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Minutes on Modern Finance Best Practice Series

Differentiate and Grow
With Profitability Insights



The New Core Competence

Analyzing Profitability Across Multiple Dimensions



Nearly every company today is doing business globally to some extent, making them increasingly susceptible to changes in raw material prices, foreign exchange rates, and economic growth across multiple geographies. Add to that the complexity of making products in one market, selling them in another market, and accounting for those transactions in your home market, and it becomes clear why CFOs are allocating a tremendous amount of analytical focus to understanding and influencing profitability across multiple dimensions, from customers and products to geographies and sales channels. According to Accenture, identifying and influencing these profitability levers is at the top of most CFO agendas today, as CEOs increasingly look to their finance chiefs for insights on where to invest in new initiatives that can boost top line and bottom line growth.

CFOs at the helm of modern finance organizations also strive to provide forward-looking guidance by analyzing the impact of current and future trends across all profitability dimensions, so that management and line of business executives can make rational decisions based on facts, not just intuition or opinion. Red Robin CFO Stuart Brown explains the value of data-driven guidance to improved executive decision-making at the North American restaurant chain: “Finance has embedded itself in other parts of the business more than ever before. For example, we partner really well with marketing; they will come up with an idea about a new promotion, and we can run it through our filters and decision-making tools and then give them the answer back. Those are the types of things that keep you from making expensive mistakes, but also help you get other things that are working well rolled out much more quickly.”

CEOs are looking to their CFOs and saying

“

We've done the cutting, we've harvested our assets, where's the growth coming from now? Where do we find those opportunities? Help me make those decisions. Help me find those opportunities and help me make those prioritization choices.”

David Axson, Managing Director, Accenture Strategy

Becoming Data-Driven

Modern CFO Best Practices



Although modern CFOs are clearly focused on understanding the drivers of profitability, many barriers exist to establishing a data-driven finance culture. Exploding data volumes from both structured sources like ERP systems, and unstructured big data generated from social media channels, geospatial tracking devices, and other channels threaten to overwhelm the analytical capabilities of legacy finance systems and traditional financial analysts. Fortunately, new cloud-based applications and delivery mechanisms make it viable to upgrade quickly and cost-effectively. Next-generation

analytics, mobile and social capabilities are built into modern finance applications to equip overburdened finance teams with the analytical and collaborative tools needed to boost insights and strengthen ties with lines of business.

Whether you're just embarking on the path to becoming data-driven or already using advanced analytics to understand profitability drivers at your organization, consider the following best practices as foundational strategies that can ensure that your roadmap to profitability leads to success.



1 Start by Establishing a Common Finance Language



2 Strengthen the Partnership Between Finance and the Business Leadership



3 Create Centers of Excellence

Start by Establishing a Common Finance Language



According to David Axson, a Managing Director with Accenture Strategy, the first step toward becoming data-driven is to get your baseline right. That means establishing a common way to measure profitability on a consistent basis across all the markets, products and geographies in which you do business. It also means capturing transaction data in a structure that allows you to very quickly identify when profit trends are changing across one or more of the profit dimensions you have identified as being critical to your business.

Establishing a common finance language across the enterprise based on common systems, common data, and common processes allows management and line of business executives to reference the same data for analysis and decision making. Accenture's

Speaking the Same Finance Language at AT&T



As AT&T modernizes its global infrastructure, its operational processes must be as powerful as its network. It's been a large and complex task, but AT&T Senior Executive Vice president and CFO John Stephens started with a simple concept: "Let's get everyone speaking the same language."

This meant consolidating finance systems inherited from acquired companies. It was no small task, given that the company has had more than five major acquisitions and a number of other deals. In 2007, AT&T had 17 applications in the accounts payable function alone. Today, that number has dropped to two. Similarly, there were 50 official management reporting systems, and now there are three, with plans to get down to just one.

By having a single finance-driven language throughout the company, AT&T's finance team has eliminated multiple versions of the same data, as well as reduced potential confusion in discussions and business strategy decisions. These steps have also reduced costs and accelerated decision-making.

Axson is seeing CFOs step up their investments in foundational data technologies to help establish that common language, whether data is sourced from ERP and business intelligence systems, or from unstructured external sources. By using a common language and data source, only then can companies really get a jump on understanding the changes that will occur in profitability and the opportunities and threats that they have to either help enhance profitability or mitigate risk going forward.

Strengthen the Partnership Between Finance and the Business Leadership



Modern finance organizations seek to set the growth agenda by providing finance guidance and support to management and lines of business. They embed finance professionals into the lines of business to help interpret the numbers more efficiently, analyze profitability measures more effectively, and uncover new growth opportunities faster. In our view, best-in-class finance professionals spend at least 40-50% of their time supporting their line of business counterparts, and many have operational experience and sales and marketing expertise to complement their analytical skills.

Recruiting finance talent with a broad range of business skills is a top priority among CFOs looking to partner more strategically with the business. New global research commissioned by Oracle and Accenture (Empowering Modern Finance: The CFO as Technology Evangelist, Oracle and Accenture, 2014) points to the fact that 85% of finance executives worldwide have increased – or plan to increase – the number of finance analysts in their organizations over the next two years.

Although analytical skills remain in demand, skills in marketing, sales, operations, and strategy are highly sought after for analysts destined to become business partners. “It’s about finding the right people who can do something with the amounts of data we now generate,” notes Ian Winham, Executive Vice President, CFO and CIO at Ricoh Europe PLC. “That is going to be critical to our success in the future.”

At Oracle, embedding finance professionals into key lines of business has helped improve visibility and results in both the company’s cloud and engineered systems businesses. Matt Stirrup is a vice president of global finance at Oracle, embedded in the North American sales organization responsible for selling cloud applications. Stirrup estimates that he spends at least 50 percent of his time directly engaged with Oracle’s North American sales management, providing them detailed insights on customer demand and pipeline to help refine the forecasting, planning and budgeting processes. He relies heavily on internal social collaboration tools to engage directly with sales and business intelligence tools to get real-time updates on sales pipeline and forecasts.

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Financial analysts looking to embed themselves into key lines of business need broad business experience, so they can be more effective partners,” Stirrup advises. “At Oracle, we are developing our business finance teams to make sure they have the tools, technology, and resources to succeed, because we believe business partnering is really the way that finance can drive value for the entire business.”

Create Centers of Excellence

A Center of Excellence (or CoE) provides leadership, best practices, research, support and training so that organizations can centralize requirements and pursue excellence in a particular area, from sales and marketing to business analytics. Data-driven CFOs are investing in the creation of Centers of Excellence for Business Intelligence and Enterprise Performance Management to augment and refine their ability to deliver real-time insights to the business. Because CoEs centralize processes and requirements, they reinforce the use of a common language, processes, and data definitions for the entire finance organization.



CoE Function



Center of Excellence brings together varied people, skills, and disciplines

- Centralized knowledge and dedicated resources
- Narrow area of expertise or specialty



Promotes collaboration and best practices



Synergies between applications and projects

- Shared components for increased reusability
- Standardized repeatable results



Provide insight into the various stakeholders roles & how they should collaborate with each other in order to be more effective

- Enable collaboration across business units to ensure consistency

According to Accenture's Axson, establishing a CoE for business intelligence or performance management can also help finance drive its strategic partnership agenda by offsetting the finance skill gap. "It's a rare bird indeed who is excellent at everything, including finance analysts.

Allowing them access to Center of Excellence resources around reporting, around analytics, around information management can really help them be effective in the field without having to do all the heavy lifting themselves."



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Author: Anne Ozzimo

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200
oracle.com



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Hardware and Software, Engineered to Work Together