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The digital age of finance

How CFOs can leverage disruptive technologies to
achieve new levels of efficiency, agility, and value





You don't have to look far to witness the impact that disruptive technologies such as the cloud, robotic process automation (RPA), advanced analytics, artificial intelligence (AI), machine learning, and blockchain are having on business. These digital tools are changing how business gets done—and reshaping the future of finance.

Finance organizations are no strangers to technology, but new levels of digital disruption create an unprecedented opportunity to radically improve back-office operations. Digital technologies free up time and resources to analyze massive amounts of data, quickly, and distribute data-driven insights throughout the organization. This is efficiency, agility, and influence like we've never before seen—and it's changing the finance function for good.

Deloitte predicts that by 2025 the role and value of the finance organization will be less about manually handling transactions and more about automating and streamlining processes. Less about publishing reports on a set schedule and more about delivering insights through real-time, self-service analytics. Finance will focus less on booking accounting entries and reconciling data and more on delivering value and services that drive improvements across all business activity.¹

CFOs who takes advantage of the new digital tools can influence and reshape their business. When applied to finance, digital technologies allow CFOs to manage traditional responsibilities like internal controls, compliance, and closing the books faster and with more efficiency—and to help drive top-line growth.

¹ "Crunch time V: Finance 2025 (our predictions)," Deloitte, 2018, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/finance-transformation/us-ft-crunch-time-v-finance-2025.pdf>.

Digital technology is helping finance expand its role in three critical ways:

1

Becoming a true strategic partner to the business

The role of finance to lead business transformation is growing as finance is increasingly called upon to support enterprise decision-making with precise, real-time reporting, planning, budgeting, forecasting, and more. With operations becoming largely automated, finance will have the opportunity to advance business growth with insights and new services.

2

Delivering real-time information and the continuous close

With digital technology, the close is no longer a monthly happening—it now has the potential to happen every day. Real-time insights can arm CFOs with the decision-making tools that enable a virtual close and allow them to provide support to other areas of the business in a fraction of the time that was previously required. In fact, Oracle predicts that the financial close is moving from eight steps to just three steps:

- 1) continuous virtual close,
- 2) manage exceptions and reviews, and
- 3) close and securely publish.

3

Innovating to make finance—and the business—smarter

Game-changing technologies provide capabilities to crunch numbers far beyond what was previously possible. Finance can now drive advancement by establishing a culture of data, insights, and foresight.

No matter how CFOs respond to the momentous changes that are revolutionizing how things are done, there is no “sit and wait” option. In fact, the companies that have taken the lead in digital technology adoption are already figuring out how to make these technologies work for finance—and the entire business.



The challenges: what's impeding the progress of digital finance?

Although the pace of digital disruption is putting new pressures on finance to adapt, many organizations have remained on the sidelines, skeptical that digital tools can boost the performance of the finance function. These finance leaders have instead focused on traditional ways to improve cost efficiency and effectiveness, such as optimizing the use of shared service centers.

Three key challenges are keeping these organizations on the sidelines:

1

Customized legacy systems

Many organizations have several highly customized systems, computing environments, and processes that are limiting their potential. In addition, many have complex subprocesses that have grown because of new regulatory requirements and accounting standards, mergers and acquisitions, and new business activity. For example, a transportation company that carried more than 23 million passengers each day on more than 12,000 trains was using legacy technology. They could handle no more than 40,000 concurrent internet users, many of whom spent up to 30 minutes trying to book tickets online.²

² Steven Ehrenhalt, "Crunch time: Finance in a Digital World," Deloitte, 2018.

³ Ibid.

2

Multiple disparate systems

As many finance organizations have grown over the years, they have added an increasing number of disparate systems and versions of spreadsheets for maintaining data, leaving them with no single source of truth for obtaining information. One retailer was struggling with a legacy budgeting and forecasting system that was more than 20 years old, and they were heavily dependent on spreadsheet templates and supplementary schedules. As a result, they were unable to drill down from totals to transactional detail and gain useful analysis, and the time they spent on their financial processes was excessive.³

3

Wildly fluctuating headcounts

With hundreds or even thousands of employees and contractors located around the world, raising and lowering headcounts has been a frequent way for finance departments to handle new workloads or deliver new services. In the future, companies will assess the benefits of automation against onshore and offshore operations. Automation provides a new lever for managing these costs, one that gives finance organizations the opportunity to reevaluate how they're organized, where work gets done, and what kinds of processes no longer require human intervention.

Digital technologies can help finance solve these challenges. Blockchain, AI, machine learning, cognitive computing, intelligent process automation, and the Internet of Things (IoT) are just some of the technology advances being delivered in the cloud that are helping to make finance more automated and efficient—and therefore, more effective.

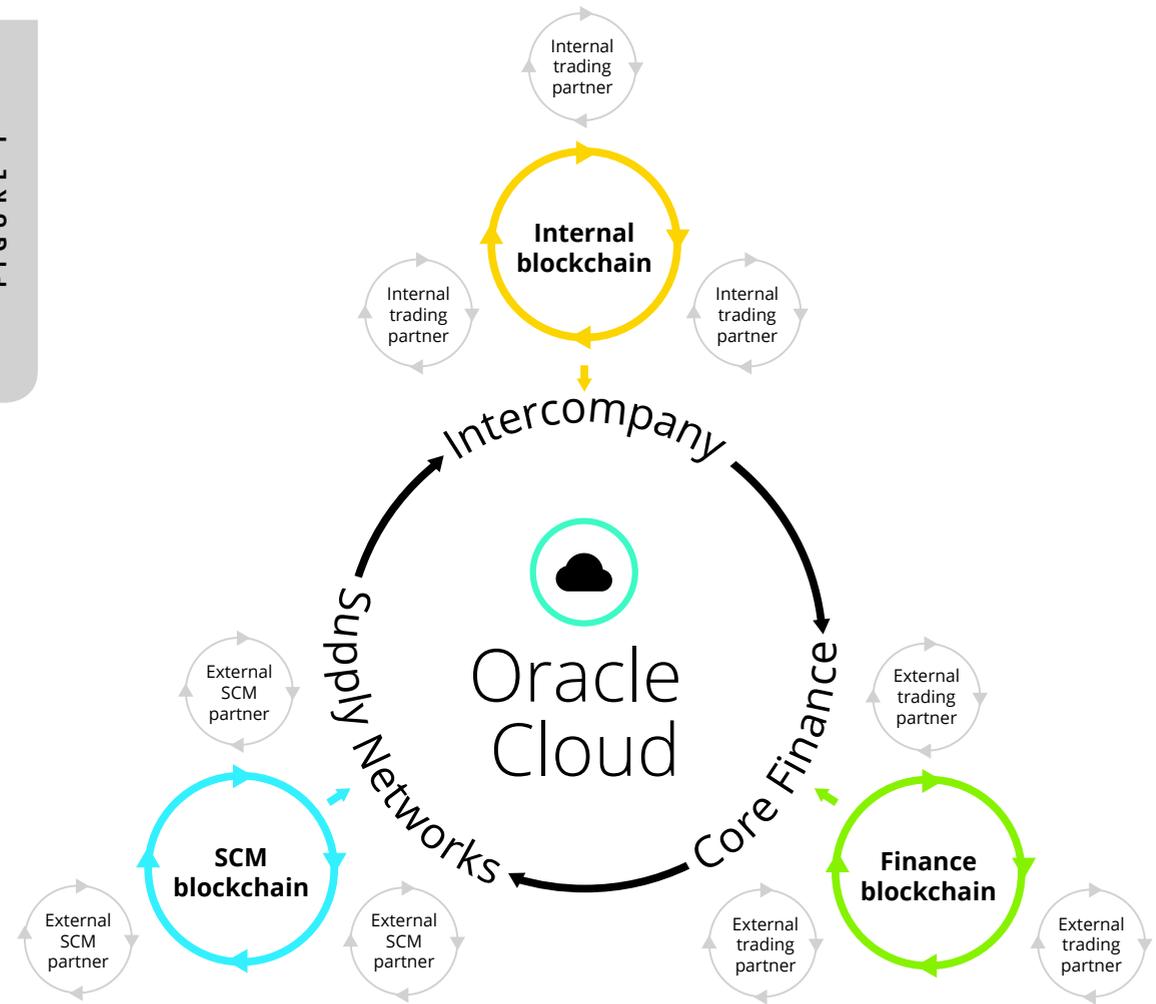
The results: outcomes enabled by cloud and digital technologies

What's exciting for CFOs is that many of these digital technologies fall squarely into the charter of the finance function. Blockchain promises to revolutionize the management of financial assets, cross-border settlements, exchange of business-critical transaction data across the ecosystem, as well as supply chains, health care networks, and other value chains. As organizations subscribe to disparate blockchain applications focused on respective key business processes, Oracle ERP Cloud can play a pivotal role to be the central point integrating these independent blockchain platforms to act as an extended arm of the ERP application (see figure 1).

Machine learning is now automating many routine finance tasks, from fraud detection and internal audit to more complex back-office processes.

At the same time, AI, cognitive computing, predictive analytics, and data visualization technologies are providing finance teams with fresh insights about how to compete and win in the digital economy. And they are all enabled by the cloud. Let's look at how these technologies are delivering increased value in the enterprise.

FIGURE 1





TOUCHLESS TRANSACTIONS WITH RPA

From call center management to IoT to finance, robotic process automation (RPA) has been showing up in nearly every industry. One goal of RPA is to create “touchless” transactions that can run from start to completion without human involvement.

Deloitte predicts improvements in efficiency, accuracy, and speed enabled by touchless transactions could yield cost savings in the neighborhood of 40 to 80 percent. Automated processes can decrease transaction cycle time from weeks to hours, allowing finance to better manage working capital. For example, one large bank deployed an RPA implementation using 100 robots running 18 processes to handle more than 85,000 requests each week. The output capacity was equivalent to 230 full-time employees, but was delivered at 30 percent of the cost of recruiting more staff.

In another example, a large global high-tech company wanted to improve task automation and increase analytics capabilities for a touchless close solution for digital month-end. Automation allowed the company to schedule tasks and ensure that every activity was performed at the right time by the right person, using the right method. The cloud enterprise performance management (EPM) and cloud ERP solution was able to track real-time period close status while identifying bottlenecks and gaining visibility in process and performance.

INTERCOMPANY TRANSFERS USING BLOCKCHAIN

Many international companies take advantage of intercompany transfer pricing for the sales and purchase of services and goods, fee sharing, cost allocations, royalties, and financial activities. However, many of these companies struggle with the complexities that arise when management teams must manage multiple currencies, tax policies, transfer pricing, and reconciliation. Blockchain could help these companies streamline payments and reduce reconciliation and close.

Deloitte’s Intercompany Blockchain solution records transactions, facilitates value transfer among trading partners, and leverages Smart Contracts features to drive impactful efficiencies within a company. For example, with blockchain, the duration for reconciliation and close could drop from one to four weeks, down to real time. As a result, settlement fees charged by banks could decrease significantly.

FASTER, MORE SECURE B2B PAYMENTS USING BLOCKCHAIN

In another example, a global bank used a blockchain-as-a-service (BaaS) offering for its business-to-business (B2B) payments. B2B payments today typically take four to five days, have high overhead costs, and rely on intermediary “trust” parties such as clearinghouses. There are also multiple points of potential security breach due to the disparate enterprise systems used by all stakeholders in the ecosystem. By adopting Deloitte’s BaaS offering, which leverages a blockchain settlement backbone, the financial institution (which uses Oracle E-Business Suite) now enjoys the benefits of near-instant, secure, and lower-cost B2B payment remittances.



STREAMLINED PROCESSES DELIVERED BY AI

Cognitive computing includes machine learning, natural-language generation, speech recognition, computer vision, and AI. Taken together, these tools have been used to simulate human cognitive skills, including grinding through mountains of data to automate insights and report in real time. This means that formerly complex and time-consuming manual processes have the potential to become streamlined and automated, that could allow for real-time journal entries, accounting close, and reporting.

Driven by AI and machine-learning technologies, these automated processes can improve over time to increase efficiencies and reduce errors, risks, delays, and costs. A news agency used cognitive software to automate the writing of corporate earnings news articles. After an initial learning curve, the process of automated reporting is virtually error-free. The company now produces 3,700 earnings stories per quarter, a twelvefold increase over its manual efforts.⁴

HIGHER EFFICIENCY LEVELS THROUGH VISUALIZATION

Making the leap from raw data to actionable insights is a priority for many enterprises. Visualization tools can bring analytical solutions to the enterprise faster, enabling rapid prototyping that reduces development time. This means that real-time updates and interactive dashboards can help finance and business teams reduce time and effort across operations, providing increased accuracy and agility for operations as well as a reduced need for staff involvement in routine work, leading to overall improved effectiveness.

Using visualization tools, executives at a global bank, for example, are now able to analyze financial data more efficiently with interactive, integrated reports. The reports allow leaders to drill down into leading and lagging performers across different periods and compare scenarios, such as actual financial metrics to budgeted metrics.

GREATER ADDED VALUE TO THE BUSINESS THROUGH ADVANCED ANALYTICS

Having effective planning, forecasting, and profitability means a lot to business leaders. Fortunately, there are proven ways for finance to get better at it, including predictive modeling. Digital technologies help finance improve forecasting with real-time analytics that can also enable predictive planning and budgeting. When combined with distributed decision-making, these new capabilities can help the businesses unlock new sources of potential value.

With more time to focus on data and analysis, finance can make more contributions to the enterprise's mission and success. For example, one Deloitte client, a global consumer products company, wanted to improve its financial planning and forecasting capabilities, which lacked transparency. Using advanced analytics, the company was able to achieve 99.6 percent accuracy in net sales forecasting for the first year of a two-year rolling forecast.

⁴ Automated Insights, "The Associated Press Leaps Forward: Case Study," October 10, 2016, <http://go.automatedinsights.com/the-associated-press-leaps-forward.html>.



Enterprise use case: touchless close for digital month-end

In the not-too-distant future, more transactions will be touchless as automation reaches deeper into finance organizations. Let's take a close look at how RPA can be used to streamline the digital month-end close, consolidate, and report (CCR) process for a financial institution.

First, each task in the CCR process is identified, along with its owner and the time, duration, sequence, and dependencies of the task. In this example, the people involved are the controller, the accounts receivable (AR) billing manager, and the general ledger (GL) manager.

Day two of the close begins when the controller checks the status of the close on the digital close dashboard and sees that the tasks for the AR close are not complete. He texts the AR manager, who asks her desktop digital assistant to confirm the status of the AR close. The digital assistant provides more information on the pending transactions that

require her attention, and she emails her team with instructions and approval to resolve the exceptions. Upon receiving confirmation from her team that the pending invoices are completed, she asks her digital assistant to proceed with the AR close process.

The digital assistant transfers the request to the digital employee, who completes the AR close process and updates the close dashboard. The AR manager then uses the close dashboard to validate the final reconciliation, which triggers the digital employee to complete the AR close process.

Next, the AR manager views the analytics dashboard to gather trends, key performance indicators, and other metrics to prepare for her close meeting with the controller. The GL manager is notified that all subledgers are closed, so he logs in to the close dashboard to trigger the GL close and consolidation process. The digital employee posts all remaining journals, loads the GL balances, and runs a preliminary

consolidation, updating the close dashboard and sending an email to the GL manager. The digital employee then runs the intercompany eliminations program to remove the impacts of intercompany activity from the financial statements, again updating the close dashboard and emailing the GL manager.

Finally, the controller receives an email confirming that the consolidation process is complete. He logs in to the close dashboard to review the financial statements for the month, as well as the summary financial reports. He can also log in to the analytics dashboards to review the flux dashboards and get more information about trends, such as operating expenses.

Cognitive computing ensures that these streamlined and automated processes continue to improve over time. From beginning to end, automation and RPA manage and expedite the CCR process to make sure that every activity is performed at the right time, by the right person, using the right method.



Six strategies for leveraging digital technologies

There's no single prescription for how a CFO should respond to changes resulting from all things digital—but there are plans they can set in motion right now.

Here are six strategies for harnessing digital technology and the power of a digital finance organization to help your enterprise compete.

1

Deepen your understanding of the digital landscape

You should be reviewing the potential of digital technologies and involving your entire team in the benefits for the finance function. Show the rest of the company you're doing your part to reduce costs while freeing up time for more valuable work. Also, take a close look at process automation as a way to serve the business more efficiently.

2

Study both the digital leaders and the laggards

It's important to be aware of who's leading the industry and who's falling behind. Digital leaders consistently outperform laggards in three-year gross margin, three-year average earnings before taxes, and three-year average net income.⁷ For example, companies that could be considered Digital leaders have shown their relentless pursuit of automation and innovation, while companies that could be considered laggards, have struggled to remain relevant by sticking to outdated core business strategies.⁵

3

Conduct a business readiness assessment

Moving to digital technologies is more than a transactional process—it's a transformational change, so you'll want to do some initial mapping of your organization. It might be worthwhile to focus on one area to pilot, such as record to report, and map your current status to your desired future status. Conduct an assessment of business readiness and create a roadmap of your migration journey for technology deployments, process redefinition and data preparation steps, and organizational changes.

⁵ Marco Iansiti and Karim Lakhani, "The Digital Business Divide: Analyzing the Operating Impact of Digital Transformation," January 2017.

4

Enhance your finance talent model

Finance talent models are evolving quickly, with a premium placed on data scientists, business analysts, and storytellers. To get ready, make sure your new hires represent the future you're striving for. Important qualities include a strong customer service orientation, flexibility, and good collaboration skills, in addition to the technical capabilities needed for specific jobs. Make sure you're prepared to meet the growing expectations of business partnering.

5

Take a “start small, start early, scale big” approach

If you do the up-front work up to prepare for your digital journey, eventually you'll be able to move very fast. By taking your time now, you can look at the pros and cons of one implementation path versus another. You might begin by looking at your business processes and standardization, assigning a global business process owner to simplify and standardize the transformation. Also, think about how to evaluate use cases for migrating systems against a value-and-complexity framework. This approach helps to identify the use cases that have a good chance of success for initial deployment.

6

Focus on “operate to innovate”—one key to sustainable growth

Perhaps a better overall theme for this journey is, “operate to innovate” to develop a technology-enabled foundation. Innovation should be the primary strategy for moving to the cloud, not simply operational cost cutting. Focusing the journey on innovation will be key to supporting sustainable business growth in an increasingly digital world.

Whether you're focused on talent, technology, analytics, or any other part of finance, the end game is the same: Business leaders want finance to deliver better insights faster, so they can make smarter decisions with less risk. Finance transformation in the digital world can help the business meet these expectations quickly and efficiently.

Bringing finance into the 21st century with Oracle and Deloitte

The range of digital tools available to finance today stretches across many technologies, and the range of their uses is even greater. The unifying technology that is the foundation for them all is the cloud. With many enterprises already moving from on-premises to cloud versions of ERP, EPM, human capital management (HCM), and analytics, Oracle Cloud solutions are emerging as the top choice of forward-thinking finance leaders.

Now, Oracle and Deloitte have partnered in an offering that combines the technological power of Oracle Cloud with the enterprise insight, process expertise, and business acumen of Deloitte. With Deloitte's Oracle Digital Finance offering, Oracle Cloud provides 18 distinct cloud solutions (within Oracle ERP and EPM Cloud) that support all three segments of finance—operational, business, and specialized—for a comprehensive digital finance operating model.

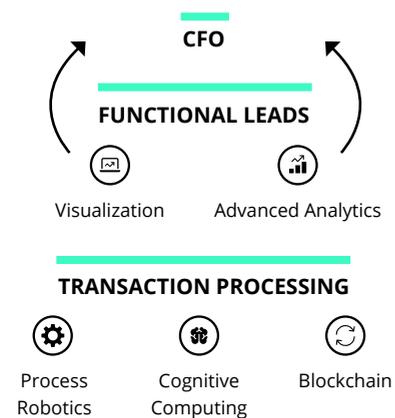
This integrated diagram shows the value enabled by Oracle Cloud and driven by key digital business processes.⁵

With Oracle Digital Finance, Deloitte and Oracle are providing a compelling value proposition to finance organizations to go digital at their own pace.

Traditional finance org structure



Finance org structure with digital disruptors



Value enablers

-  Touchless transactions yielding **cost saving**
-  **Improving working capital management** by decreasing transaction cycle time
-  **Decrease fraud risk**, reducing the cost of audit and compliance
-  **Reduce time and effort** with real-time updates and interactive dashboarding
-  **Improve forecasting** with real-time planning and budgeting, advanced analytics
-  Unlock new sources of potential value **through distributed decision making and real-time analytics**

⁵ Marco Iansiti and Karim Lakhani, "The Digital Business Divide: Analyzing the Operating Impact of Digital Transformation," January 2017.



CONCLUSION:

Charting your path to digital finance

No one knows for certain what the future will hold, but growing evidence shows that the gap between industry top performers and everyone else keeps widening. The digital leaders keep pulling ahead, driven by better technology, better management, and better talent. This means that finance must do the work now to get the right people and technology in place to take advantage of the opportunities of the digital revolution—and not get left behind.

The speed of change, the massive volumes of new data, and the complex, dynamic demands for a digital business will outpace the ability of finance to address them with traditional processes and multiple, on-premises systems. They'll need a new finance solution, one that operates as a single integrated system of applications and data in the cloud—and one that leverages key digital finance technologies.

CFOs are now in an ideal position to lead the coming productivity boom and secure a bigger share of the potential gains for their organizations. With organizations like Oracle and Deloitte, you can start where you are, make the most of your current investments, and create a well-defined vision and strategy for finance in the digital world. Now is the time to take that first step and make sure your roadmap to the future is clear.

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² Steven Ehrenhalt, "Crunch time: Finance in a Digital World," Deloitte, 2018.

³ Ibid.

⁴ Automated Insights, "The Associated Press Leaps Forward: Case Study," October 10, 2016, <http://go.automatedinsights.com/the-associated-press-leaps-forward.html>.

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