheet-driven accounting and reporting center, into a predictive analytics powerhouse that creates business value."

DAVID A.J. AXSON,  
FINANCE 2020: DEATH BY DIGITAL

"You leverage the scale of a shared service but at some point, you should also be able to have a very, very high degree of automation. And to me, what that really means for the finance team is that they can spend all of their time on forward-leading activities like strategy, like making our products more competitive price or cost wise, helping the operating team win in the marketplace. And so the whole nature of what a finance team tends to focus on is change."

KHOZEMA SHIPCHANDLER, CFO, GE DIGITAL

## Improving Quality and Efficiency

Many companies already manage their accounting operations in shared service centers to improve efficiency and service quality. And now the most advanced players are using modern, cloud-based applications and digital accelerators such as machine learning, artificial intelligence, and robotic process automation to ruthlessly automate transactional processes, accelerate finance modernization, and provide a high degree of scalability and agility.

“Historically, HSBC has built its own applications, or bought and customized them to the extent that actually keeping our technology current was incredibly expensive and just difficult to do,” notes Joanna Fielding, FCMA, CGMA and CFO, HSBC Global Services Limited. HSBC Global Services was set up to respond to new banking regulations in the United Kingdom, and recently adopted cloud-based ERP and EPM solutions to manage its global back-office operations.

“Moving to the cloud was essentially part of our new technology strategy,” adds Fielding. “While it started as a program to increase control and transparency around our costs, it’s also enabled us to respond to changes in the regulatory environment. We couldn’t have responded to that regulation as quickly as we’ve been able to do if we’d gone with an on-premises solution.”

In addition to cloud, other digital technologies being adopted by modern finance organizations include robotic process automation (RPA), machine learning, and artificial intelligence. RPA lets employees configure computer software “bots” to interact with applications and perform high-volume, repetitive tasks, such as account reconciliation and other processes performed in shared service centers. Machine learning gives computers the ability to learn without being explicitly programmed, and is already being used in the financial services industry to optimize business processes such as internal audit and fraud detection, based on patterns and historical trends. And artificial intelligence is finding its way into finance processes that require in-depth analysis, such as analyzing sales across online competitors to determine inventory needs, or forecasting and recommending pricing strategies to boost revenue and profit.

“For us, machine learning, robotic process systems, and automation are critical and really tied to our business processes,” notes Vanderbilt CFO Brett Sweet. “These aren’t so much the functions of software providers, as the means of giving us the discipline we need to not make everything an exception.”





## Modern Finance: The Chief Characteristics

### Figure 1 The New Operating Model for Modern Finance

How Management Accounting Supports Business Agility



Figure 1 illustrates a simple framework in which we've brought together the main characteristics of the new operating model: accounting operations, subject matter expertise, FP&A, decision support and performance management, and management and development. This is an important step towards revealing the key attributes of agile finance leaders.

### Accounting Operations

- End-to-end processes (such as procure-to-pay or hire-to-fire) are being migrated to global service centers spanning traditional business disciplines, where they are continuously streamlined or automated to reduce costs and raise standards.
- Robotic process automation (RPA) is being applied to high-volume, repetitive tasks, including so-called "swivel chair processes," where information is routinely selected from one system and re-entered on another.
- Organizations are increasingly applying machine learning or embedded controls to further improve process efficiency and strengthen the management of risk and compliance.

## Subject Matter Expertise

- Companies are centralizing subject matter expertise in integrated business services, shared services, and centers of excellence. The main candidates for centralization are external reporting, tax, and Financial Planning & Analysis (FP&A), but businesses might also centralize those areas of expertise that are most important to them. A particularly acquisitive business, for example, might build a Mergers & Acquisitions team to manage its acquisitions more efficiently and with less risk, while an advanced engineering aerospace or defense business might centralize project accounting.
- Accountants' areas of expertise cover a wide range, from the preservation of value in the core external reporting role (and related activities such as control, compliance, tax, and risk management) to more commercial roles focused on supporting value generation. These can include FP&A, project management, and decision support roles.

“We are data geeks here – we have a maniacal focus on cost containment. In addition to that, we look at many financial and non-financial KPIs to measure how we are doing against our peers and even against other industries.”

BRETT SWEET, CFO, VANDERBILT UNIVERSITY

## Financial Planning & Analysis/Analytics

- The use of continuous planning and driver-based forecasting is already improving performance management – but technology is constantly advancing. Business Intelligence (BI) applications, for example, can use dashboards to communicate measures of performance and analysis in a timely and user-friendly manner. And management information is becoming increasingly self-service, enabling users to drill down to answer their own queries.
- FP&A teams can now focus on informing decisions. They're constantly improving the shared understanding of how the business model generates value. For example, analyzing performance by dimensions, by product, by channel, or by segment can identify opportunities to innovate, reduce cost, or generate additional revenues. The benefits can be valuable – sub-optimal performance can be tackled promptly and resources redeployed to focus on where returns or prospects are better.
- Recent developments in big data analytics are allowing FP&A teams to access and analyze the data generated by business processes. Companies can now analyze and leverage digital data to improve the products or services they offer to customers, to automate routine decisions, and to enable better ad hoc decision making. And they can use predictive analytics and artificial intelligence to generate new insights.

- Organizations must make sure their KPIs are aligned with their strategic and operational objectives. They must also remember that having the wrong KPIs can lead to “dysfunctional” behavior, when performance targets are met or exceeded but the intended outcomes are not achieved. In such cases, the FP&A team must review the KPIs being used, and ensure that financial KPIs are complemented by non-financial KPIs in the way that’s best for the business. “As you would expect, our financial KPIs are broadly the same as any university’s and slightly different from those in the corporate world,” notes Vanderbilt’s Sweet. “But when it comes to non-financial measures, we have to look at trends in applications, in yield, in the SAT, ACT scores. We look at our overall win-loss rate against other universities.”
- Many organizations are now using new non-financial KPIs to address the challenge of managing intangibles, such as the measurement of the customer’s brand experience. Such KPIs are helping them to focus capital better on those intangibles that generate value and ensure long-term success.

“We use a digital command center to monitor our new KPIs in real time,” notes GE Digital’s Shipchandler. “In addition to monitoring traditional KPIs, we started incorporating with some non-financial metrics that immediately reflect on the financials. Things like product engineering, completion rates, cycle times, and product engineering quality. And we are starting to pull on some external social measures – whether our developer count is relevant, our partner count is relevant.”

Shipchandler’s team also monitors the impact of GE’s “foundries” – similar to customer design centers – on customer sales. “We look at the number of visits and then the cycle time between a visit, then when that turns into a lead, and then when that lead turns into an actual bookable outcome. So there is actually a customer connection to ROI; that’s not just a museum, there’s an actual ROI that is connected to these foundries.”

## Decision Support / Performance Management

- In this new world, business partnering or decision support must now be provided by cross-functional, uniquely skilled teams. This is simply because the required analytical skills and range of subject-matter expertise are broader than the technical skill set alone.
- Partnering between finance and the business cascades the CFO’s influence through the business to ensure two things: that the decisions taken are based on the proper analysis of relevant information; and that performance is managed in the interests of stakeholders.

## Management and Development

- The business invests in developing the skills of its finance professionals and talent management to improve the finance function’s strategic influence and management guidance.
- Finance transformation is actually business as usual; transformation has to be measured and managed to ensure that progressive finance functions get measures of how agile they are.

# Finance Transformation

Some major businesses have already transformed their finance functions to the new operating model. Most, however, are still moving in this direction. In fact, what we’re calling the “new operating model for modern finance” is a digitally-enabled extension of the same journey that finance functions have been following for a couple of decades.

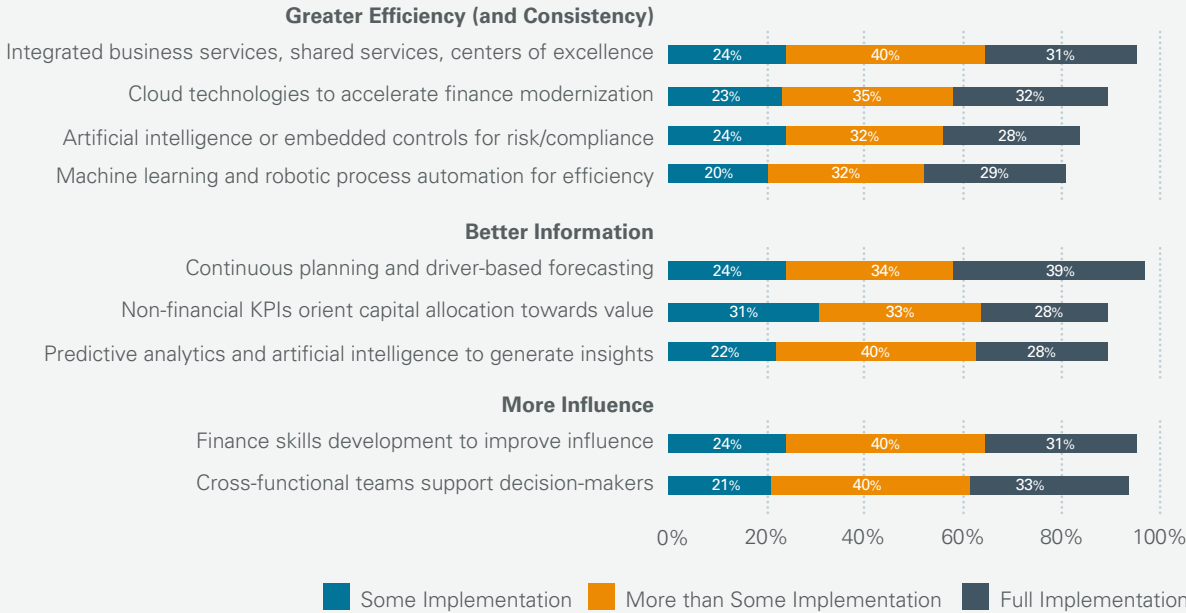
Of course, digital is already changing the face of finance. As you’d expect, the emergence of the new operating model is consistent with the findings of other studies. For example, Accenture analysis suggests that cross-functional integrated teams will be delivering 80% of traditional finance services by 2020. Not only will staff productivity increase by two to three times – in an important additional bonus, costs will decline by 40%.<sup>iv</sup>

CIMA enables the continual development of the syllabus underpinning CGMA designation through constantly researching the future of finance and the competencies that employers expect management accountants to have.

The new operating model for modern finance discussed here reflects the key trends identified in this way. Under it, we can consider finance transformation as a journey in three “dimensions,” which lead us towards (a) greater efficiency, (b) better information, and (c) more influence.

## Measuring the Progress of Transformation

**Figure 2 Finance Transformation: The Extent of Implementation**



As figure 2 shows, over 80% of respondents tell us their businesses are implementing initiatives that can be seen as aspects of the new operating model for modern finance. These fall under the key headings of greater efficiency, better information, and more influence.

**Greater Efficiency:** Organizations are relentlessly seeking to improve the efficiency of their accounting operations. To do so, they're standardizing systems and migrating core processes to in-house and outsourced shared service centers. They're widely using cloud-based software as well, to standardize systems and allow scalability. Other, less widely implemented technologies are also gaining ground, including artificial intelligence, machine learning, and robotic process automation.

One example of a company that has leveraged cloud ERP to scale more efficiently is Indiana-based Irving Materials, Inc. (IMI), a leading manufacturer of construction materials in the Midwest. IMI has a relentless focus on process optimization that has led to the development of a number of industry innovations, such as a front-discharge concrete mixer that is now a staple of the industry, and specialty batch mixes that make pouring and finishing concrete quicker and easier.

Since 2015, the company has completed five acquisitions and doubled its revenues, while reducing accounts payable headcount by 35%. "We're in growth mode, and the fact that we've been able to integrate these acquisitions seamlessly without extra costs to my finance function is fantastic," notes Chad Kelley, controller at Irving Materials. "Our cloud ERP system really enables us to expand regardless of location." Today, Kelley and his team handle complex reporting requirements in 240 different locations across multiple states, with the ability to refresh financial statements in just minutes.

**Better Information:** Naturally, the integrity of accounting information is utterly paramount. But to manage performance, we also need robust analysis of non-financial information about what drives performance. For this reason, organizations are widely using continuous planning and driver-based forecasting. And, because it needs to be grounded in commercial reality and reconcilable with the financial "truth," accountants are well placed to prepare this information. Despite this, the use of non-financial KPIs and predictive analytics is less well established. And with the FP&A function now needing to assess a wide range of complex, non-financial data, new skills are clearly required.

"We have gobs and gobs of data in higher education," comments J. Michael Gower, EVP for Finance and Administration and University Treasurer, Rutgers, The State University of New Jersey. "We don't have enough management information. The analytics that are now available to us in the underlying systems are going to revolutionize how we manage these institutions. As a result, we can start to get at costs. We can start to get at efficiencies. We can start to get real benchmark data and feedback, not only to the people doing the job but to our boards as well, to help them understand that we're doing the best we can to satisfy the missions and keep higher education as affordable as possible."

**More Influence:** Once finance transformation has substantially driven down the cost of the accounting and finance function, there's limited scope for taking out more cost. Instead, there's far more potential to get value out of finance as a discipline. The ability to do so depends on one or both of the following options: to develop the skills of finance professionals; or to implement cross-functional teams with complementary skills.

David Pipes, EVP and CFO at Arby's, has structured his finance organization to help influence the right kinds of business outcomes for the fast-food leader. "We set targets for what we're trying to achieve and then we also work very closely with the business in marketing and operations primarily as we lay out opportunities for where we might see our future growth coming from," he notes. "We also have a project management office that the finance organization leads, and in that we quickly analyze and approve new initiatives. We're there to make sure that we're doing the best thing for the business, and other departments recognize we're doing everything that we can to drive the business forward and help them in their initiatives."

## The Obstacles to Finance Transformation

Although the findings in figure 2 confirm the overall direction of adoption, they also show that only about 30% of respondents have fully implemented any of the initiatives listed. (The sole exception is the use of continuous planning and driver-based forecasting, for which 39% claimed full implementation.) The lack of widespread adoption of the new operating model for finance is a cause for concern, as the vast majority of respondents agree that all these attributes are important. We evidently need to address the obstacles in the way of finance transformation.

And these aren't likely to be straightforward. Finance transformation requires major change management. Clarity of direction, sponsorship by senior management, and buy-in from business users are all essential. And, as in any change project, changes in structure, systems and skills must be aligned.

"It's important for people to feel comfortable with what we're doing, why we're doing it, and how we're doing it. If you can do that, your team feels like they are involved in the change and that the change is working for them."

DAVID PIPES, EVP AND CFO, ARBY'S

Figure 3 Finance Transformation: The Obstacles

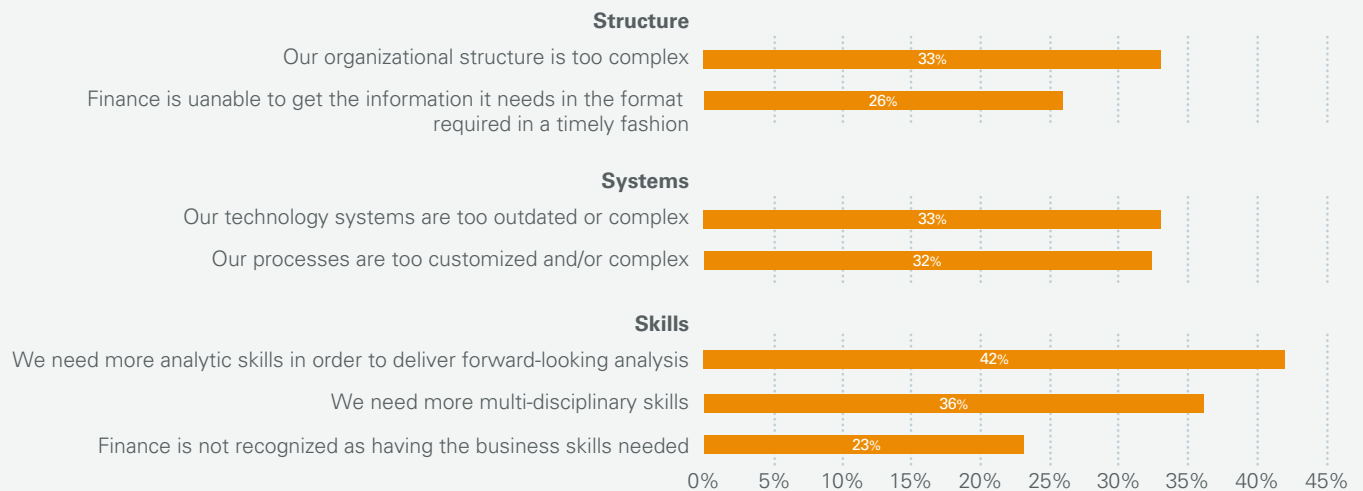


Figure 3 illustrates the main obstacles to finance transformation as identified by respondents to our survey. They fall under the headings of structure, systems, and skills:

## Structure:

33%

33% said their organizational structure is too complex and identified a structural problem in which data is held in silos; 26% told us the finance function has difficulty in getting the information it needs in a timely fashion.

## Systems:

33%

33% believe that old or complex IT systems are a barrier to becoming more agile, while 32% said their processes are too customized and/or complex.

## Skills:

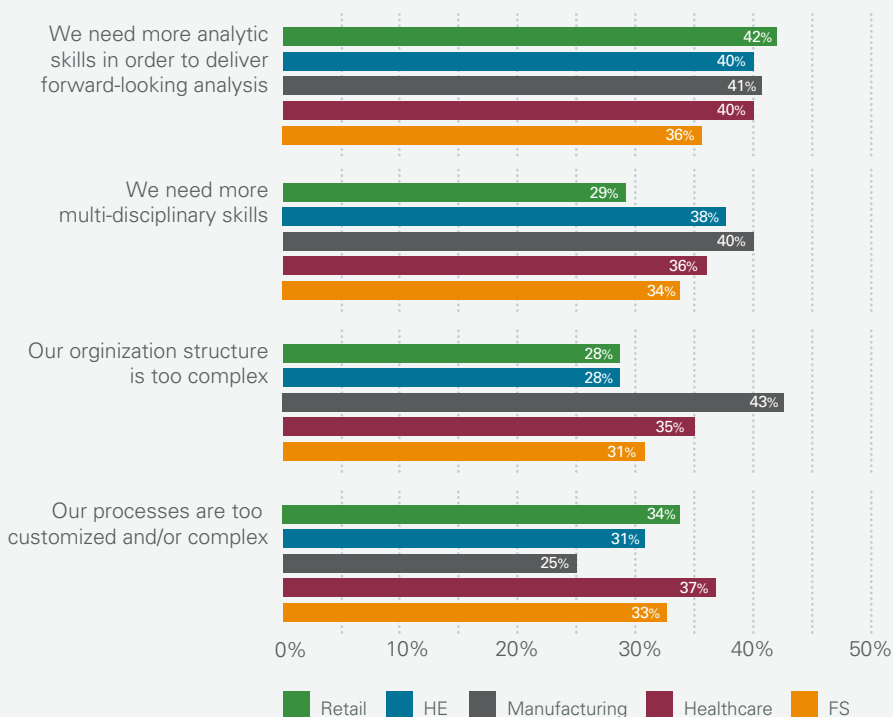
36%

36% told us the current skill set of the finance function is too narrow; 42% said they need more data analytics skills if they are to deliver more forward-looking analysis for the business.

Addressing this skills gap is the biggest challenge organizations face. As in many forms of business change, it is the “soft” elements – especially analytical ability and communications skills – that are often the hardest to get right. “Business leaders want finance professionals to interpret data within their unique business context,” notes Ivgen Guner, Senior Vice President of Global Business Finance at Oracle. “They are asking us to come with recommendations tailored to their business issues, so it’s critical that business partners understand the strategy of the business, what metrics are most significant, what the competitive landscape looks like, and then advise leaders accordingly. As one of our SVPs put it, ‘There are 50 numbers on this page. Tell me the three that I need to pay attention to.’ I would go even further and say, ‘and what I should do about it.’”

## The Obstacles: Sectoral Differences

Figure 4 Finance Transformation: Obstacles by Sector



When you analyze the obstacles to agile finance by sector (as in figure 4), you see some interesting variations. In general, our respondents see analytical and more general business or multidisciplinary skills as the biggest obstacles they face, but there are differences. For example, analytical skills are slightly less of a concern in the financial services sector (36%), possibly because this is a highly regulated area where players are prepared to invest in artificial intelligence to ensure compliance. General business understanding, meanwhile, is a bigger concern for manufacturing (40%) than retail businesses (29%), possibly because manufacturers require more specialist knowledge of their processes. Despite this, manufacturers appear to be the most concerned about organizational complexity but least concerned about the complexity of their business processes.

“Too often in universities, we think that too many things and business processes we do are unique when in fact they’re not and should be common. What goes on in the classroom between teacher and student and in the lab is unique. How you pay employees, how you book travel, how you pay vendors, how you report taxes, how you do your financial reporting should not be unique. We have far too many layers and too much organizational complexity. That’s a barrier to change, a barrier to capability and recruiting the best talent.”

BRETT SWEET, CFO, VANDERBILT UNIVERSITY

Figure 5 New Technology: Higher Levels of Adoption by Sector

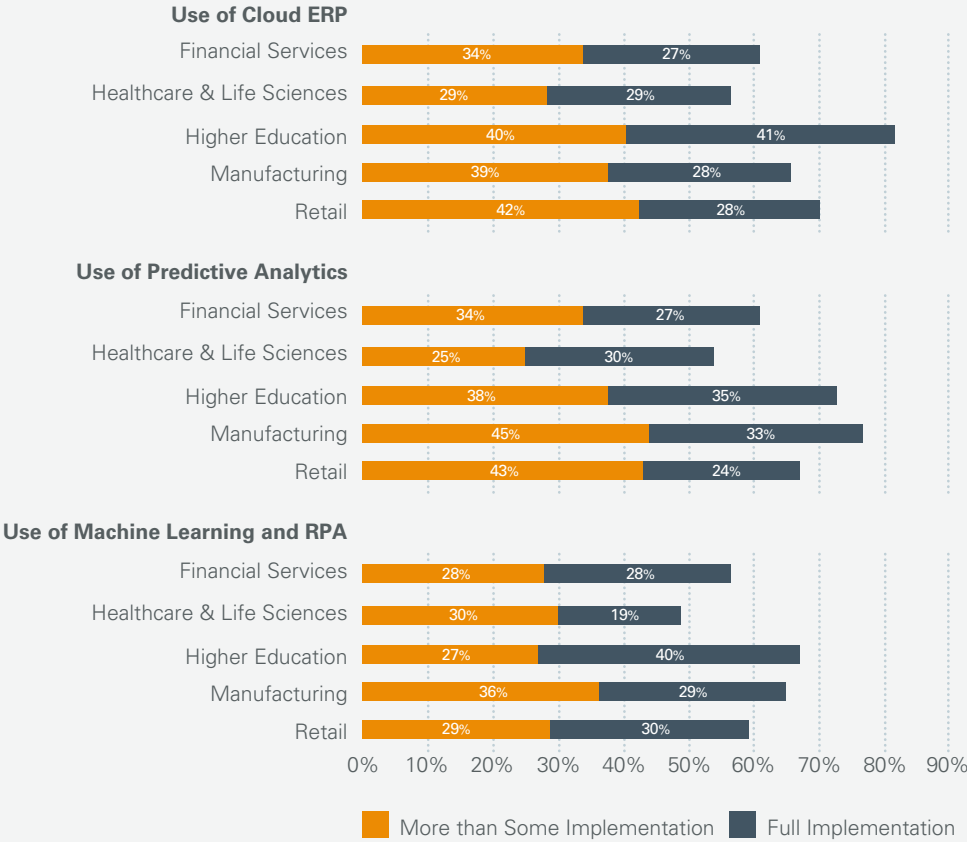




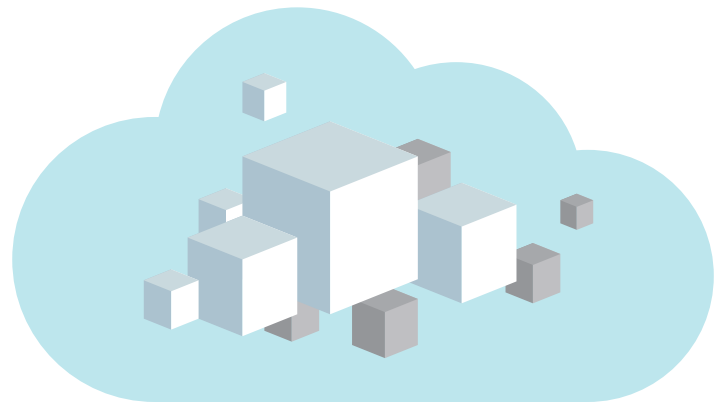
Figure 5 shows how the higher levels of implementation reported for representative new technologies differ by sector. Respondents rated the extent of implementation of attributes of the new operating model for modern finance on a scale of 1 to 5, where 1 meant none, 3 indicates some, and 5 equals full implementation.

Cloud ERP is a well-established technology in the sense that is already widely used. The use of big data and predictive analytics might still be considered leading edge because of the advanced analytical skills required, while machine learning and RPA are just getting off the ground. One might predict that cloud ERP adoption would be higher than the others.

Actually, analysis of survey responses in aggregate suggests the levels of adoption of cloud ERP and predictive analytics are on a par and the use of machine learning and RPA is not far behind. Analysis by sector shows some interesting differences:

- The higher education sector leads adoption of cloud ERP. The financial services and healthcare and life sciences sectors are relative laggards.
- The higher education and manufacturing sectors share the lead on the adoption of predictive analytics and machine learning/RPA. Again, the healthcare and life sciences sector is some way behind.

These differences in the rate of adoption of new technologies and data analytics suggest that finance teams in the higher education sector are more likely to be able to drive agility than finance teams in other sectors as they are further advanced along their finance transformation journeys.



# 4. AGILE FINANCE LEADERS: ATTRIBUTES REVEALED



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or Broken?

**AICPA**

As we've already seen, some finance functions are significantly further along the transformation journey than others towards the new operating model for modern finance. In our study, we found that 182 respondents (38%) could be termed "agile finance leaders" based on their higher levels of implementation of:

- Cloud technologies to accelerate the modernization of finance.
- Integrated business services, shared services and/or centers of excellence.
- Cross-functional, uniquely skilled teams to support business decision-makers.
- Non-financial KPIs to orient capital allocation towards creating value for customers and other stakeholders.

## The Traits of Agile Finance Leaders

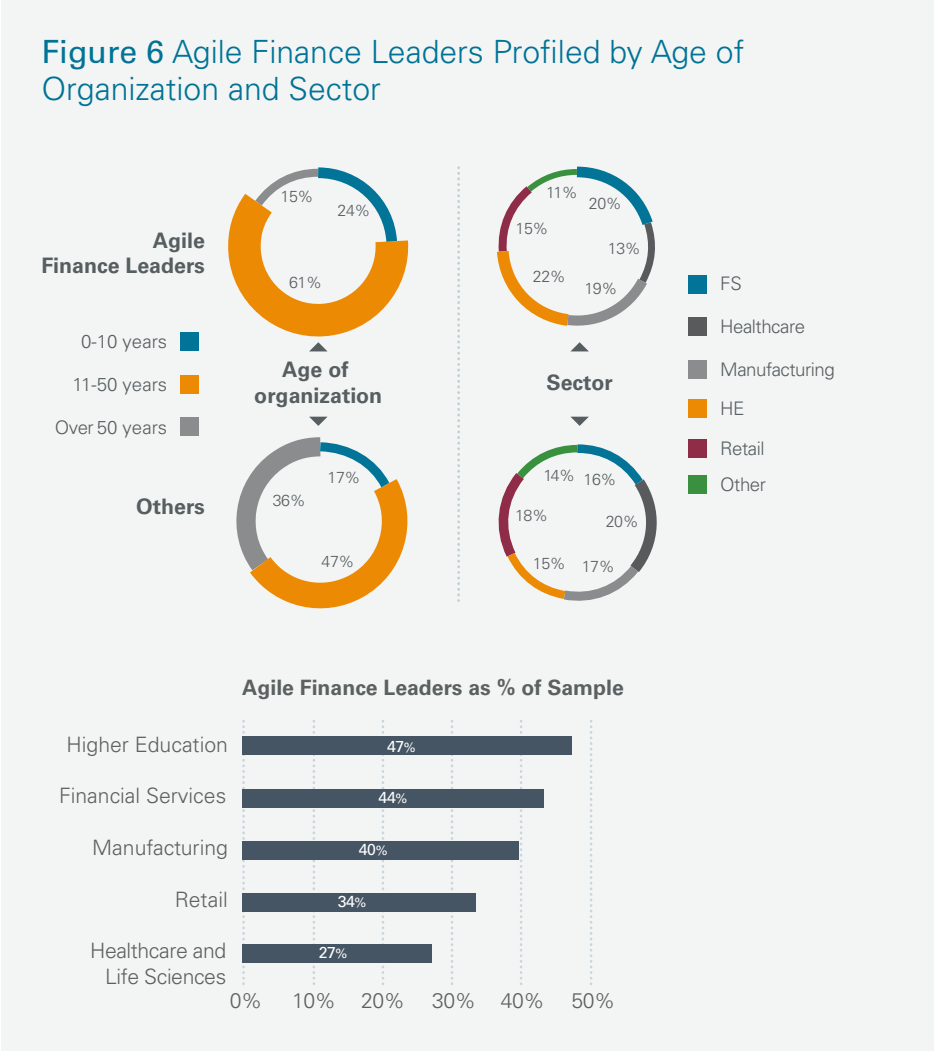
### Analysis by Age and Sector

As figure 6 shows, marginally more organizations whose finance functions are agile finance leaders are at the younger end of the spectrum: 24% (vs 17%) are 10 years old or younger, and 61% (vs 47%) are between 11 and 50 years old.

Agile finance leaders are also slightly skewed toward higher education (22% vs 15%) and the financial services (20% vs 16%) sectors, and skewed against the healthcare and life sciences sector (13% vs 20%).

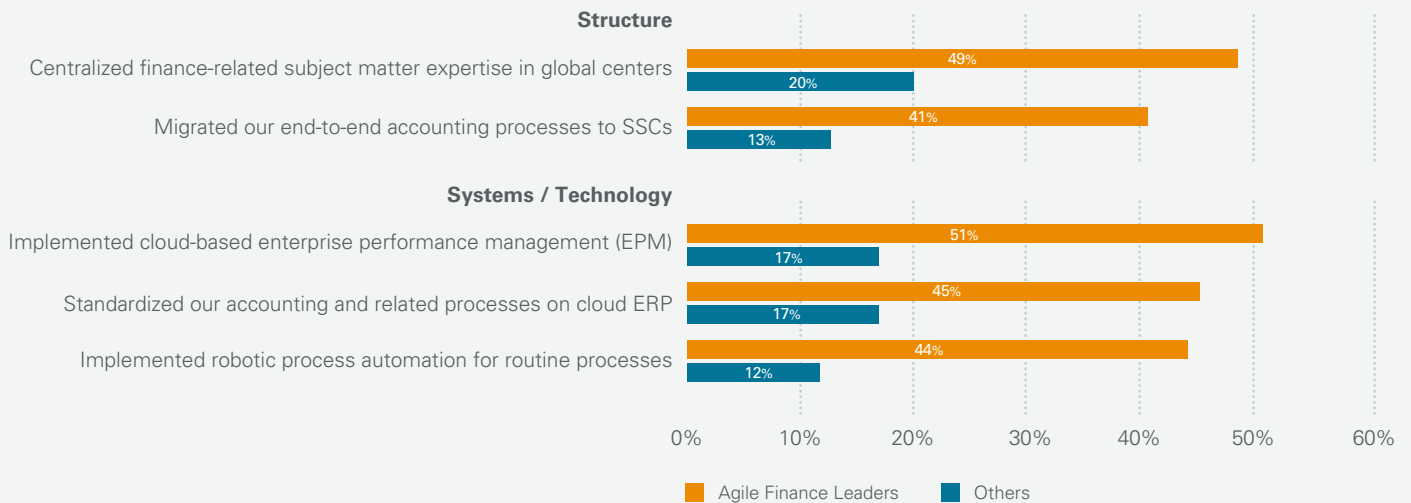
In fact, we found that 47% of the sampled higher education organizations were agile finance leaders, as were 44% of respondents from the financial services sector. The equivalent figure for the healthcare and life science sector was just 27%.

But while these differences are quite interesting, the findings suggest that neither the age of an organization nor its sector are barriers to its finance function becoming an agile finance leader. And that's a reassuring message for all organizations.



# Implementation Progress: Outstripping the Competition

**Figure 7 Agile Finance Leaders: Full Implementation of Key Attributes of Modern Finance**



As figure 7 shows, agile finance leaders significantly outstrip others in fully implementing the structural and systems elements of the new operating model for modern finance. For example, they're far more likely to have fully centralized subject matter expertise (49% vs 20%) and to have migrated end-to-end processes to shared service centers (41% vs 13%).



They're also far more likely to have fully implemented cloud ERP for standardizing their accounting processes (45% vs 17%). (This is to be expected, however, as we used a high level of implementation as a criterion to segment the leaders.)



Agile finance leaders are also far more likely to have fully implemented cloud-based enterprise performance management (51% vs 17%) and emerging technologies such as robotic process automation for automating routine processes (44% vs 12%).



“We’re actually one of the first universities to deploy a cloud ERP. The cloud gives us an opportunity to really leap-frog that whole ‘on-premises’ era. I don’t want to be one of the last people in the United States to implement a behemoth on-site ERP. ”

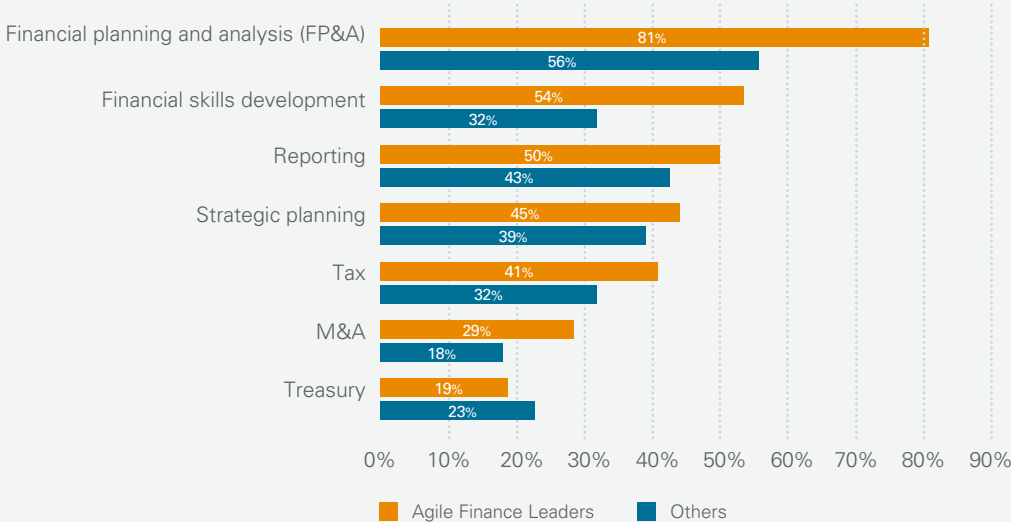
BRETT SWEET, CFO,  
VANDERBILT UNIVERSITY

“Any time you can free up people from manual repetitive tasks to do something that’s more brain work as opposed to just pulling together information, that’s a big win,” observes Arby’s CFO David Pipes. Pipes and his team implemented a cloud-based enterprise performance management system to automate the budgeting process, and shaved 30% off the annual planning and budgeting cycle time by eliminating manual spreadsheets.

“People like the fact that they can plug the information in and see the results immediately and as a planning team we can see the roll up right away as opposed to getting all the information in spreadsheets and downloading those spreadsheets,” Pipes adds. “It’s so much more efficient from that standpoint. Our cloud-based EPM system has helped eliminate much of the back and forth spread sheet calisthenics, and I think we have even more opportunities for efficiencies using the system going forward.”

## Leading the Way on Centralization

**Figure 8 Agile Finance Leaders: Ahead on Centralization**



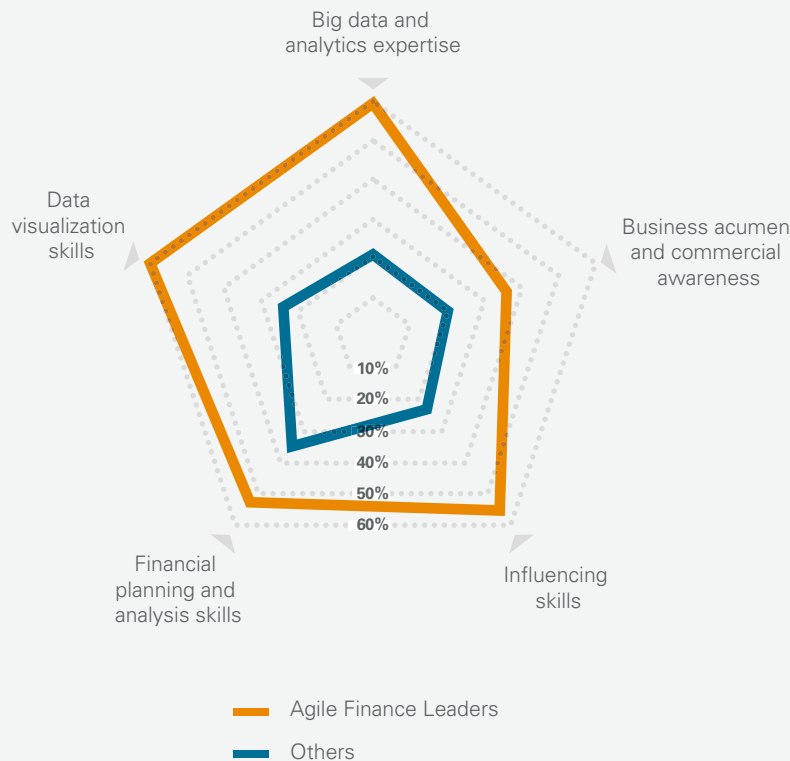
Agile finance leaders are more likely to have fully centralized services. As figure 8 shows, a further significant difference is that they’re much more likely to have set up centers of excellence to handle those areas of expertise that are most important for modern finance: areas like FP&A (81% vs 56%) and financial skills development (54% vs 32%).

“We are very centralized in all of finance,” notes Arby’s CFO David Pipes. “Our FP&A function is split between a corporate team and a field finance team. Most of these team members are also business support partners, which we call finance buddies. Our line of business executives know that they can always go to these finance partners for whatever they might need, whether it’s just help in analyzing something that they think they might be doing or questions on their budget or help with their forecast or whatever it might be. They know they have a finance buddy, and I’ve found that this works really well.”

## Key Skills: Ahead of the Pack

Agile finance leaders are also more likely than others to rate the skills level of their finance function as “excellent.” This relative advantage is greatest when it comes to newer, less traditional finance skills like data visualization (60% excellent vs 24%), big data expertise (60% vs 21%), and influencing skills (55% vs 23%).

**Figure 9 Agile Finance Leaders: Excellence in Key Skills**



The area of least strength for agile finance leaders is that of business acumen and commercial awareness, with just 36% rating their level of competence as “excellent.” Rotation through different roles to gain a breadth of experience is a proven way of developing these skills. “People are hungrier to do different things in a faster-paced environment,” notes Oracle’s Guner. “Any finance person I hire today can go into business operations, product marketing, accounting, business market analysis, investment banking, and so on. I love to see folks go from one discipline to another because it makes them more valuable to the company in the long run.”

“We really test for open-mindedness among our new hires,” adds GE Digital’s Shipchandler. “When I ran Corporate Audit, the average age of an auditor was around 27; these are very, very capable individuals. We press them on being open to new ways of doing things, and challenging new paradigms. That’s an important trait to have, as they will turn out to be our future CEOs and CFOs.”

# Recognizing the Challenges Ahead

**Figure 10 Agile Finance Leaders: Greater Recognition of Challenges**

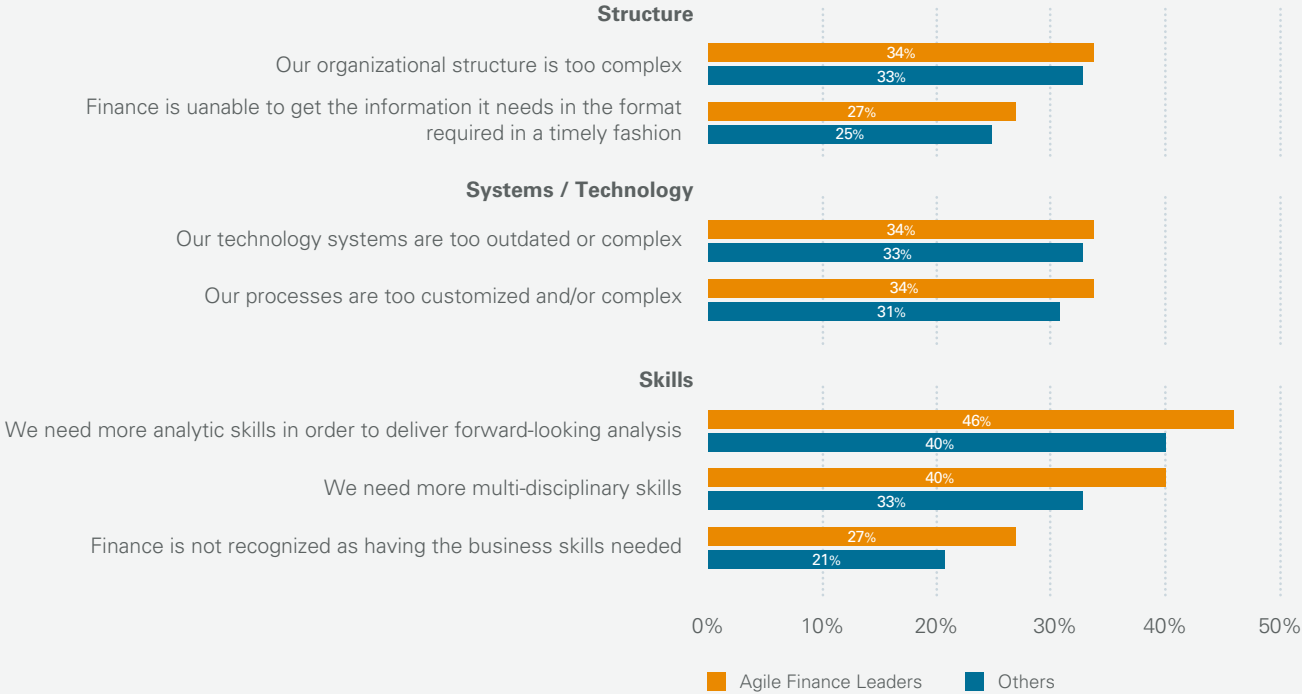


Figure 10 shows that agile finance leaders share broadly the same views as others about the obstacles to finance transformation. Again, skills is the area of greatest concern.

Although they have stronger skills than others, agile finance leaders are more concerned about the need for analytics skills (46% vs 40%), multi-disciplinary skills (40% vs 33%), and receiving recognition for their business skills (27% vs 21%). This may reflect a higher level of ambition.

## Supporting Improvement Through KPIs

Figure 11 KPIs to Improve FP&A and Business Partnering

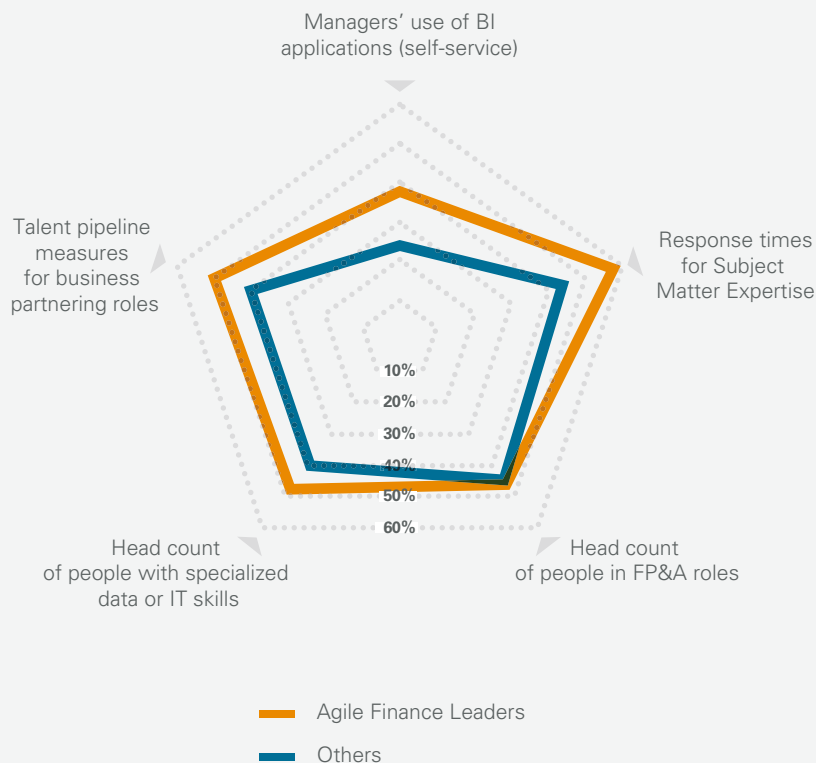


Figure 11 shows that agile finance leaders are more likely than others to track a range of KPIs that support improvements in FP&A and business partnering. These include measuring response times for subject matter expertise requests (58% vs 44%) and the talent pipeline for business partnering roles (50% vs 40%).

Business managers' self-service use of BI applications is the area where agile finance leaders are least likely to have introduced KPIs. Nonetheless, this is also where the relative difference is greatest (38% vs 24%), suggesting that it is an area of relative weakness for both groups.



Two key activities enable agile finance leader teams to focus more of their time on supporting the wider business: using cloud technology to automate routine finance processes; and creating centralized shared services centers and centers of excellence. We found that 67% of agile finance leader teams spend more than half of their time on forward-looking analysis/driving new insight, as compared with just 45% of others.

This difference in focus implies that modern finance teams should have more capacity to support the business and enable it to become more agile.



## Oracle's Pivot to the Cloud and the Need for New KPIs

"How does a finance team measure value in the digital age?"

At Oracle, we faced exactly this challenge when we first began the shift from a vendor of on-premises, perpetual license software to a subscription-based, cloud model. Oracle's finance team played a critical role in this transition, partnering with the business to develop new KPIs to measure value in the digital age.

In the traditional on-premises model, we would typically have first looked at the sales pipeline. Then we would have run predictive analysis on that data, combined it with other internal and external data points, and tracked the estimates accordingly.

However, everything changes when you move to a cloud model. Take predictive KPIs. When you move to the cloud, you go from a few deals in the pipeline to many – which can sometimes be overwhelming. Bookings, provisioning, lead times, renewals, contract base, contract length, churn rates, in-time capital requirements (i.e., demand predictions), billing requirements and schedules, and waterfall schedules were just some of the KPIs we examined. In this new world, 'bookings' is the most critical predictive KPI, which was not the case in our old world.

Another example is capital expenditure requirements. Suddenly we were dealing with new data centers, provisioning, capital needs, and demand predictions. It took us a few months of trial and error to establish our most meaningful KPIs for the cloud business. We then presented our findings and recommendations to our C-suite.

This is where perseverance plays a huge role. The C-suite is demanding and intimidating, and asks the toughest questions you will ever face. Don't worry if you don't hit a home run on your first try. The key is to provide information that is as meaningful and insightful as possible.

After multiple iterations we implemented the new KPIs. There were just a handful to begin with, but we have established many more as our business has evolved."

**IVGEN GUNER, SENIOR VICE PRESIDENT, GLOBAL BUSINESS FINANCE, ORACLE**

# 5. REVEALING HOW AGILE FINANCE SUPPORTS AGILE BUSINESS



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or Broken?

**AICPA**

# The Attributes of Agility

To be agile, a business needs a number of important attributes: it has to be constantly strategically alert; it must have the capacity and flexibility to implement change; and it has to be adaptive in the means it uses to continually improve its performance.

We believe that a finance function might be considered agile if it supports business agility in a number of corresponding ways. Examples might include how it:

Informs strategic thinking: e.g. how it leads the business/organization on:

- Measuring and understanding the intangible drivers of value.
- Horizon-scanning to identify new business/organizational opportunities and threats (e.g. in different geographies or sectors).

Supports agile implementation: e.g. how it:

- Provides a planning framework and measures of progress to help ensure that strategic objectives are achieved.
- Enables the business to get new products and services rapidly to market

Informs agile performance management: e.g. how it:

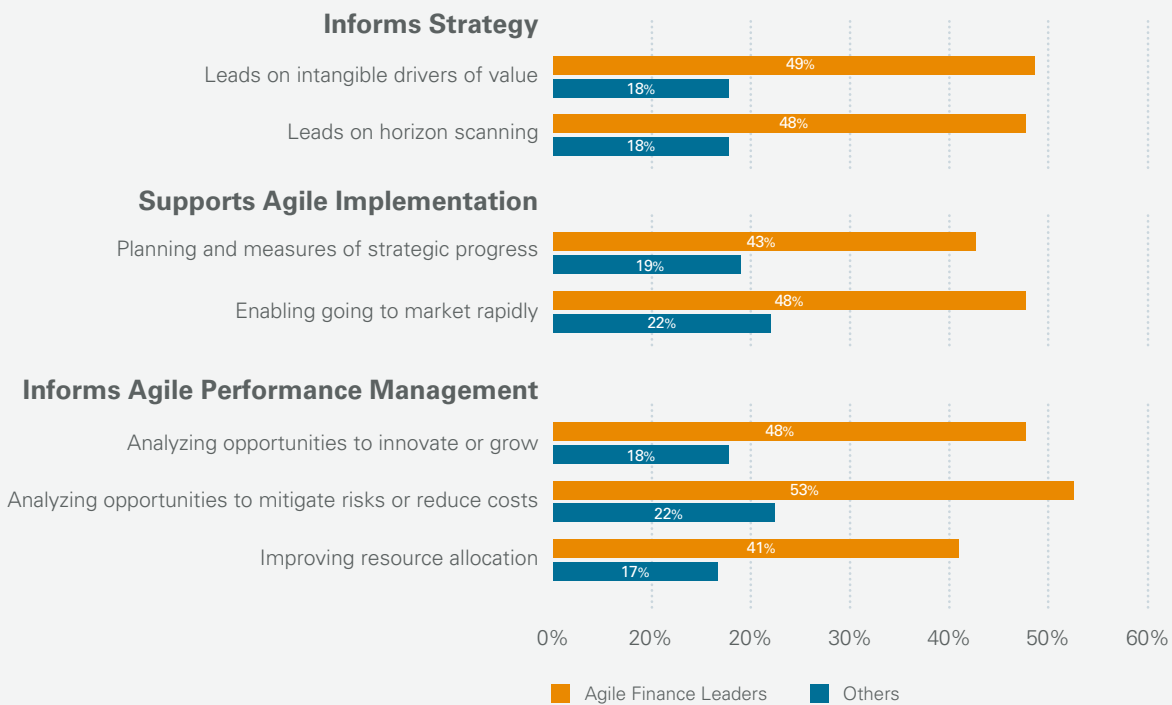
- Delivers forward-looking analysis that identifies opportunities to innovate or grow revenues.
- Improves resource allocation by delivering real-time understanding of what is and what isn't generating value.



A healthy 81% of respondents told us their finance function has a leading role to play in driving business and organizational agility. But only 30% agreed or strongly agreed that their finance function provides all the forms of support listed above. Tellingly, however, a full 70% of the finance functions that do provide all these forms of support were agile finance leaders. Clearly, part of their ability to do so is thanks to their being well advanced towards the modern finance operating model.

## Highly Rated for Effectiveness

Figure 12 Finance's Contribution Rated "Highly Effective" by the Business:



As figure 12 shows, the business is far more likely to rate agile finance leader teams as "highly effective" for all the important contributions made by an agile finance team. In fact, such teams are clearly helping to drive agility for their organizations, giving them a competitive edge over their peers in areas including strategy formulation, implementation and performance management. For example, the business views agile finance leaders' teams as being highly effective at:

- Analyzing opportunities to mitigate risks (53% vs 22%).
- Leading the business/organization on measuring and understanding the intangible drivers of value (49% vs just 18% of others).
- Accelerating their organizations' ability to take new products to market (48% vs 22%).
- Delivering forward-looking analysis that identifies new revenue growth opportunities for the business (48% vs 18%).

## Mitigating Risk and Maximizing Compliance at CREDO Mobile

San Francisco-based CREDO Mobile is faced with a dilemma that affects many small companies struggling to comply with new accounting rules that were often crafted with large companies in mind; in this case, the looming ASC606 protocol, which regulates how companies must report revenue from customer contracts. The new reporting procedures will be mandatory for private businesses beginning in December 2018, and will affect how CREDO Mobile services the smartphone needs of its hundreds of thousands of customers across the United States.

“A 606 implementation depends on an easy-to-access, comprehensive database that encompasses enterprise resource planning (ERP) and supply chain management (SCM),” says CREDO Controller Brian McHugh. Updating equivalent on-premises technology would require costly and time-consuming manual intervention. In contrast, with its implementation of a revenue management cloud system, CREDO will become fully compliant with the new legislation more than a year ahead of schedule, he says.

The revenue management cloud will allow CREDO to “keep track of a very large number of contracts and manage the changes to those contracts and accounting on the back end, which will almost seamlessly change our revenue reporting,” McHugh says. The solution McHugh chose is built to automate revenue reporting to conform to the new standards, and it will ensure CREDO’s sales fall into the proper accounting buckets and still tie out to billing.

**BRIAN McHUGH, CONTROLLER, CREDO**

## Measuring the Key Intangible Drivers of Value

Research by AICPA and CIMA, commissioned by Oracle in late 2015, identified intangibles as the most important drivers of value in the digital age. In most cases, however, the KPIs that the finance function measures or monitors are not directly aligned with these important intangibles. That's why the digital imperative for finance is to measure and manage what matters next.<sup>ix</sup>

In a survey conducted as part of that research, respondents were asked to rank first to fifth what they consider to be the most important drivers of value in their business. The top five (ranked in their top five by more than 50% of the 744 respondents) were all intangibles: customer satisfaction, quality of business processes, customer relationships, quality of people (human capital), and the reputation of brands.

While technology can generate data for organizations to use to measure these intangibles, this data tends to belong to the owner of the process. The finance function, however, has a key potential role as a broker of information, ensuring that salient information is not only validated but also made more widely available to decision makers.

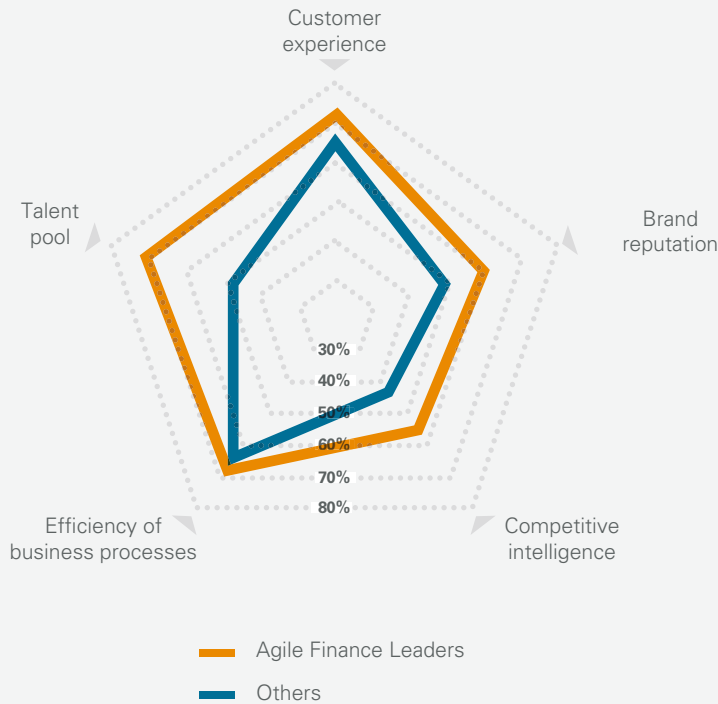
"There's a suite of financial metrics obviously, but also a suite of commercial metrics and other leading indicators. But how do you know whether they turn into a financial result that's desirable?" asks GE Digital's Shipchandler. "I think a lot of companies can't orchestrate that or can't figure it out. And it's up to finance to do that. We often find ourselves very much playing a connector role, driving financial discipline, execution, accountability, and strategy, and then serving as the connective tissue across the entire enterprise."

When carrying out this research into agility, we asked respondents which of the following types of non-financial metrics their finance organization measures and monitors to help generate insights for the business/organization:

- Customer/student experience and customer/student satisfaction.
- Brand reputation.
- Competitive intelligence — market disruptions and challenges.
- Efficiency of business/organizational processes.
- Talent pool (i.e. data about talent pipeline, talent analytics etc.).



Figure 13 Measuring Intangibles:



As shown in figure 13, we found that agile finance leaders are considerably more likely than others to measure intangible non-financial KPIs like competitive intelligence (65% vs 53%), brand reputation (69% vs 59%), and talent analytics (81% vs 58%).

“The five most important KPIs that we measure are quality and safety, employee engagement and satisfaction, customer engagement and satisfaction, profitability, and top line revenue growth,” notes Eckes from Wake Forest Baptist Medical Center. “The first three of those are predictive indicators of financial results. If you manage those five key areas at the enterprise-wide level, the rest of the sub measures can be managed on a department by department basis.”

Lack of talent or skills has been identified as the biggest obstacle in the way of transforming the finance function towards the new operating model for modern finance. It’s therefore particularly interesting that the lead was widest when it came to talent analytics.

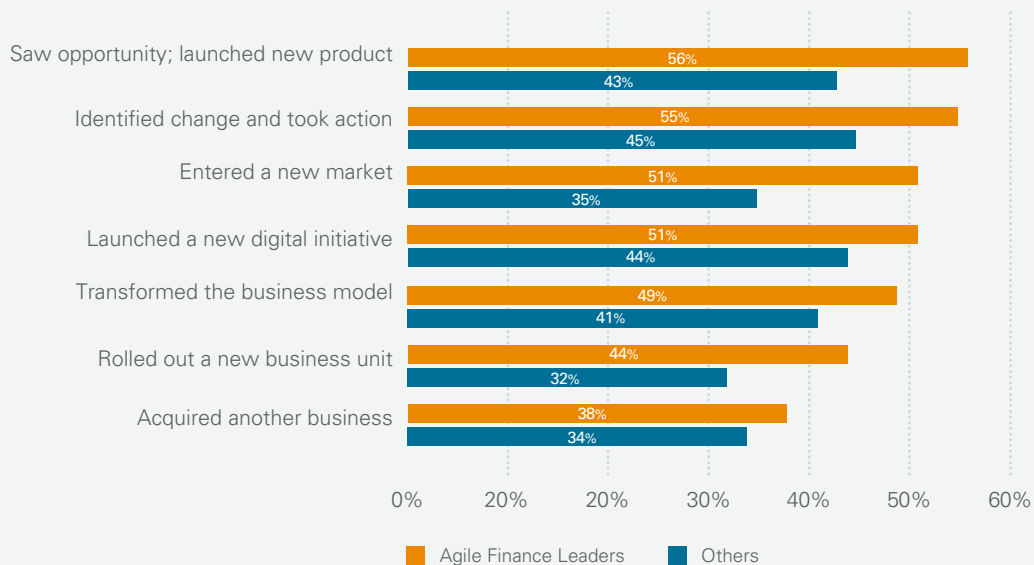
Agile finance leaders use digital technologies to analyze talent needs and attract the new skill sets required to guide the business forward. “Using the latest technology helps attract and retain the best talent – especially among millennials, who expect to work using social and mobile technologies,” notes Oracle’s Guner. “The talent out there is very socially, digitally aware; for example, potential candidates do a lot of online research about Oracle. The new digital technologies have given them a window into our organization, and it also allows us to comb through candidates very easily. They find us, and we find them.”

## The Key Measures of Business Agility

Businesses that wish to measure their agility can choose from a number of ways of doing so, including their recent record of:

- Identifying significant changes in market demand or emerging risks, and taking action before these start to impact on profitability.
- Entering a new market.
- Responding to a market opportunity by launching a new product or service.
- Responding to a new opportunity or threat by transforming the business model (i.e. fundamentally changing the way the business makes, delivers, and/or sells its products and services).
- Launching a new digital initiative to enhance the customer experience.
- Rolling out a new business unit.
- Acquiring another business.

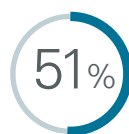
**Figure 14 Evidence of Business Agility over the Last Three Years**



We indicate the benefit of modern finance to a business in figure 14. This shows how businesses whose finance teams are further advanced towards the new operating model for modern finance have demonstrated their agility over the last three years. For example, they have been more active than those without the benefit of progress towards the modern finance operating model in the search for new growth.



Have successfully launched a new product or service in response to a new market opportunity; only 43% of others have done the same.

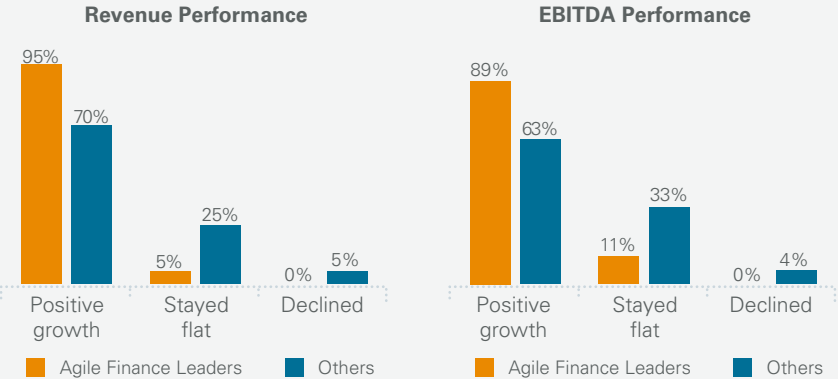


Entered a new market, vs only 35% of others.



For Arby's Pipes, the role of finance is to actively participate in the process of finding new growth areas, especially in ways that can improve the customer experience. "Ultimately, we are trying to move the whole system into the 21st century, in terms of letting the customer interact with us the way they want to interact with us, whether that's on their mobile device, on their computer, or in person," notes Pipes. "Finance is very active in this process, using a multi-discipline, cross-functional team to make decisions on capital investments to support this digital initiative."

Figure 15 Evidence of Business Success



As you can see in figure 15, agile finance leaders were more likely to report positive growth in revenues (89% vs 63%) and profitability (95% vs 70%) when asked about trends in their business's performance over the past three years. (EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization.)

This is a highly meaningful finding. Critically, it also meets our expectation that finance teams adopting the new operating model for modern finance are better able than others to support their business to become agile.



"We have achieved an approximately \$142 million bottom line improvement from 2014 to 2016. It has taken great agility to make the right business decisions in order to achieve that level of improvement."

CHAD A. ECKES,  
EVP OF CORPORATE SERVICES AND CFO,  
WAKE FOREST BAPTIST MEDICAL CENTER

# 6. CONCLUSION



**ORACLE**



Take an online tour  
through ERP Cloud



Are your Financial  
Practices Best or Broken?

**AICPA**

The finance function has to transform for the digital age if it is to enable business to be agile. And businesses increasingly need to be agile, just to survive: consumers' demands are unpredictable and digital technologies and internet-enabled new business models will disrupt many sectors. To flourish in this environment, businesses must be highly adaptable and capable of rapid, constant change. Just as an agile business must be ahead of the curve in taking advantage of developments in technology, so too must finance.

"Agile Finance Revealed: The New Operating Model for Modern Finance" identifies and describes the emergence of a new operating model for modern finance. This is empowering businesses to achieve that all-important agility that's utterly essential to success in today's rapidly-changing economy.

## Boosting the Analytical Powers of Finance

This new operating model for modern finance is the latest stage in finance's long-running journey of transformation into the digital age. In it, finance departments harness cloud and digital technologies to improve – and often to revolutionize – the efficiency and responsiveness of their accounting operations. The leaders also place an important emphasis on automating more of the financial planning and analysis process, using predictive analytics, artificial intelligence, and machine learning to boost the analytical powers of finance. This frees and enables skilled finance professionals to partner more effectively with business managers and colleagues with other expertise.

Digital is already having a massive impact on the face of finance, but this is just the start. As our report highlights, Accenture analysis suggests that by 2020, cross-functional integrated teams will be delivering 80% of traditional finance services. This will multiply staff productivity by some two to three times. And, in an additional bonus, costs will be slashed by 40%.<sup>vi</sup>

## Driving Business Improvement

Statistical analysis of survey data and insights from interviews confirm the evidence that a number of major progressive businesses gave us: that the new operating model for modern finance can enable a finance team to drive a business more efficiently and effectively. In short, helping it to become more agile and more successful.

One of the most important aspects of this research was to identify the attributes of these agile finance leaders. In doing so, we found that they are further advanced in their transformation journey in terms of structure, systems and skills.

We also measured their agility, and found that they are more likely to possess the attributes that businesses need to become agile. In addition, the businesses that agile finance leaders support are more likely than others to have demonstrated agility and to be achieving profitable growth.

## Learning from the Leaders

Fortunately, others can learn from the attributes we have revealed of those who are further along the finance transformation journey. And, as in many forms of business change, it is the soft things, especially skills and culture, which are hardest to get right.

Addressing this skills gap is the biggest challenge, and the new operating model for modern finance requires finance teams to assemble a range of new skills. The need for analytical skills is clear, but it's in the area of business acumen and commercial awareness that the greatest weakness exists. Here, only 36% of agile finance leaders rate their level of competence as "excellent."

While agile finance leaders recognize that this skills gap is their greatest challenge, being more ambitious than their less advanced peers they also have plans and performance measures to help them to close that gap. As well as developing the skills of their existing finance teams, these plans include recruiting experts from other business disciplines, including those with analytical or commercial expertise, to complement the traditional accounting skill set.

## Next Steps for Businesses

While factors like leadership and having a mandate are undoubtedly important, technology is overwhelmingly the most important enabler of finance transformation. And because appropriate cloud-based solutions are available, technology is not the biggest challenge. Far from it – cloud technologies put the new operating model for modern finance within the reach of most businesses.

The challenge then is to implement a change program and to develop or recruit the talent that's needed to do so. The following key considerations must always be borne in mind:

*“Never waste a good crisis. For us, a crisis was an opportunity and the dissolution of what wasn't working.”*

J. MICHAEL GOWER, EVP FOR FINANCE  
AND ADMINISTRATION AND UNIVERSITY  
TREASURER, RUTGERS, THE STATE  
UNIVERSITY OF NEW JERSEY

- Finance transformation is a major change project. The starting point is to have three important properties: a clear understanding of the new role for finance; sponsorship from the leaders of the business; and buy-in from those going on the journey. In addition, success stories that provide proof of concept by showing what finance can contribute may improve finance's credibility.
- A gap analysis should also be carried out. Where are we now relative to where we want to get to? What resources will we need? What capabilities do we need to develop? Have we the capacity and culture to be flexible and implement change?
- The CFO must agree to a map for the journey, the milestones to be achieved, and the measures of performance. The software-as-a-service cloud-computing model limits the level of capital expenditure required. But, as this will inevitably be a major project, sign-off will be required on the business case.
- Partners with experience of similar projects and expertise in technology must be selected on merit, based on their track record and reference clients.
- Project and change management disciplines must always be applied.
- To manage the transformation, organizations will need measures of their progress towards the new operating model for modern finance.
- To build credibility and maintain buy-in from internal customers across the business, organizations will need measures or evidence of how finance supports business agility.

- The greatest challenge is to develop a finance team with the range of complementary skills that are needed. The first step is to identify the skills required and the gap to be closed through recruiting or developing talent.
- Buying in scarce talent is expensive so leading organizations put an emphasis on developing talent in-house. They will often have training academies and career planning programs that include rotation to gain a broad range of experience because they recognize that 80% of learning is gained on the job when theory is put into practice.

## Next Steps for Management Accountants:

Computerization has long threatened the traditional roles of the accountant and auditor<sup>vii</sup>. And that threat is being compounded further by the gathering wave of digital technologies that can automate knowledge work.

Accountants must be alert to how their world of work may change and develop a personalized continuing professional education (CPE) plan that's in line with their own potential and ambitions.

Fortunately, as competition erodes margins and intangibles increasingly become the drivers of value, the discipline of management accounting is becoming ever more important. That's because it's about providing accounting and management information, and facilitating an objective, rational and measured commercial approach to improve decision making and performance management.

Critically, the quality of these decisions is the first intangible on which others are built.

## The Strength of the Management Accountant

Management accountants are deployed to work alongside business managers in business-partnering roles to bring professional rigor to performance management. Recent AICPA and CIMA research<sup>viii</sup> has found that the objectivity they bring and the questions they ask can prompt the collaborative conversations needed to generate insights and improve performance. However, this collaboration requires strong business understanding and influencing skills. A good knowledge of data sources and the potential in analytics will be needed too.

In short, above all other finance professionals, management accountants stand to gain most in the digital era – provided they follow personalized CPE strategies that reflect the changing needs of their organization, their sector, and their own career aspirations.

**Where are you in your journey  
to agile finance?**

**Go to the Agile Finance Revealed feature page and  
find out more:**

**[oracle.com/agile-finance-revealed](https://oracle.com/agile-finance-revealed)**

**ORACLE®**

**AICPA®**

# 7. APPENDICES



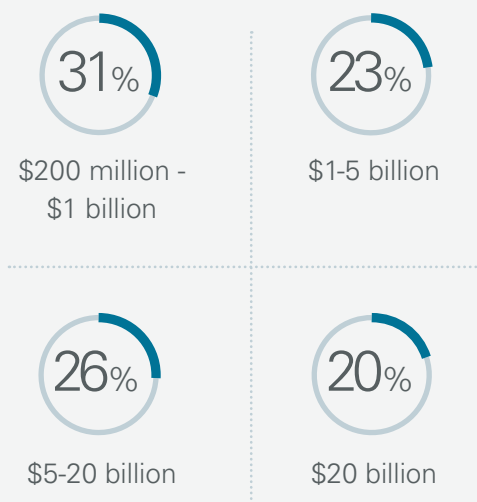
## Appendix I. Sample and Methodology

To create this report, the AIPCA engaged Longitude Research to carry out a survey of senior finance professionals in major businesses across a range of sectors in the USA and Canada.

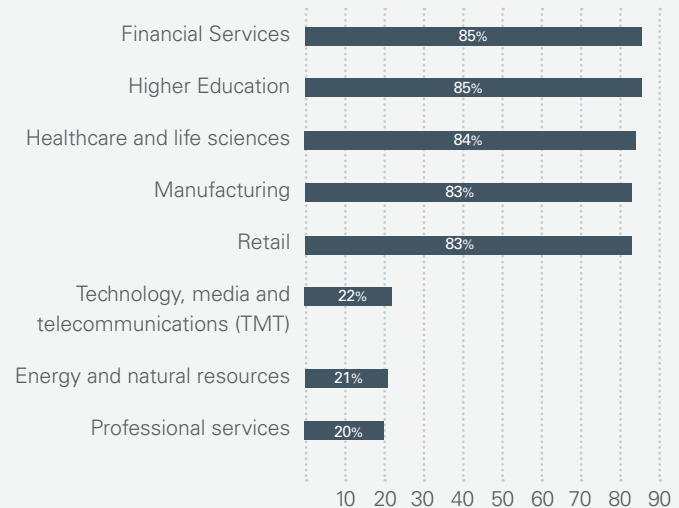
We wanted the research to focus on businesses with total revenues of over \$200 million. In addition, we wanted to take an industry-based approach to our analysis, surveying organizations in five key industries (financial services, healthcare and life sciences, manufacturing, retail, and higher education). This would enable us to understand which sectors are most advanced in adopting the new operating model for modern finance, and allow us to benchmark their performance against their peers.

**Figure 16** Survey Sample

### Total Revenue



### Sector



The survey was completed by 483 senior finance professionals, 76% of whom were from the USA and 24% from Canada. These respondents all represented organizations with revenue of over \$200 million. A satisfactory spread across the turnover bands (\$200 million - \$1 billion, \$1 billion - \$5 billion, \$5 billion - \$20 billion and \$20 billion plus) was achieved.

The financial services, higher education, healthcare and life sciences, manufacturing, and retail sectors were each represented by robust samples of over 80 respondents. This has allowed us to present findings by sector.

## Appendix II. References

- <sup>i</sup> The CFO as Technology Evangelist, Oracle and Accenture, 2015
- <sup>ii</sup> Agrawal, Ankur, Emma Gibbs, and John Hughes Monier, "Who's Better at Strategy: CFOs or CSOs?" January 11, 2016, Harvard Business Review
- <sup>iii</sup> Axson, David A.J., "Finance 2020: Death by digital", Accenture Strategy, 2016
- <sup>iv</sup> Finance 2020; Death by digital, David A.J. Axson, Accenture Strategy, 2015
- <sup>v</sup> CGMA Oracle Digital Imperative report, 2015-6
- <sup>vi</sup> Finance 2020; Death by digital, David A.J. Axson, Accenture Strategy, 2015
- <sup>vii</sup> The future of work, how susceptible are jobs to computerisation, M Frey and C Osborne, 2013
- <sup>viii</sup> CGMA Business Partnering report, 2015
- <sup>ix</sup> The Digital Finance Imperative, CIMA, 2015

## Appendix III. Authors

Peter Simons FCMA, CGMA. Associate Technical Director - Management Accounting. Association of International Certified Professional Accountants

Lori A. Sexton CPA, CGMA. Senior Technical Manager - Management Accounting. Association of International Certified Professional Accountants

CGMA and Chartered Global Management Accountant are trademarks of the Association of International Certified Professional Accountants. These trademarks are registered in the United States and in other countries. The AICPA logo is a trademark of the American Institute of Certified Public Accountants and is registered in the United States and in other countries.



# Where are you in your journey to agile finance?

Go to the Agile Finance Revealed feature page and find out more:

[oracle.com/agile-finance-revealed](https://oracle.com/agile-finance-revealed)

Talk to an Oracle applications specialist: [+44 207 562 6822](tel:+442075626822)

[- CHAT NOW -](#)



**Take an online tour through ERP Cloud**



**Are your Financial Practices Best or Broken?**

**ORACLE®**

## Integrated Cloud Applications & Platform Services

Copyright © 2017, Oracle and/or its affiliates. All rights reserved. This document is provided for information purposes only, and the contents hereof are subject to change without notice. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether expressed orally or implied in law, including implied warranties and conditions of merchantability or fitness for a particular purpose. We specifically disclaim any liability with respect to this document, and no contractual obligations are formed either directly or indirectly by this document. This document may not be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose, without our prior written permission.



Oracle is committed to developing practices and products that help protect the environment

