

THE DIGITAL **FINANCE** **MOONSHOT**

**IMPROVE FINANCE
EFFECTIVENESS AND
DELIVER BETTER ENTERPRISE
PERFORMANCE**



**Aneel Delawalla
Nick Wyatt**

A MOONSHOT: An ambitious initiative that involves a bold goal, breakthrough technology, radical thinking and can-do spirit.

A DIGITAL FINANCE MOONSHOT: An ambitious initiative that involves digitizing Finance to jumpstart finance effectiveness *and* skyrocket profitability, revenue growth and capital efficiency for the business.

A **DIFFERENT** KIND OF INVESTMENT

A lot has been written about how investments in digital finance advance enterprise value. Not surprisingly, finance executives have doubled-down on digitizing the finance function. Forty-eight percent of CFOs surveyed by Accenture Strategy think that digital technologies will fundamentally change Finance.¹ They see the potential for digital to make Finance more agile, future-focused and insight-driven—mission control of value creation for the business.

Despite their best intentions, many finance organizations are investing in digital in the wrong places. They are digitizing isolated transactional processes to reduce the cost of finance operations. Digital finance as a cost efficiency play certainly has value. But it only goes so far. Digitizing more broadly to improve finance effectiveness—accuracy, quality and reduced error rates—delivers results for Finance while bringing extra money to the top and bottom lines.

THE PROOF IS IN THE NUMBERS

Accenture Strategy has found a strong positive correlation between digital finance and finance effectiveness. In most cases—60 to 70 percent—the higher a finance organization’s digital maturity is, the higher its organizational effectiveness.²

The catch is that all digital finance investments are not alike. Our review of five finance processes—record to report, accounts payable, order to cash, tax, and financial planning and analysis (FP&A)—shows that organizations digitizing the most in FP&A achieve the most effectiveness gains. Their financial effectiveness is 50 percent higher than peers that only digitize accounting and finance operations.³

WHAT IS FINANCE EFFECTIVENESS?

Accenture Strategy’s proprietary benchmarking and value targeting capability measures thousands of performance metrics, including the following subset as a sample of finance effectiveness measures:

BUSINESS OUTCOMES

- Revenue Leakage
- Effective Tax Rate
- Days Sales Outstanding
- Days Payables Outstanding
- Days Sales in Inventory

FOCUS

- % Leading (vs. Lagging) Metrics
- % Time Spent on Analysis and Decision Support (vs. Data Collection, Cleansing and Reporting)

QUALITY

- Audit Adjustments
- Correcting Journal Entries
- Customer Invoice Error Rate
- Accounts Payable Error Rate
- Revenue Forecast Accuracy

CYCLE TIME

- Days to Close
- Credit Approval Cycle Time
- Days to External Earnings Release

These findings make a strong case for FP&A to top the digital finance agenda. Yet, this does not always happen. Many finance organizations prioritize the automation of transactional processes, not planning, forecasting, reporting and decision support. For good reason. Robotics and artificial intelligence (AI) technologies are increasingly accessible, continually advancing, and bring impressive cost efficiency and scalability to finance transaction processing. Around a quarter of finance organizations are already adopting enterprise deployment of robotic process automation (26 percent) and AI (28 percent).⁴



Even so, finance organizations that stop here—digitizing only select transactional finance processes—leave digital potential unrealized. Case in point: as part of an effort to digitize the back office, a global banking and payments leader planned to use robotic process automation for finance processes that had been moved to a global business services organization. The robotics plan had a well-developed business case, but it focused exclusively on cost take-out for the functions.

The CFO stepped back and took a more holistic view of digital opportunities across Finance. With a keen eye on finance effectiveness, he expanded the plan to include digitizing FP&A. The result went well beyond cost reduction to become a digital finance moonshot that improved enterprise financial performance. More on that later.

MORE BANG FOR THE BUCK

The opportunity that the aforementioned company had to unlock enterprise financial performance by digitizing FP&A was not a fluke. Research shows that most companies (70 percent) with both higher FP&A digital maturity and higher finance effectiveness have better enterprise performance than their peers.⁵ These companies consistently beat their industry on profitability, growth and capital efficiency measures.

This compelling data highlights the direct line between investing in digital FP&A and business results. Think about the enriched capabilities that come from digitizing this function. Unlike “old school” FP&A that involves chasing data and navigating organizational black holes, digital FP&A transforms Finance’s responsiveness. Finance can implement real-time scenario and risk modeling and more agile resource and capital allocation and performance management practices.

Digital turns the analysis part of FP&A into action. This empowers Finance to steer the business toward profitable growth—course correcting on the fly as necessary—even in volatile markets. Take the example of a global industrial tools and hardware manufacturer. The giant had quadrupled its size by acquiring numerous companies, each with separate ERP systems. It was difficult, if not impossible, for the company to make decisions based on a full view of the business. Digital FP&A changed this.

By digitizing FP&A—
including standardized
data models and
technologies to drive
insight—the company
finally saw the big

DIGITAL TURNS THE ANALYSIS PART OF FP&A INTO ACTION.

picture across products,
channels and customers, which was critically important as leadership was changing the business strategy for the company in parallel. For example, the company wanted to more effectively integrate its numerous tool businesses to drive synergies and provide a platform for further growth. In turn, the digitally enabled data models and technologies provided better visibility of business performance for these new strategies and enabled the company to resume its organic and inorganic growth strategies.

And what of that global financial services company and its plan to digitize FP&A? Using digitally enabled statistical forecasting, the finance organization dramatically improved its ability to predict business performance and make decisions to change trajectory. It also provided an agile way to identify cost savings that could then be reallocated to increased marketing spend, unlocking new value and growth.

C N STELLATION C N NECTIONS

Companies cannot digitize FP&A in isolation and expect to achieve breakthrough business results like this. Finance is a world of mutual dependencies—FP&A relies on data from other finance processes. If these processes are not optimized, the benefits of digitizing FP&A cannot be fully realized. Neither can finance effectiveness.

Unfortunately, for companies that are taking a piecemeal approach to digitizing Finance, Accenture Strategy found that 90 percent are digitizing just select finance processes. Only 47 percent of these companies have above-median finance effectiveness. Compare this to companies that digitize Finance holistically—83 percent have above-median finance effectiveness.⁶ Digitizing across Finance creates a multiplier effect for value, driving orders of magnitude that are impossible when change happens in pockets.

Piecemeal approaches yield limited returns. Consider the story of a global high tech company as a cautionary tale. The company digitized several finance processes as part of a transformational business process outsourcing (BPO) program. This initiative drove down the cost of the finance function substantially.

At the same time, the company was acquiring companies to grow its industry depth and footprint. The company moved more headcount into the BPO model to gain merger synergies.

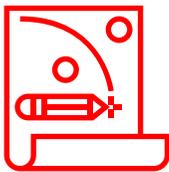
However, during this process, FP&A processes were neglected. Finance had no end-to-end view of efficiency and effectiveness.

PIECEMEAL APPROACHES YIELD LIMITED RETURNS.

What had been a good situation deteriorated fast. The overall cost of Finance grew even as transactional process costs fell. Nearly one-third of the retained workforce was not working in their core expertise. Workload exploded. Seventy percent of business unit FP&A teams were cleansing data. The company had nearly five times the number of cost centers expected, and nearly seven times the number of nodes of manual budgeting, forecasting and variance reporting. This happened in the absence of a long-term plan to digitize Finance with digital FP&A at the center.

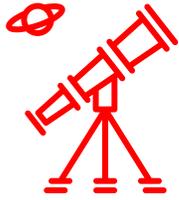
HOW TO SHOOT FOR THE MOON

To create a flight plan to digitize FP&A, finance organizations must break from traditional ways of working and get strategic about the digital agenda. These three fundamentals offer a place to start:



1. PLAN NOW FOR A SMOOTH LAUNCH.

Digitizing FP&A without a rigorous plan prevents companies from optimizing their return on investment. The finance function must proactively identify where to digitize FP&A activities, such as forecasting, reporting or scenario modeling. Activities should account for data quality, common business language, analytics, data visualization, artificial intelligence and in-memory computing. Finance must ensure that supporting data models are more agile, enabling a sharp view of enterprise operational data *and* external data sources, measurement is continuous, and flexibility is not alien.



2. LOOK BEYOND YOUR OWN ORBIT.

The finance organization is expert at setting performance improvement targets for finance functions. It is time to take that strength to the next level, broadening it with an eye to the enterprise. When setting new performance targets for digital finance investments, Finance must look outside of its four walls too. Finance leadership must identify and measure improvement targets for the finance function *and* for the enterprise as a whole. Measurement should be ongoing and expansive, moving well beyond periodic views of whether digital investments are lowering the cost of Finance.



3. DO NOT BE AFRAID OF GIANT LEAPS.

Being agile is native to digital, but not to Finance. To become a digital finance organization, Finance must resist its inclination to have set plans and embrace trial-and-error—and even the unexpected. In practice, this means balancing rapid, agile experimentation and iteration with an overall strategy, governance framework and architecture for digital investments. After all, the pace of technology innovation is so fast that plans get outdated while being made. This makes one-, three- or five-year plans a liability for Finance, and for the business.

With so much talk of the importance of digitizing Finance, finally, some insights on how to do it well. Rather than solely focus on digitizing transactional finance processes, companies can advance Finance performance—and enterprise financial performance—with a holistic approach to digitizing FP&A.

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CONTACT THE AUTHORS

Aneel Delawalla

Atlanta, GA, United States
aneel.a.delawalla@accenture.com

Nick Wyatt

London, United Kingdom
nicholas.wyatt@accenture.com

CONTRIBUTORS

Divya Atiyoti

Bengaluru, India
divya.atiyoti@accenture.com

Sabrina Chou

Los Angeles, CA, United States
sabrina.a.chou@accenture.com

Preethi Ramachandran

Chennai, India
preethi.ramachandra@accenture.com

Chuck Wise

Atlanta, GA, United States
charles.p.wise@accenture.com

NOTES

¹ Accenture Strategy Digital Adoption in Finance Survey, September 2016.

² Accenture Benchmarking Solutions data.

³ Ibid.

⁴ Accenture Strategy Digital Adoption in Finance Survey, September 2016.

⁵ Accenture Strategy analysis on Capital IQ data, December 2016.

⁶ Accenture Benchmarking Solutions data.

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