Hardware and Software
Engineered to Work Together

MAXIMIZE POTENTIAL – DELIVER RESULTS

TWENTY – FIRST CENTURY FINANCE

ORACLE®

Executive Summary

To succeed in today's volatile business environment, CFOs need to ensure that their organizations have agile business processes and systems in place to drive growth, minimize risk and costs, and deliver the results expected by stakeholders. In recent years, the role of the CFO has evolved and expanded to include information technology (IT). But simply overseeing IT is not enough. To create a successful twenty-first century finance organization, CFOs must become more strategic in their use of technology, and even become a catalyst for change. Becoming a strategic CFO necessitates a greater focus on leveraging IT—looking ahead as well as looking backward, focusing on the nonfinancial as well as the financial elements of critical decisions, and operating with an external and internal orientation.

With direct management over IT, CFOs have the opportunity to fully harness IT's capabilities, quickly deploying new technologies that will support business growth while reducing costs. In this executive strategy brief, we explore how CFOs can develop a twenty-first century finance organization by getting the basics right, being more strategic, and becoming a catalyst for change.

The Nexus of Strategy and Technology

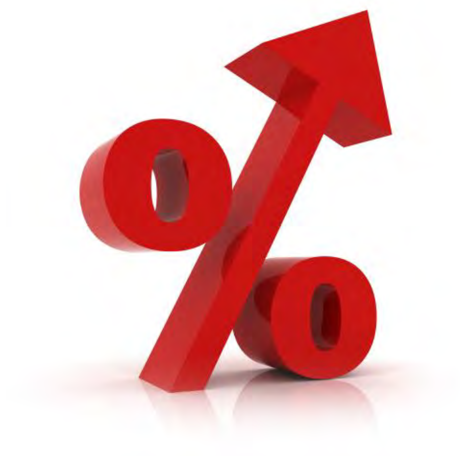
For many years industry pundits have discussed the changing role of finance and promoted the idea that CFOs should add "business partner" and "strategist" to their traditional focus on financial stewardship, compliance, and reporting. The CFOs who have moved in this direction have been rewarded for it—they are becoming catalysts for change and function at the nexus of strategy and technology in their organizations. They are measured and rewarded on their ability to both effectively devise strategy and leverage technology.

Ensuring that their organizations have agile business processes and systems in place becomes easier for the 45 percent of CFOs who take on the responsibility for IT.[1] This enables a culture where IT investments deliver measurable value to the organization. But in many cases, an organization's existing tools and technology don't meet today's business challenges. In fact, the top barrier to improving the effectiveness of the finance function is IT systems that are out of date and inflexible.[2] For example, 40 percent of organizations can only forecast three months in advance, and 93 percent of finance departments are using spreadsheets for critical financial processes.[3] CFOs need to get more out of technology—they need an intelligent finance organization that can focus on strategy and decision support rather than compiling reports from spreadsheets and disparate data sources.

CFOs must drive strategic IT investments, leverage the latest technologies to improve productivity, and embrace innovation to be competitive in today's global market. Here are three suggested areas of focus.

- Take a fresh look at the basics and focus on getting them right
- Become more strategic by aligning business strategy and technology

45 percent of CFOs have the IT function now reporting to them—up from 42 percent last year. Source: **2012 Gartner/FEI survey**



- Be a catalyst for change by re-evaluating and modernizing systems and processes

Get the Basics Right

In many organizations, all too often the core back-office, daily processes are being performed with a status quo mindset. And with day-to-day operations consuming 63 percent of the overall IT budget, this area certainly should not be overlooked.[4] Due to rapid organic growth or mergers and acquisitions, many CFOs find themselves using fragmented systems or running multiple ERP instances. This is a prime opportunity to drive further efficiencies through the smart use of technology. In fact, with 64 percent of organizations looking to move to a single ERP instance, the twenty-first century finance organization must make system consolidation and standardization of processes a focus of their business applications strategy.[5] CFOs must drive IT to consolidate or discontinue disparate systems and implement a single integrated system for core areas to reduce excessive cost and risk. Doing so enables more resources to be shifted toward innovation and growth.

Standardizing processes and properly applying controls are also areas that can be fine-tuned to ensure regulatory compliance and reduce costs. The business processes that are most vulnerable to fraud, leakage, and error are procurement and financial reporting.[6] And because almost 85 percent of internal controls are performed manually, there is much that can be automated to improve operational efficiency.[7] Combining advanced financial controls with standard ERP controls can prevent cash leakage and lower operational risk and opportunity for fraud. It is vital to have policies and procedures in place that detect suspicious activity and redundant business practices.

The financial close and reporting process can consume a great deal of time and resources. A recent survey showed that almost 50 percent of companies reconcile their accounts manually.[8] In addition, changing regulations and new disclosure requirements make the financial close process prone to error and inaccuracies. But not for the twenty-first century finance organization—streamlining the financial close and reporting process is simple with a modern, integrated financial close and reporting software solution. These solutions enable world-class organizations to reduce the time and cost of the close process and build trust with key stakeholders by increasing accuracy.

The takeaway: Getting the basics right means balancing operational efficiency with control and accuracy. Leveraging advanced financial controls and streamlining the financial close process ensures that finance organizations can accommodate new initiatives without increasing costs or sacrificing integrity.

Pharmaceutical Research Consulting Firm Improves Health and Confidence in Procure-to-Pay Process

Solution: Oracle Governance, Risk, and Compliance Applications Suite

Challenges

- Understand role conflicts and enforce access security policies
- Monitor segregation of duties in an automated way
- Ensure Office of Foreign Assets Control (OFAC) compliance
- Validate suppliers against OFAC watchlist and monitor transactions in procure-to-pay process

Results

- Identified riskiest policies and conflicts
- Implemented 25 to 40 controls and segregation of duties rules
- Automated OFAC compliance by tracking transactions against SDN listing
- Implemented a new process step that keeps a supplier inactive until the supplier check on the OFAC watchlist is completed

Is your current technology inflexible and hindering attempts to get the basics right? As the CFO of a twenty-first century finance organization, you have the ability to change that.

Become a More-Strategic CFO

CFOs are comfortable working in the areas of compliance, reporting, and control—the areas with which they are most familiar. But strategic CFOs step out of the comfort zone to discover new ways to strategize, plan, and capture new market opportunities that further increase the value of the organization. These CFOs look forward as well as backward, make decisions with both nonfinancial and financial elements in mind, and maintain an external as well as internal orientation. There are three steps that CFOs can take to become more strategic.

- Integrate strategic, financial, and operational planning processes
- Incorporate risk management into strategic planning
- Gain better insight into costs and profitability

Setting accurate expectations with key stakeholders and developing an annual budget can be challenging in today's volatile business environment. And many organizations still have disparate strategic, financial, and operational planning processes. The key to reliable planning and forecasting is the ability to draw together culture, process, and internal and external data into a balanced and cohesive framework. By using an enterprise performance management (EPM) solution to integrate strategic, financial, and operational planning processes, leading-edge finance organizations can improve the accuracy of plans and forecasts and enhance predictability. EPM solutions automate and tightly integrate planning processes that enable finance organizations to reduce reliance on spreadsheets, shorten budgeting and planning cycles, improve the accuracy of their plans, and improve strategic resource allocations. Strategic, financial, and operational plans developed using an EPM solution help strike a balance between strategic fit, operational feasibility, and financial desirability. Business intelligence, analytics, and enterprise performance management systems are essential tools for twenty-first century finance organizations, and they are ranked by finance executives as the highest priority for their 2012 top technology initiatives, according to a recent Gartner/FEI survey.[9]

Managing enterprise risk is a growing discipline within leading organizations, and incorporating risk management into strategic planning enhances both processes. For instance, planning for external factors such as economic events that impact revenue and supply chain costs can provide data regarding interest rates, currency fluctuations, and raw material costs. Proper modeling using Monte Carlo simulations of the financial impact of various scenarios can help finance executives balance risk and return on investment. Internal risks, from strategic to operational, can trigger mitigation approaches through controls, business execution, and other efforts. Forward-thinking CFOs are implementing a risk monitoring program that uses a comprehensive set of key performance indicators

General Dynamics Improves Budgeting and Planning Processes, Speeds Rate Changes

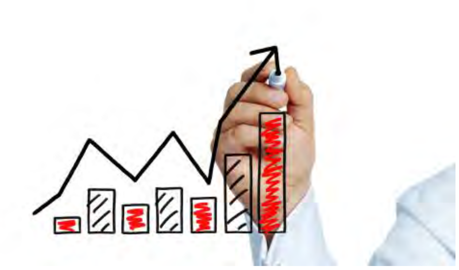
Solution: Oracle Hyperion Enterprise Performance Management

Challenges

- Used multiple budgeting tools across different divisions and projects
- Had long reporting and planning cycles
- Lacked an enterprisewide view into planning and reporting data

Results

- Established a standard planning and budgeting process
- Shortened the time required to recalculate the forward pricing rates for budget and forecast
- Reduced time to compile monthly reports from two weeks to one day
- Improved visibility into performance



(KPIs) and key risk indicators (KRIs) that measure both the impact of risk events and any associated mitigation efforts. Including risk management with the strategic planning process encourages organizations to think more broadly about emerging risks from new technologies, competitors, regulation, and other factors, and become a more “risk intelligent” organization.

Gaining better insight into cost and profitability by product, service, customer, location, distribution channel, and other business dimensions helps CFOs become more strategic. This data assists in critical operational decision-making, such as choosing whether to grow the firm’s existing business or diversify into new products and markets. Yet a recent survey revealed that 82 percent of organizations lack full visibility into profit at these levels.[10] Helping the enterprise maintain a competitive cost structure and improving finance’s analytical, modeling, and forecasting capabilities are strategic priorities.[11] Both objectives are essential if finance is to help their organization navigate the new business environment. However, achieving this level of profitability insight can be challenging and requires enhanced analytical and decision support capabilities. With a robust profitability and cost management solution that can allocate revenue as well as direct and indirect expenses down to the individual product line or customer segment, organizations can understand the true cost and profitability drivers within their business. With this visibility and insight, organizations can improve resource alignment and optimize pricing, marketing, and customer service programs in order to hit revenue and profit goals.

> ***The takeaway:*** There are three steps a CFO can take to become more strategic: (1) Integrate strategic, financial, and operational planning processes; (2) Incorporate risk management into strategic planning; and (3) Gain better insight into costs and profitability. By looking ahead as well as backward, focusing on nonfinancial as well as financial elements, and doing it all with an external and internal orientation, CFOs can add to their strategic value.
>
> Does your current IT environment provide the right tools to help you be a more-strategic CFO? If not, you have the ability to change that.

Be a Catalyst for Change

Since change is one of the few constants in the world, effectively managing and navigating change is vital to becoming a true twenty-first century finance organization. Technology advances, such as cloud computing, are accelerating the pace of change and driving many companies to transform the way they operate. The cloud offers a way to change the mix of IT spend so more resources are devoted to innovation and fewer on maintaining current systems. By leveraging the cloud, organizations can quickly deploy applications and disseminate standard business processes across the global enterprise. The cloud provides the agility that helps enterprises easily accommodate new initiatives without increasing costs, enabling them to enter new markets, add new

"Oracle Fusion Financials is clearly the industry leader, setting an entirely new level of insight and efficiencies for Lending Club. We are not only incredibly impressed with the best-of-breed capabilities and business value from our adoption of Oracle Fusion Financials, but also the commitment from Oracle to its partners, customers, and the ongoing promise of innovation to come."

- Carrie Dolan, CFO, Lending Club

products, and incorporate acquired companies. In fact, three-quarters of finance executives (76 percent) agree that a solid cloud computing strategy will be important for their company's success within the next 12 to 18 months.[12]

With the introduction of social networking and mobile technologies, employees are also changing the way they work. The focus has shifted from process to people, and software designers are leveraging user interfaces similar to popular social and commerce sites. A consumer-driven experience and applications natively built for mobile devices increase user productivity. For example, today's mobile workers should be able to use voice capture to record expenses, photo-capture their receipts, and submit expenses for approval from their mobile device. The mobile experience must be modern, secure, and robust—supporting both real-time and offline data access. CFOs who take advantage of social and mobile technologies can increase efficiency and workforce satisfaction in their organization.

The CFO of a twenty-first century finance organization needs a data-driven finance department as well as the ability to empower users throughout the organization to make better decisions. Leveraging advanced analytics to harness big data and improve decision-making is critical. Solutions with a broad set of capabilities for reporting, analysis, modeling, and forecasting will help users discover new ways to strategize, optimize business operations, and capture new market opportunities, as well as gain insight into every aspect of the business. Every twenty-first century finance organization should be looking at advanced analytics. In fact, a recent survey indicated that from the CFO's perspective, corporate performance management applications lead the areas of BI investment, with planning/budgeting/forecasting first, and performance/dashboards/scoring a close second.[13]

The takeaway: Moving your applications to the cloud can deliver both short- and long-term benefits, including costs savings, improved agility, and faster innovation. Embracing social, mobile, and advanced analytic technologies will increase productivity, and leveraging advanced analytics provides new ways to gain insight into every aspect of your business.

Are you ready to embrace technology and be a catalyst for change for your finance organization?

Make Your Vision a Reality

CFOs can develop a twenty-first century finance organization by getting the basics right, being more strategic, and becoming a catalyst for change. Oracle provides market-leading financial management solutions to help you achieve this vision.

Our world-class ERP suites support the full breadth of business operations, including financial accounting, risk and control management, procurement, inventory, and project management. Supporting the global enterprise with multi-GAAP, multi-currency, multi-language, and multi-subsidiary capabilities ensures consistent end-to-end processes across all your locations around the world. Thousands of customers globally depend on our ERP suites—Oracle E-Business Suite, Oracle's PeopleSoft, Oracle's JD Edwards, and Oracle Fusion Applications.

With a library of advanced automated controls, Oracle Fusion Governance, Risk, and Compliance provides a complete enterprise governance, risk, and compliance platform that offers risk management and financial governance, operational controls, and access and segregation of duties controls. You get holistic visibility with unified intelligence, providing insight into the status of all control management and compliance activities.

Oracle Hyperion Enterprise Performance Management solutions help you discover new ways to strategize, plan, and capture new market opportunities. The Oracle Hyperion Enterprise Planning Suite integrates strategic, financial, and operational planning processes so you can plan and forecast with greater precision and align finance with operations. And the Oracle Hyperion Financial Close Suite accelerates your financial close and reporting process while enabling greater transparency and confidence in your numbers. Oracle's Hyperion EPM applications support strategy management, planning and forecasting, the end-to-end financial close and reporting process, and profitability management in a comprehensive and fully integrated suite.

By moving to Oracle Cloud, you can quickly deploy applications across the global enterprise to standardize business processes and reap short- and long-term benefits—such as reduced costs, increased agility, and faster innovation, to name a few. Oracle Cloud offers a broad portfolio of best-in-class business applications deployed as a software-as-a-service platform, delivering instant value and productivity. And standardized information delivery with a consumer-driven user experience utilizes the latest in mobile and social capabilities, improving user adoption.

Only Oracle offers the most complete and integrated financial management solutions for finance operations; governance, risk, and compliance; and performance management to help you make the twenty-first century finance organization a reality.

A full 96 percent of the Global Fortune 500 get better results with Oracle.[14] And, you can too with Oracle's financial management solutions.

For more information, visit us at Oracle's Financial Management Solutions.

Footnotes

[1] "2012 Technology Issues for Financial Executives Survey," 2012 Gartner FEI Technology Study.

[2] "A New Role for New Times," CFO Publishing & KPMG International, March 2011.

[3] "Management Performance: An Incomplete Picture," Dynamic Markets, April 2011.

[4] "IT Metrics: IT Spending and Staffing Report, 2012," Gartner, 2012.

[5] "The CFO's Impact on Technology Investment Decisions," 2011 Gartner FEI Technology Study.

[6] "Strategies for Managing Risky Business Processes," 2011 OAUG Enterprise Governance, Risk, and Compliance Survey.

[7] Financial Executives Research Foundation.

[8] "Benchmarking the Finance Function 2011," Financial Executive Research Foundation, 2011.

[9] "The CFO's Impact on Technology Investment Decisions," 2011 Gartner FEI Technology Study.

[10] "Management Performance: An Incomplete Picture," Dynamic Markets, April 2011.

[11] "The CFO's Agenda: Finance's Top Issues in 2011,"The Hackett Group, 2011.

[12] "CFO Research, the Business Value of Cloud Computing," A Survey of Senior Finance Executives, June 2012.

[13] "The CFO's Impact on Technology Investment Decisions," 2011 Gartner FEI Technology Study.

[14] Oracle Customer List Compared to Fortune 500.

Oracle Corporation
WORLDWIDE HEADQUARTERS
500 Oracle Parkway
Redwood Shores, CA
94065 U.S.A.

WORLDWIDE INQUIRIES
Phone:
+1.650.506.7000
+1.800.ORACLE1
Fax:
+1.650.506.7200
oracle.com

10.12.2012 | r2