



# Taking control of your innovation agenda

The role of **finance** in driving innovation.

Your Tomorrow, **Today**

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## Methodology

The results presented in this report are based on a mobile-only, 23-question global survey conducted through November 2018.

This survey targeted 5,488 Manager, Director, Vice President or C-Level executives, across 24 markets globally, with influence in the decision-making process of cloud solutions, platforms, and infrastructure or department-specific software. Respondents worked within organisations generating revenues between less than £1 million to more than £500 million, with 100 to 50,000 employees.

## Key findings

**Who owns innovation?** Finance, as with all lines of business, put themselves near the top of the innovation game, shining a light on their high aspirations. **However, innovation needs to be a far more collaborative process across the organisation in order to thrive.**

Without effective collaboration in place, finance teams are burdened by a high volume of projects. As a result, the majority of their innovative ideas never see the light of day. Finance teams recognise the need to prioritise, but they lack the support and time to prioritise go/no-go and business cases. These obstacles must be overcome, and finance must do their part to drive it.

The ability to redefine decision-making is an essential skill for modern CFOs.

They need a clear vision from their executive teams, and greater collaboration from the organisation, to deliver the right insights to support future business models.

The following report proves the ambition of finance to do just that – they recognise the need and their role – but the gap between their aspiration and the actions they take to further the innovation agenda is significant.

And yet, action is exactly what the organisation values. With respect to new KPIs, employee productivity tops the list. However, values placed on both new and traditional KPIs also show a contradiction. Talent is the least valued KPI globally and across finance teams; but how can the organisation be productive without it?

While finance is performing far better in the day-to-day responsibilities for compliance and regulation, and to a certain extent on performance measurement, these are backwards looking measures. Fortunately, finance teams are placing high value on the customer experience, showing their intention to move the business forward.

# Research and analysis

## Innovation landscape

- Incremental tech innovation
- Culture-enabling innovation
- Disruptive innovation
- Role of innovation

## Building the agile organisation

- Who is owning innovation?
- Leadership and cultural behaviours

## Measuring the value

- Innovation metrics
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## The agenda for innovation

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## Innovation culture

- Importance of processes for idea generation
- Employee incentives and rewards
- Innovation projects making it to market
- Barriers to reaching market

## Next steps



## Innovation landscape – Incremental tech innovation

In the next three years **Poland** and **Malaysia** expect incremental technology to play a more significant role (+7%), while countries like **Brazil** and **Saudi Arabia** look to lessen the significance of this type of tech.

### Incremental tech innovation

Base: Global population, 24 markets, nr. 5,488

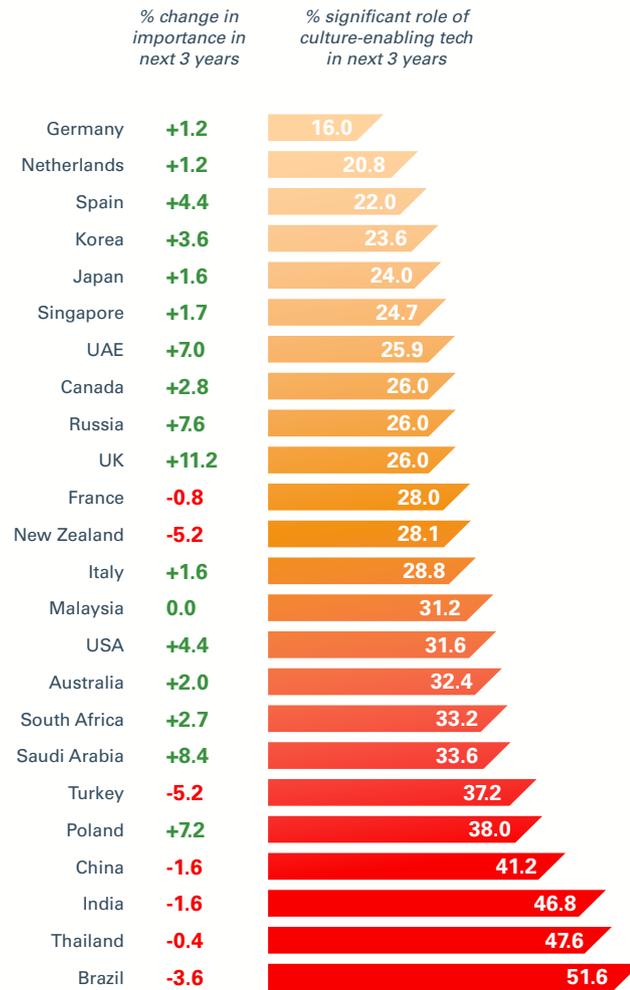


## Innovation landscape – Culture-enabling innovation

Looking at culture-enabling innovation, again **Brazil** represents the country where the innovation **plays the most significant role (52%)**, followed by **India and China** – however, on average countries report plans to invest more aggressively in culture-enabling innovation in the next three years than with incremental tech: most notably the **UK (+11%)**, **Saudi Arabia (+8%)**, and **Russia (+8%)**.

### Culture-enabling innovation

Base: Global population, 24 markets, nr. 5,488



North, Central and South America

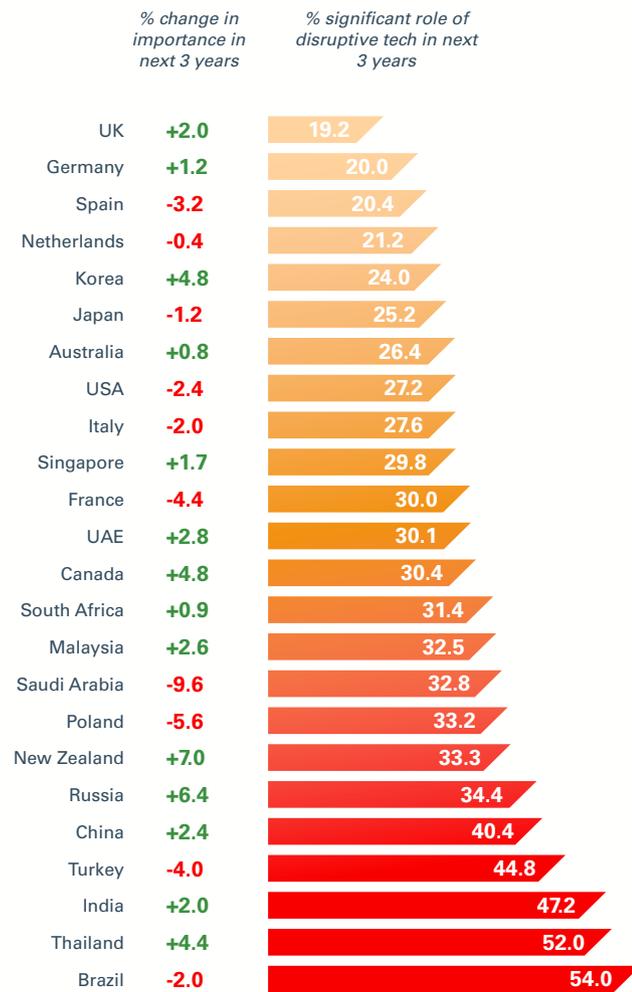
Asia, Japan and Pacific

## Innovation landscape – Disruptive innovation

**Disruptive tech is the most polarising innovation of those discussed** – half of the countries surveyed report plans to decrease their organisation’s investment in the innovation, with **Saudi Arabia** and **Poland** leading the charge (~-8%). Meanwhile the other half (particularly **New Zealand** and **Russia**) plan to further invest in disruptive innovation.

### Disruptive innovation

Base: Global population, 24 markets, nr. 5,488



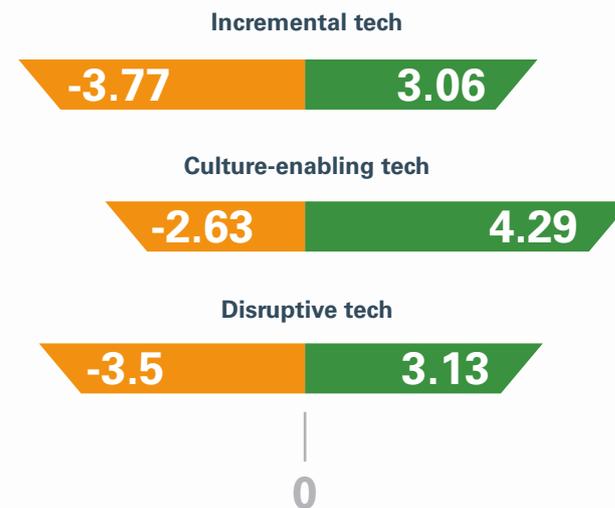
## Innovation landscape – Role of innovation

Though more countries report plans to increase the role of incremental tech in their organisation in the next three years over culture-enabling innovation, **culture-enabling innovation has a higher average % increase** – proving individuals plan to invest more aggressively in this innovation than with incremental tech.

*Number of countries changing significant role of innovation in organisations in next three years*

Nr. of countries	Incremental	Culture-enabling	Disruptive
Increase role	18	16	14
Decrease role	6	7	10
No change		1	

*% average change in importance in next three years globally, by innovation*



Base: Global population, 24 markets, nr. 5,488

## Innovation landscape – Role of innovation (cont.)

**Globally, across all audiences investment in incremental tech is more significant than spend in culture-enabling or disruptive tech. This is consistent across finance teams as well (pictured below).**

This focus on incremental tech is not surprising given the lower inherent barriers to the incremental implementation process. That said, over the next

three years, finance teams have predicted a reduced investment in incremental tech.

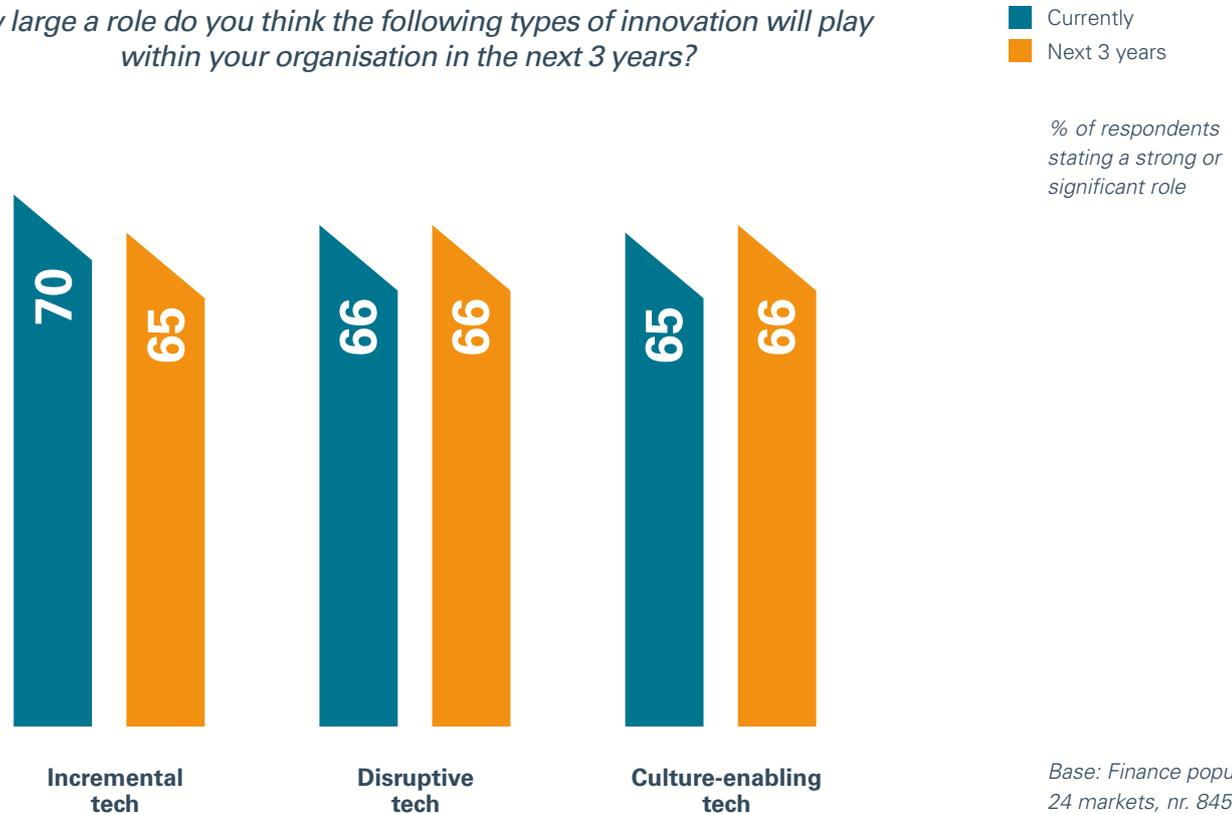
As with global findings, while finance teams may be focused on extracting value from investments already made, they need to keep a stake in the game by maintaining or increasing innovation budgets.

This focus in incremental tech is advantageous as the adoption of technology at the right pace reduces risk and allows for faster integration. 84% of boards overall

state that innovation is important to the business, so the CFOs understand this is important because tomorrow's revenues are going to largely be driven from digital innovation.

They have to figure out the metrics, the operating model, and some of the other thornier issues that are sitting there in this grey area today, because that's where the revenue is coming from tomorrow.

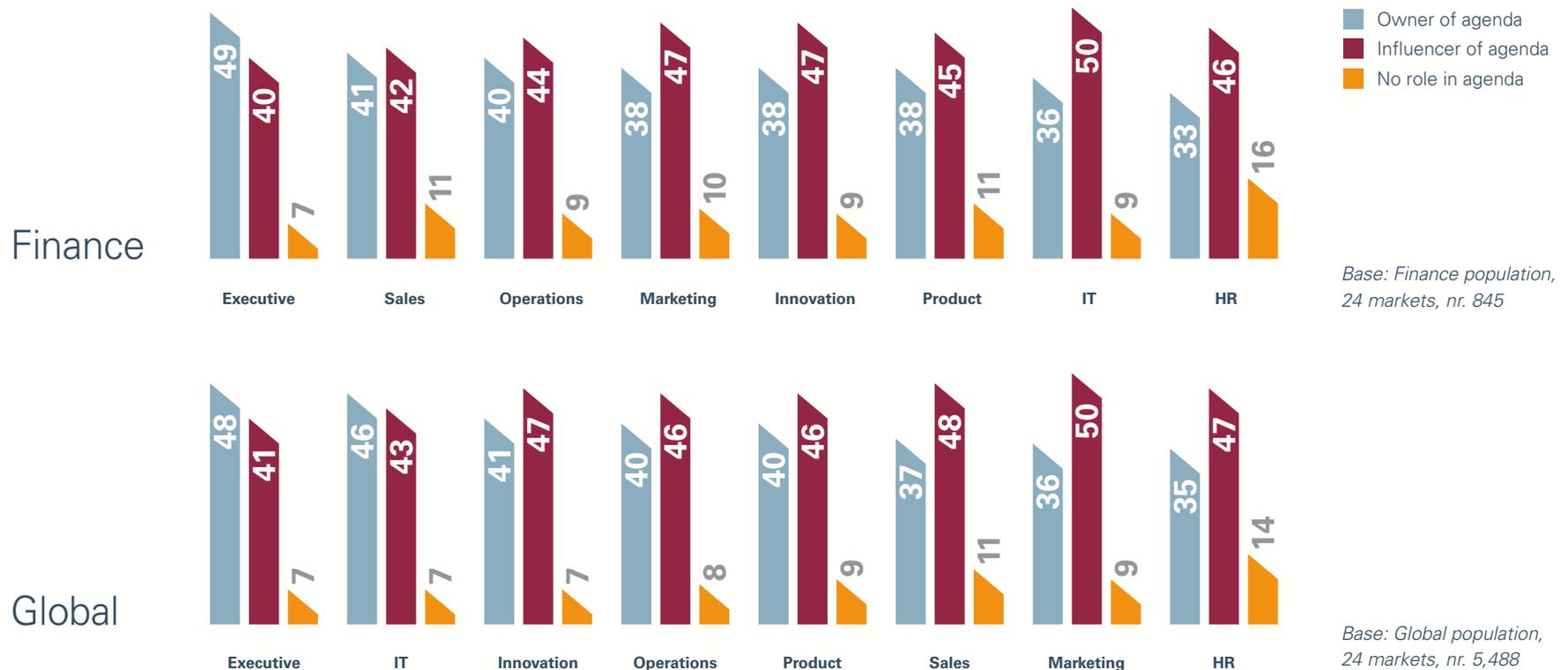
*How large a role do you think the following types of innovation will play within your organisation in the next 3 years?*



## Building the agile organisation – Who is owning innovation?

On a global scale, executive teams or IT teams are named owners of the innovation agenda. However, when finance teams were asked the same question, sales and operations colleagues factored in heavily as owners, while IT neared the bottom of the list. **It appears that finance teams value departments who define needs from the client perspective, versus operation partners.**

*What role do the following teams or departments play in the innovation agenda within your organisation?*



## Building the agile organisation – Who is owning innovation? (cont.)

**It is concerning that there is limited visibility and involvement of the finance function across the whole innovation process.**

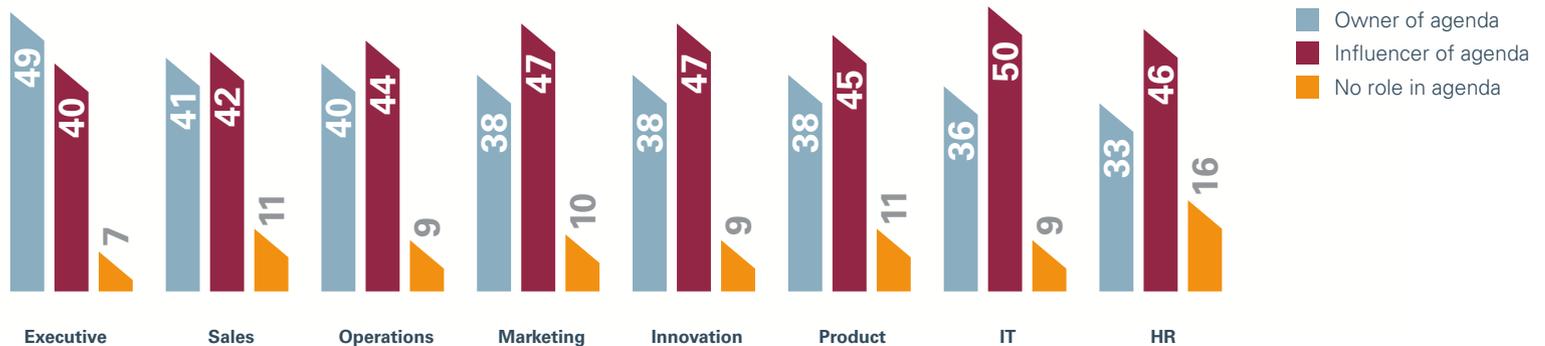
Most organisations simply go through the innovation process using the standard approach of ideating, building prototypes or minimum viable products, and then moving on to scale.

While executive teams need to own and influence the agenda, a more collaborative approach is clearly needed, allowing finance teams to better understand

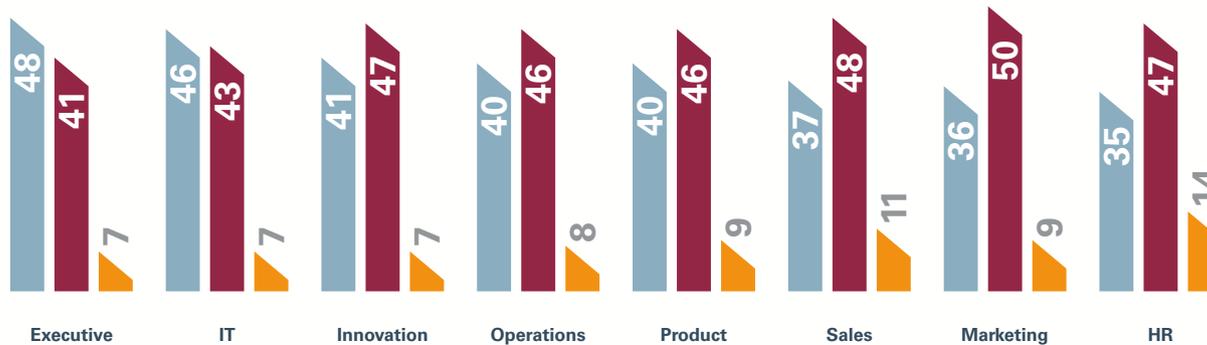
their role alongside that of their peers. Critically, finance must be given the opportunity to play their role in prioritising efforts aligned to business objectives.

Finance then needs to work far more closely with IT to set the framework and platforms for innovation to happen consistently and efficiently.

Finance



Global

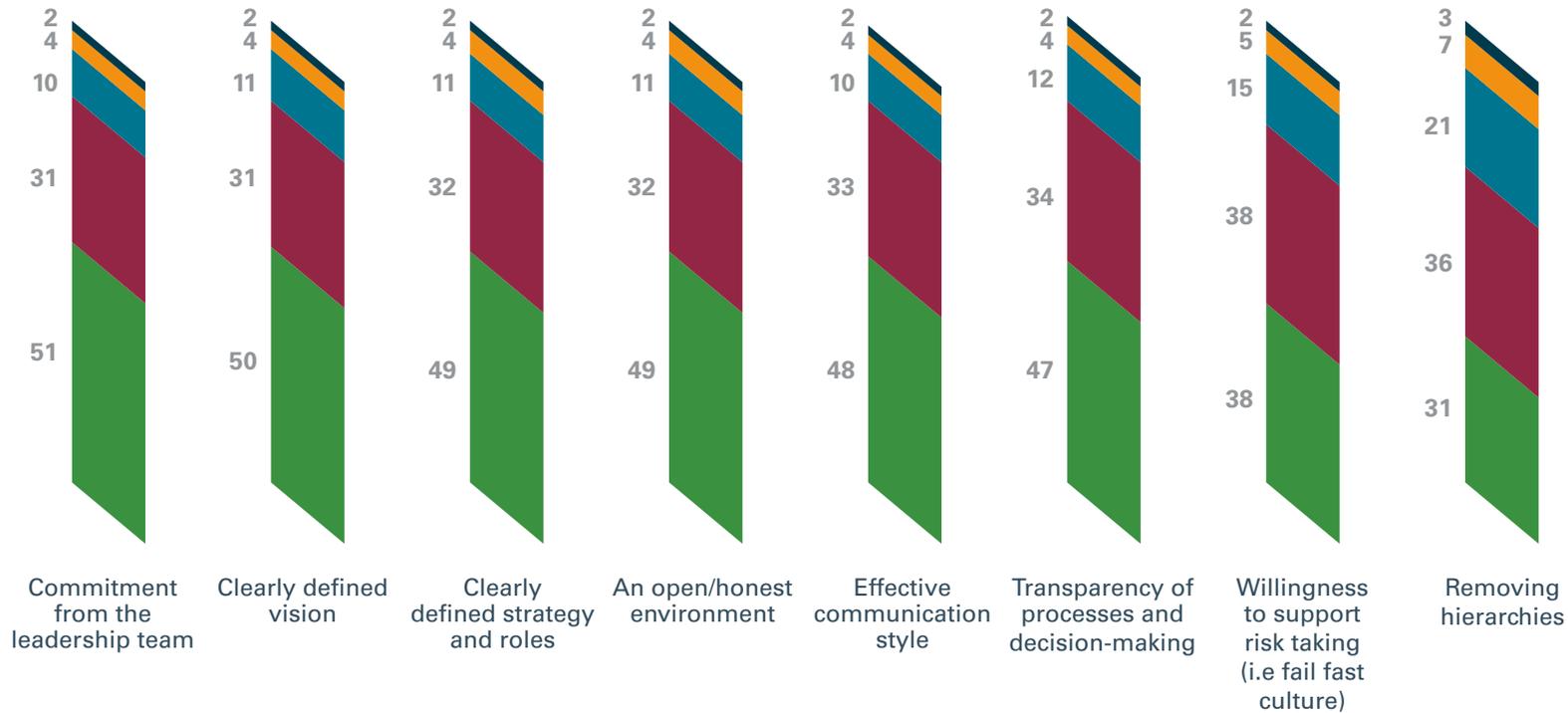


**Building the agile organisation – Leadership and cultural behaviours**

In terms of behaviours that support innovation, as global data pictured below **most find that an organisation with a committed leadership team and a clear vision is best positioned for innovative success** – willingness to support risk and remove hierarchies are less of a focus. **Among finance teams, focus and prioritisation were particularly valued.**

*How important are the following leadership and cultural behaviours in supporting your organisation's culture of innovation?*

- Not at all important
- Not very important
- Neutral
- Somewhat important
- Very important

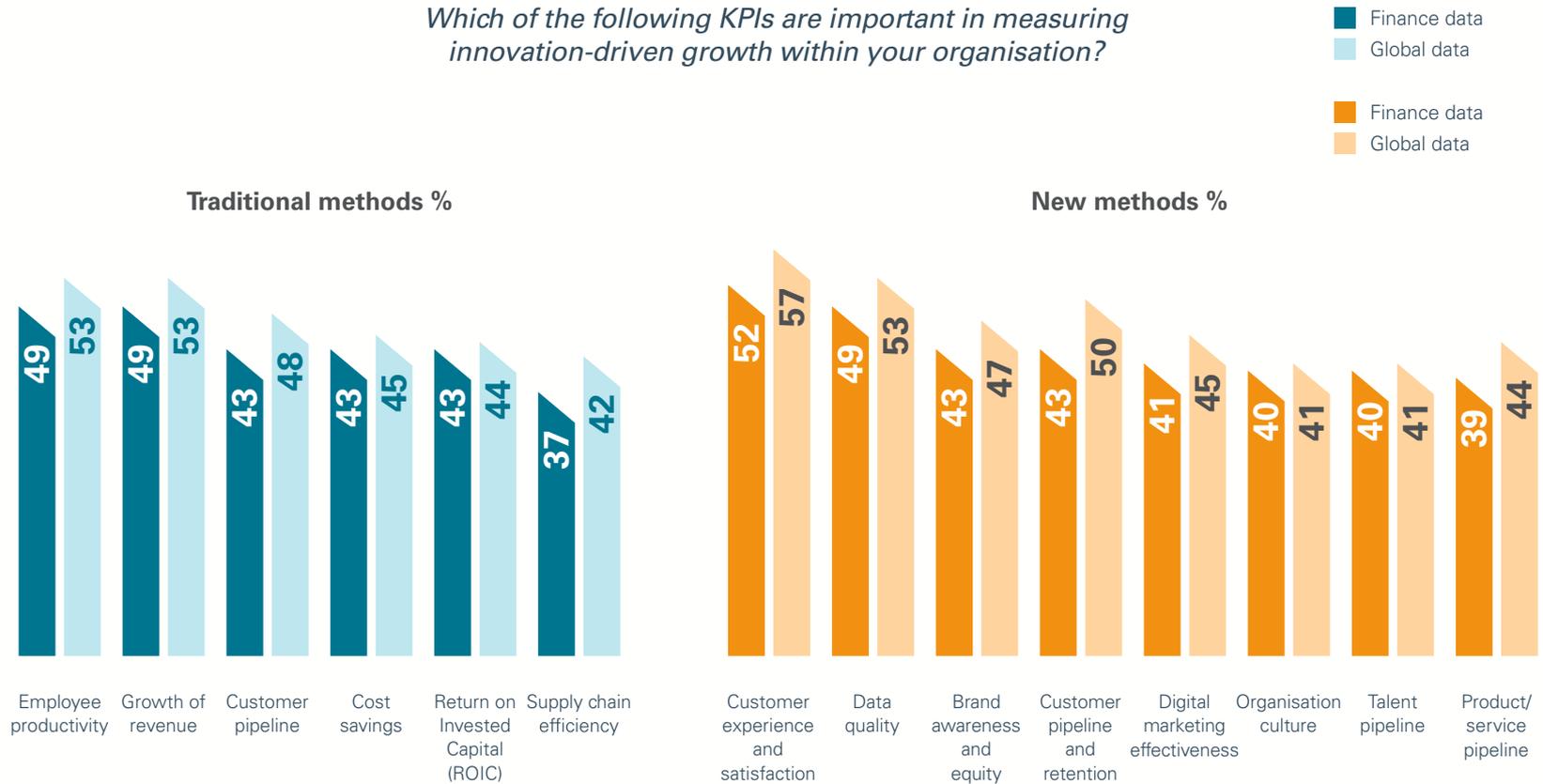


Base: Global population, 24 markets, nr. 5,488

## Measuring the value – Innovation metrics

Within finance teams, as with global findings, **value placed on new and traditional measures demonstrate the growing importance of customer experience and satisfaction**, recognising that long-term customer relationships drive growth.

Which of the following KPIs are important in measuring innovation-driven growth within your organisation?



Base: Finance population, 24 markets, nr. 845

Base: Global population, 24 markets, nr. 5,488

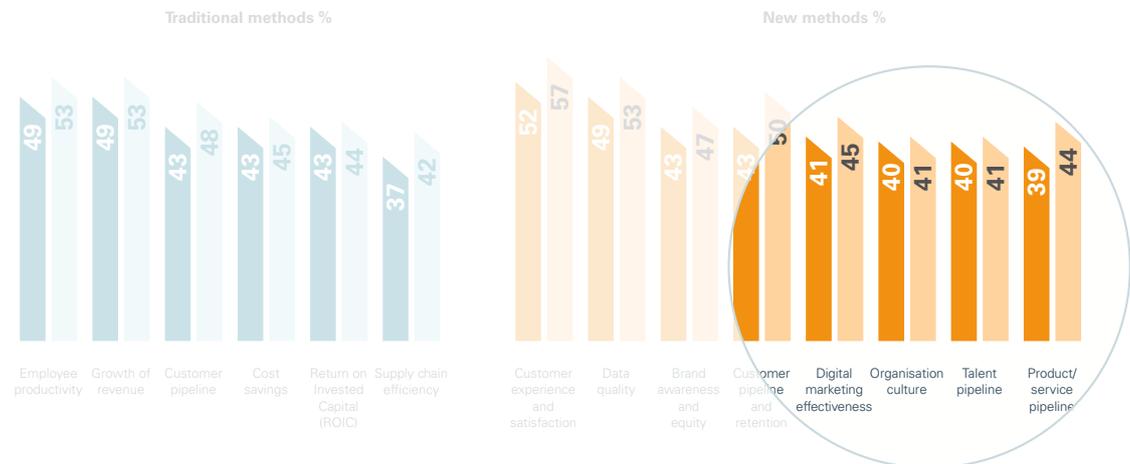
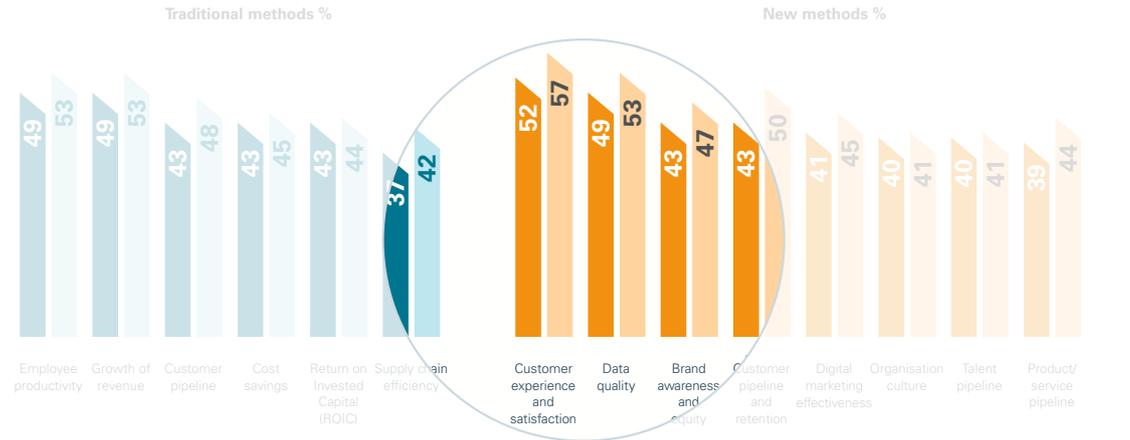
## Measuring the value – Innovation metrics (cont.)

Value placed on non-traditional KPIs, such as customer satisfaction and data quality, demonstrate an appreciation of the power of new metrics.

The fact that finance teams appreciate these new metrics demonstrates their evolving commercial mindset. What is most notable is the value placed on data quality – as such quality enables finance teams to accurately measure organisational success.

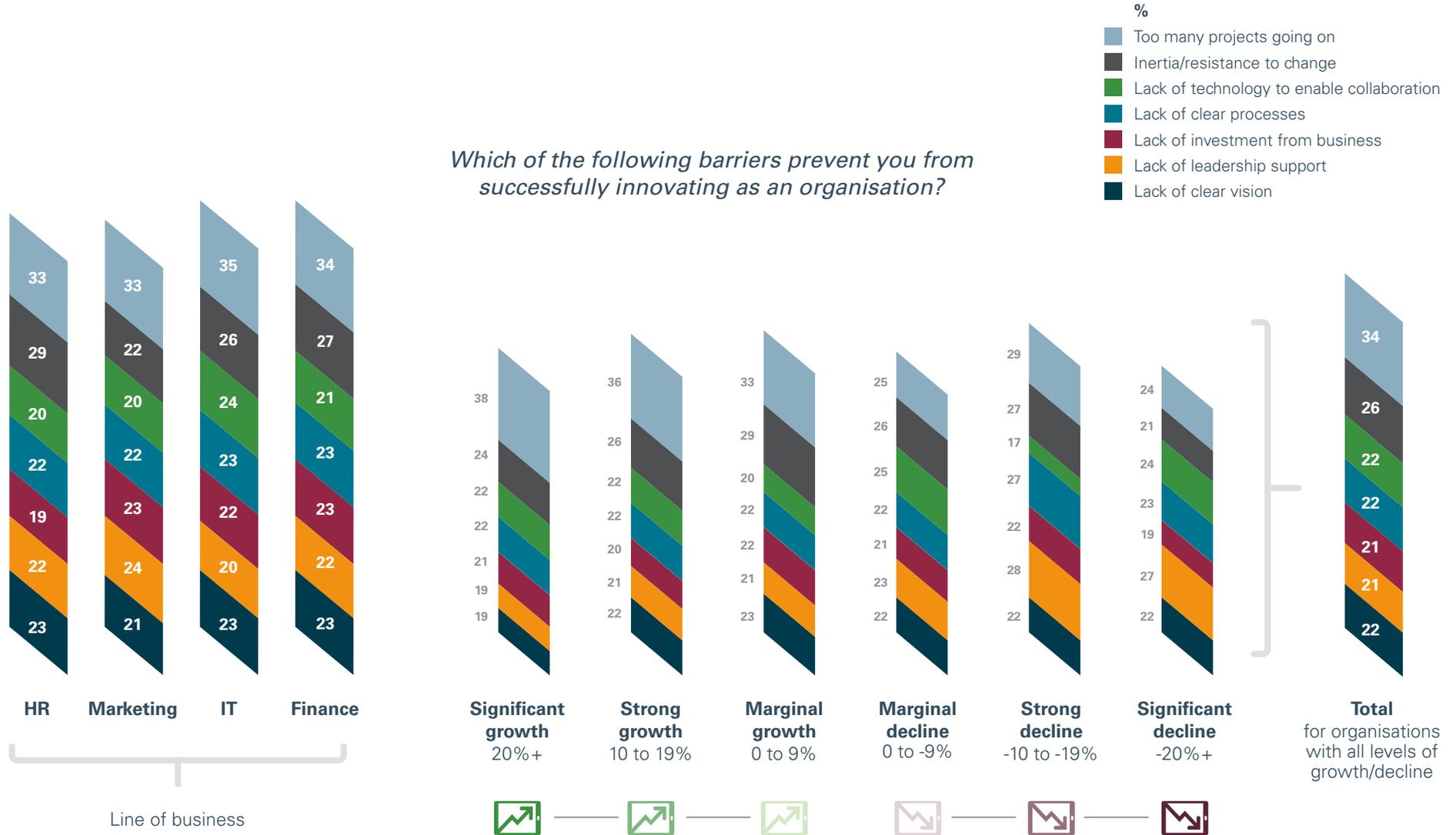
However, the organisation as a whole needs to recognise that if it wants to derive the same value from employees, they need to place equal value and measurement on employee relationships, represented by culture and talent KPIs. This will be the only way to extract the value expected from employee productivity.

- Finance data
- Global data
- Finance data
- Global data



## Measuring the value – Barriers to innovation

Unfortunately, **the time and processes needed for successful implementation for innovation are hindered by having too many projects**; a primary barrier listed across all departments and audiences.



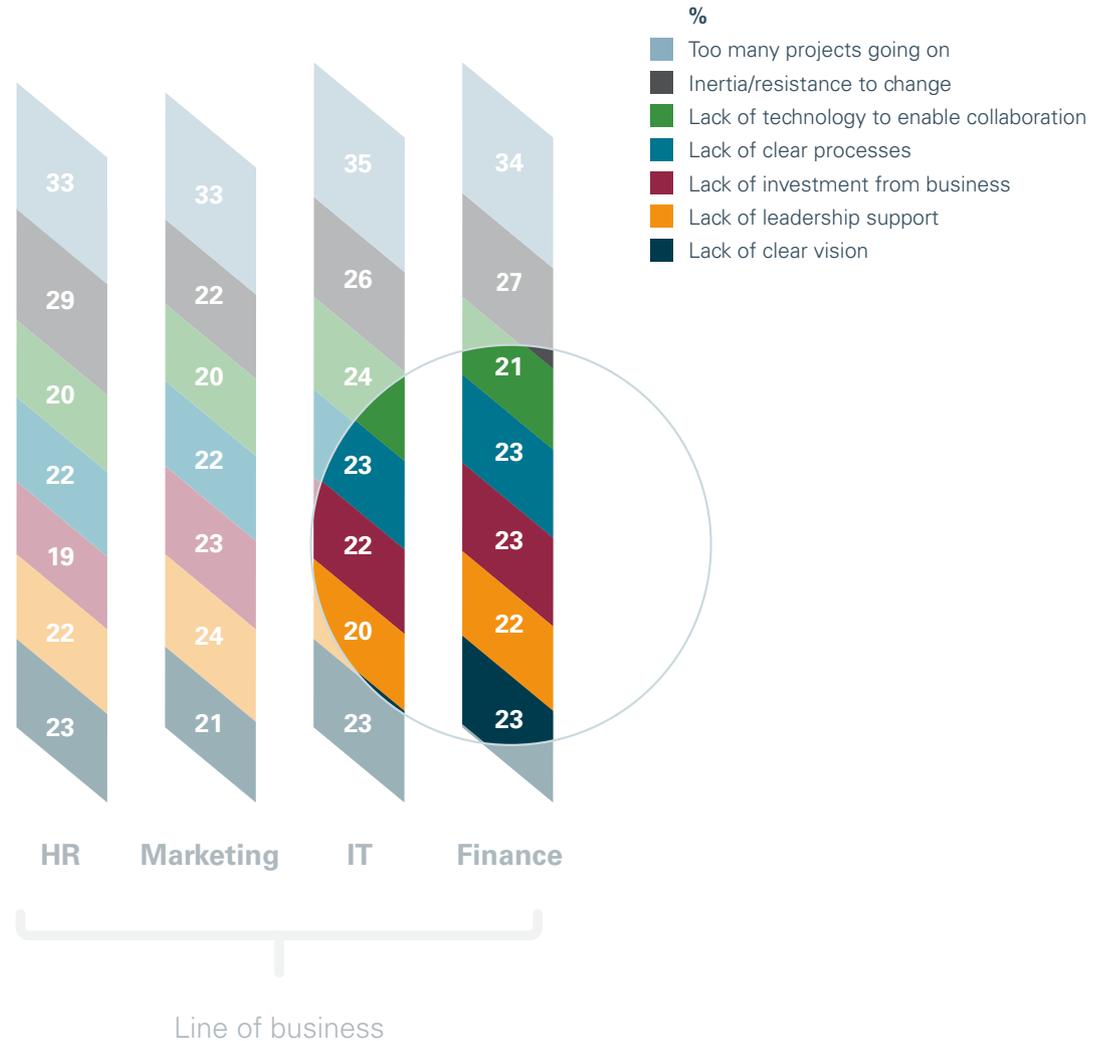
Base 24 markets: HR population, nr. 710; Marketing population, nr. 790; IT population, nr. 2,629; Finance population, nr. 845

Global population, 24 markets, nr. 5,488

## Measuring the value – Barriers to innovation (cont.)

**Globally, businesses are overwhelmed. This is even more the case amongst higher growth organisations where innovation is higher. As for those with low growth, leadership and vision are a bigger issue, alongside process and inertia.**

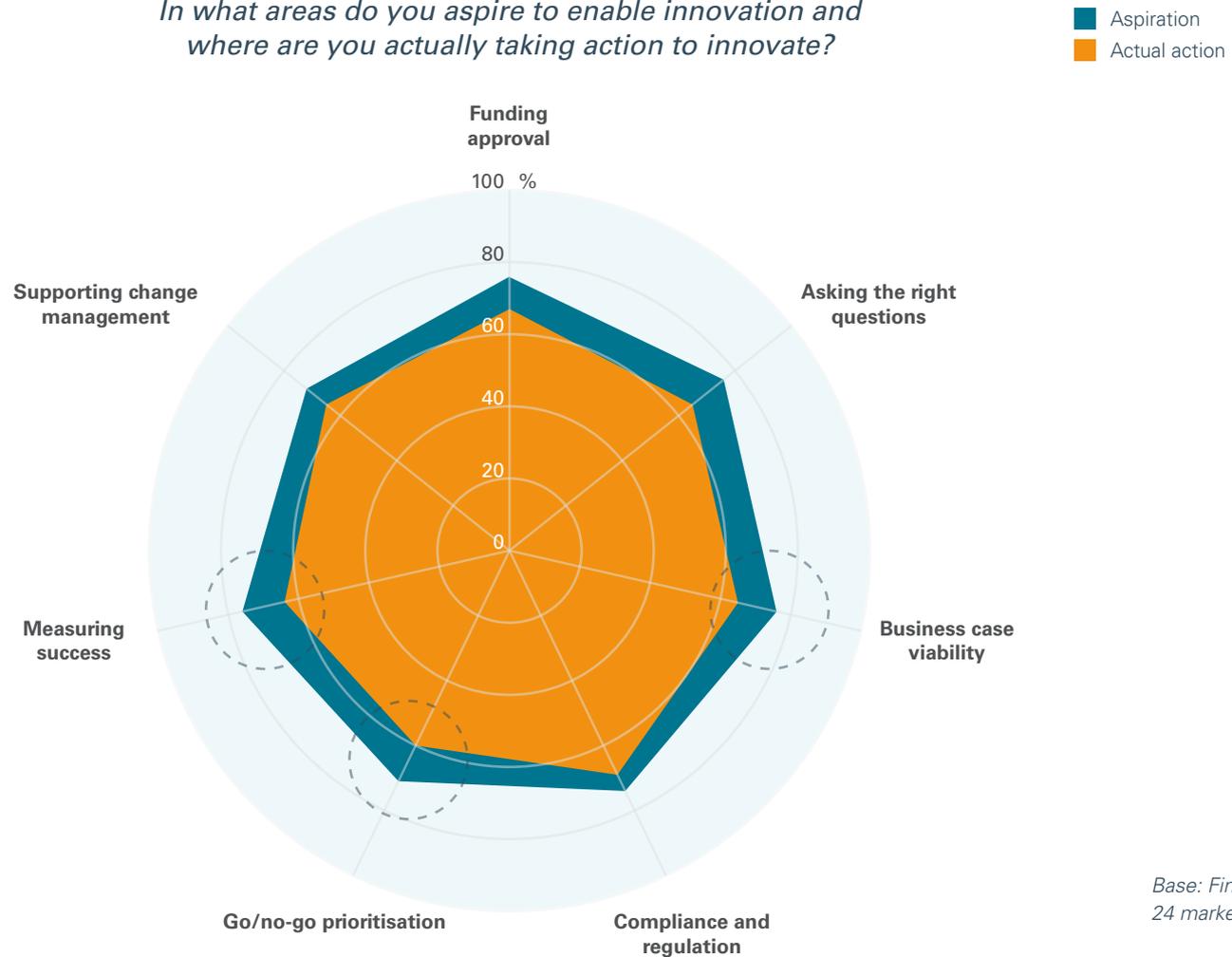
Finance needs to step up and play their role in prioritising, decluttering and ensuring investments are made where the biggest potential impacts will happen. However, their motivation to do so is hampered by lack of belief and poor execution across the organisation.



## The agenda for innovation – Aspiration vs actual action

The gap between aspiration and action for business case viability and go/no-go prioritisation further contributes to the sense that **finance teams are negatively impacted by adoption of automation and agile processes.**

*In what areas do you aspire to enable innovation and where are you actually taking action to innovate?*



Base: Finance population, 24 markets, nr. 845

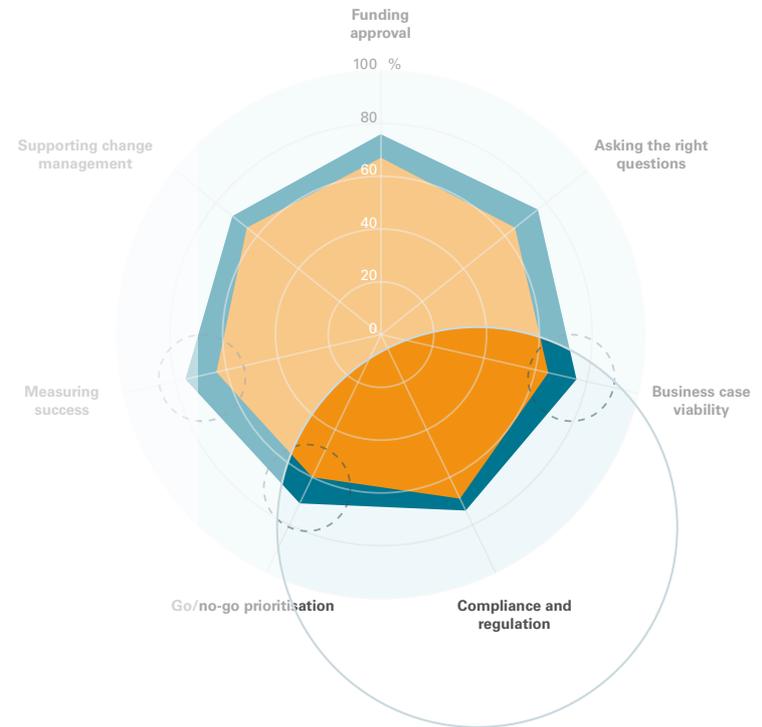
**The agenda for innovation – Aspiration vs actual action (cont.)**

**These findings further suggest that finance teams have the ambition to play a greater role in supporting innovation but are currently not able to play this role as effectively as desired.**

This is due to the lack of focus and resources, particularly and concerning when it comes to measuring success. This is further hindered by the fact that finance teams are unable to move from the day-to-day roles of compliance and regulation.

In a future where up to 75% of products and services are digital, CFOs need to be fit for purpose; to plan ahead for dramatically changing operational models, funding models and platforms.

■ Aspiration  
■ Actual action



## Innovation culture

Acquiring talent is critical – every department is dependent on having skills for the future, including finance teams. Which skills are peaking up in the innovation game?

Agile methodologies, data science or data innovation, and transforming large data sets into actionable insights are among them. But also design skills – to design an experience, an organisation, and a business model – all are critical to future agile organisations.

While these needs are consistent, as the following pages demonstrate, no singular process or incentive model has been identified as ‘the’ way forward. However, all organisations agree that the right culture is needed to allow talent to flourish. As such, processes, hierarchies and incentives will be increasingly critical to success.

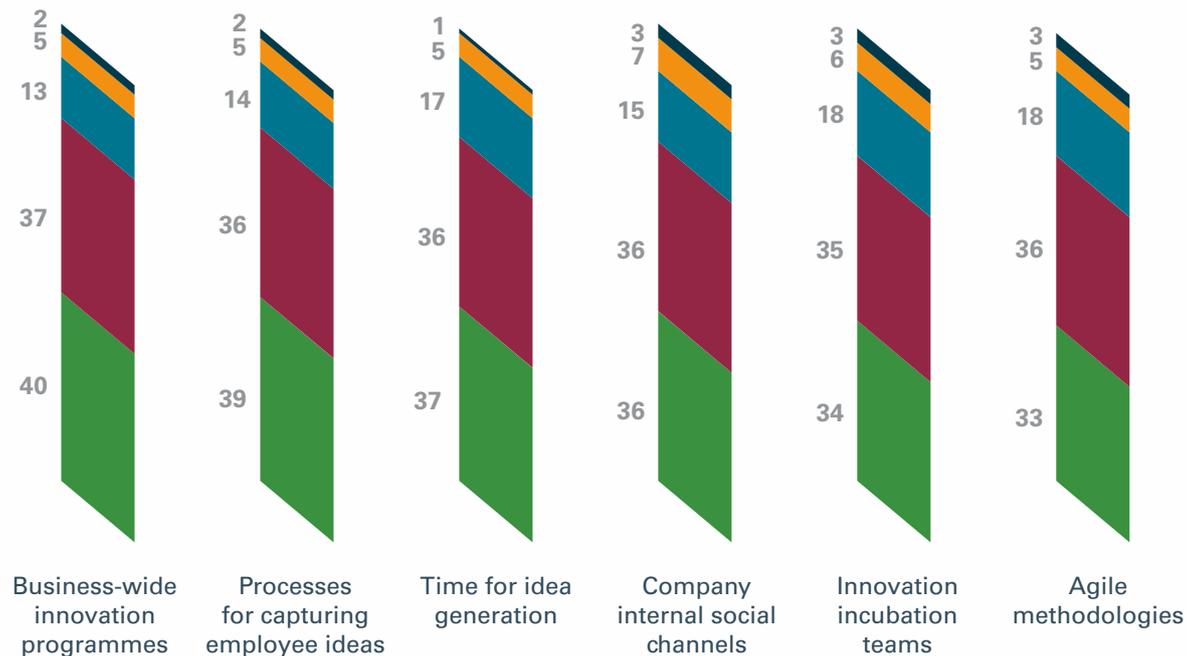
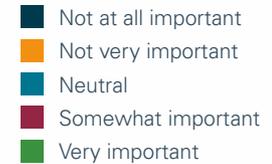
Organisations need to maximise ideas from their people, and ensure the right ones are successfully executed. Finance is not necessarily always driving innovation but have great ambition to do more to lead the organisation into the future.



## Innovation culture – Importance of processes for idea generation

As with the global findings, finance teams believe that all processes have their place in supporting innovative idea generation and project delivery. Ranking among the **most important are business-wide innovation programmes, processes for capturing employee ideas, and time for idea generation.**

*How important are the following processes for idea generation and project delivery?*

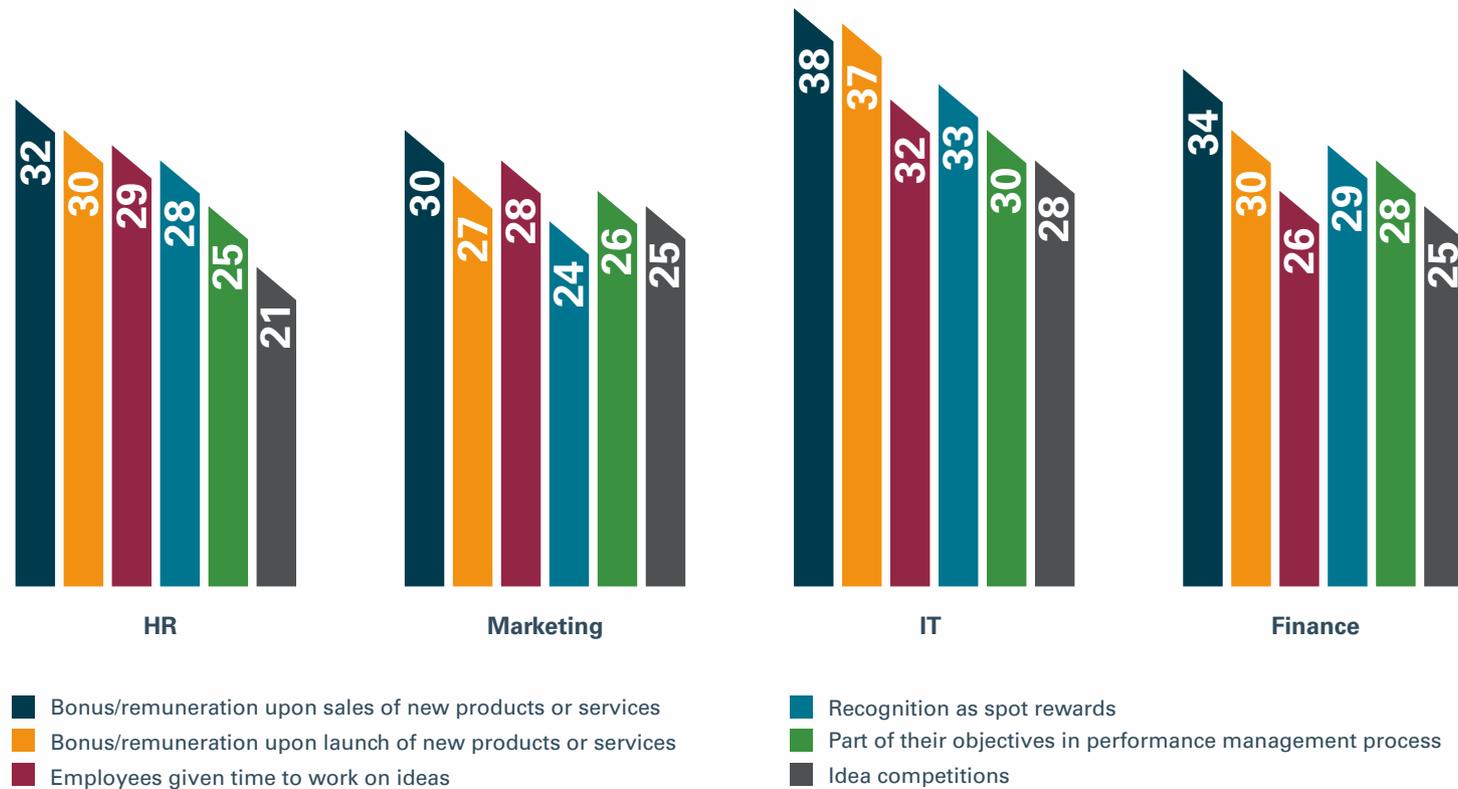


Base: Finance population, 24 markets, nr. 845

## Innovation culture – Employee incentives and rewards

Demonstrating their financial commitment to innovation, **the majority of organisations provide incentives to employees to actively encourage the generation of innovative ideas**. Consistent with global findings, nothing stands out as a singularly successful incentive programme. This may reflect the fact that different tactics work for different businesses.

*How do you incentivise and reward employees for generating ideas for product or service innovations?*

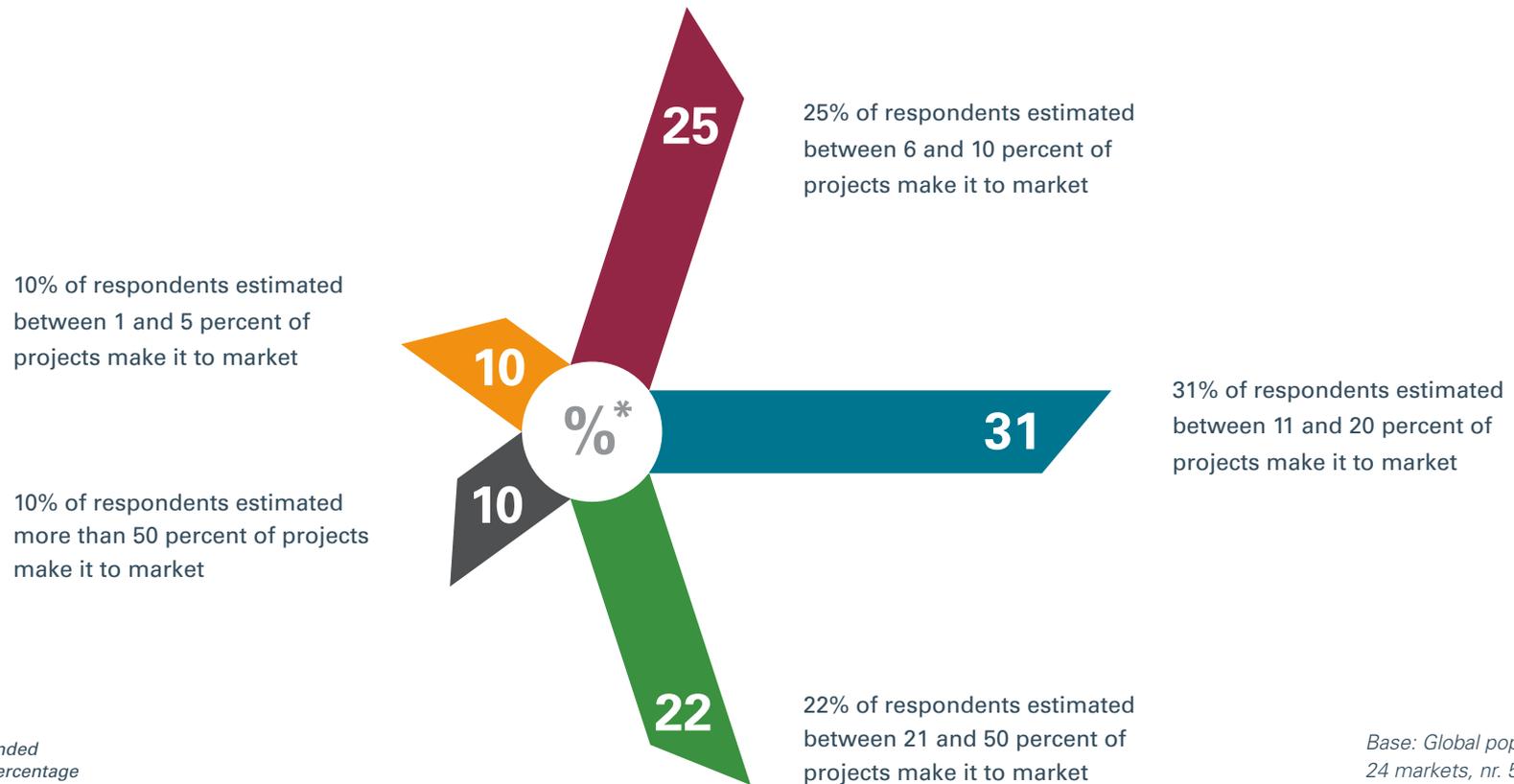


Base: Finance population, 24 markets, nr. 845

## Innovation culture – Innovation projects making it to market

Concerningly, despite the processes and incentives in place to support innovation, 90% of respondents within finance teams, and globally, report that **less than half of their innovation ideas make it to market.**

*Based on your best estimate, what percentage of innovation projects make it into market?\**



\* Figures have been rounded to the nearest whole percentage

Base: Global population, 24 markets, nr. 5,488

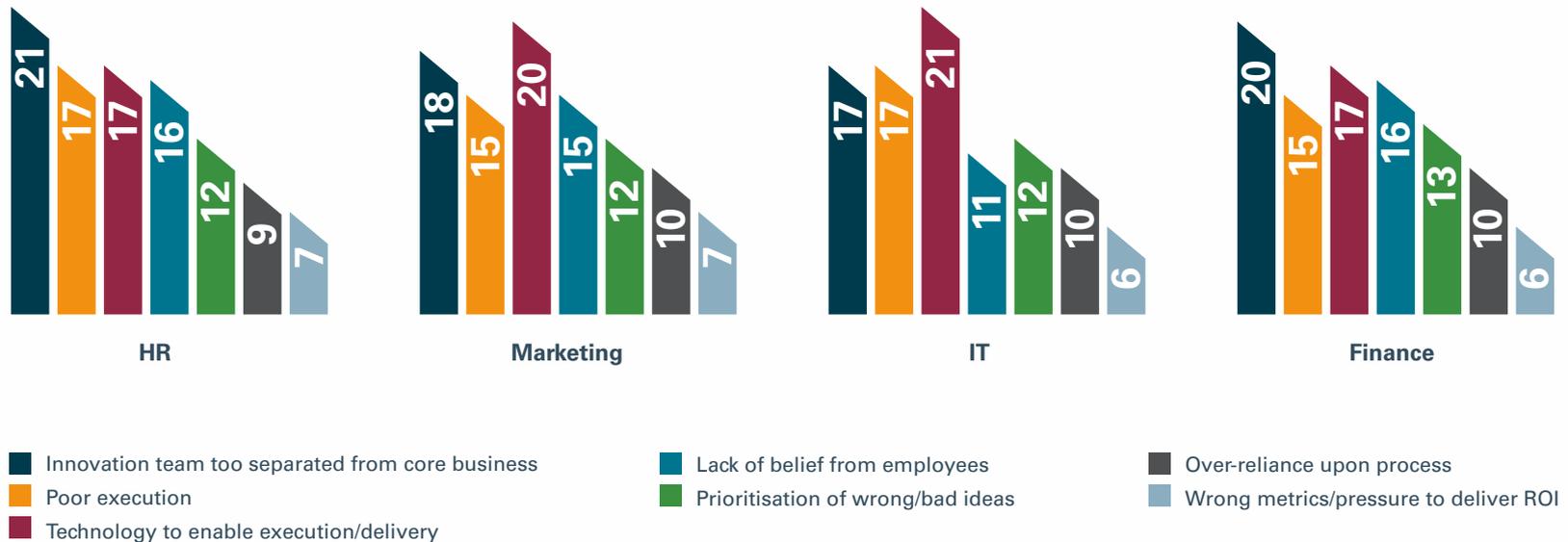
## Innovation culture – Barriers to reaching market

Amongst finance teams, as with HR teams, ring-fenced innovation teams are the main barrier, **highlighting the importance of embedding innovation into the core business from initiation.**

Globally across all audiences, the (lack of) technology to enable execution or delivery for bringing new products, services and customer experiences to market was listed as the main barrier.

Fortunately, especially considering the expectations finance teams may face, pressure to deliver on ROI does not appear to be hindering the innovation of finance teams. This helps to give space for ideas to nurture.

*What is the main barrier that stops new products, services, and customer experiences from reaching the market?*



Base 24 markets: HR population, nr. 710; Marketing population, nr. 790; IT population, nr. 2,629; Finance population, nr. 845

## Next steps

We can draw a strong conclusion from these findings:

**Finance needs to be a key driver for change.** Today's CFO needs to be a strategist, a business model enabler, and a custodian of the discipline of innovation.

### **Finance teams need to put themselves at the centre of innovation,**

while lending understanding to the business as it relates to focus and expected results.

They need to be a collaborative part of the *digital dream team* to cut across IT, HR, marketing and the broader business.

### **In particular, finance needs to collaborate more effectively with IT**

to leverage the transformative benefits of technologies that can reduce their workload while providing new, scalable and efficient services.

### **This collaboration goes both ways.**

To allow finance teams to more efficiently manage their day job, the organisation needs to rethink how the processes of the finance team can be redefined by data and intelligence.

### **Finance needs to be empowered to do more;**

to enable the organisational structure of the future by allocating budgets and resources at the right times; ensuring that innovation is embedded in the organisational model of the future.

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