



CFO Now:

Breakthrough speed for breakout value

Utilities Industry Perspective



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The utilities CFO

Facing challenges on all sides, finance plots the course to growth

For utilities, managing the impact of Covid-19 only added to a long list of complex and extremely important challenges.

Above all, businesses in the sector are striving to create an industry that is ready for a world powered by clean energy. The technology exists to transition to a sustainable energy system by 2050, so many are focusing their energies on adaptation¹. More immediately, they are handling the practical difficulties caused by adverse weather events, which are becoming more pronounced as countries decentralize their power systems.

Utilities are also navigating an uncertain economy. The IMF² and World Bank³ expect the world to return to growth as the crisis recedes, but they disagree on the speed and consistency of recovery. Then there are internal initiatives. Utilities are embracing high-powered analytics tools and seeking to invest effectively. The need for new intellectual property also applies to skills: the sector is in competition with other, newer industries for the smartest talent.

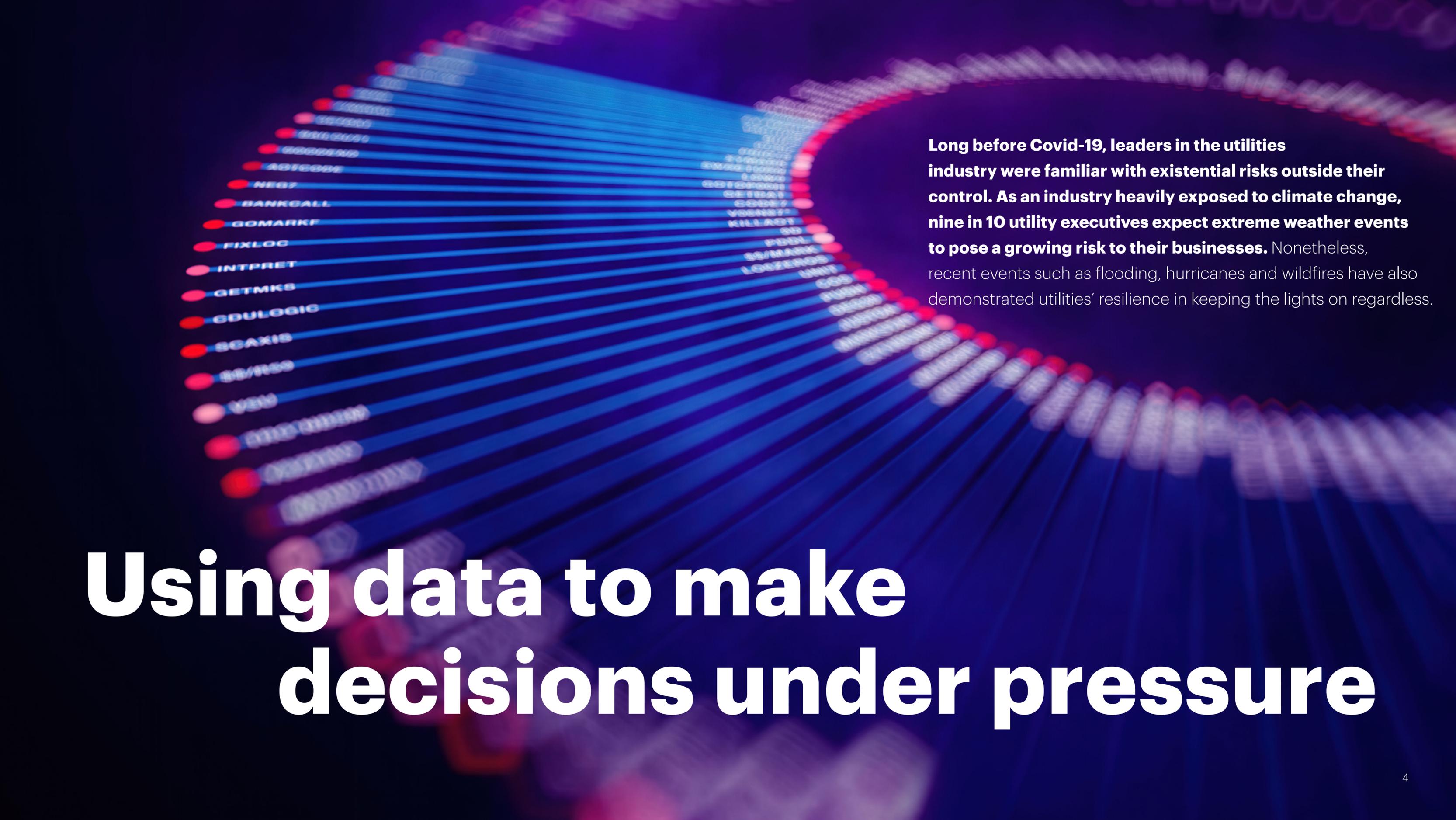
Taking decisions against this backdrop is not straightforward, as shared by Craig Richey, Senior Managing Director, Global Utilities

CFO & Enterprise Value Lead. “The industry is feeling pressure to change more quickly, driven by increases in internal and external challenges putting pressure on the financial instruments of the company,” he says. “It is not as simple as just cutting O&M, taking more operating risk, reshaping timing of capital expenditures or asking for money from the public utilities regulators and commissioners.”

The sector’s CFOs are, however, ready to confront its challenges head on. Accenture’s latest CFO research reveals they are more likely than their counterparts in other sectors to consider themselves accountable for navigating upheaval: 85% take this view, compared to a cross-sector average of 77%. At the same time, 85% believe that, of every executive in the C-suite, they are in the strongest position to safeguard organizational resilience in the current operating climate.

How are they doing this? Accenture’s study finds them focusing their efforts on three areas: using data to make decisions under pressure, reshaping the business to smooth the way for growth and transforming the enterprise to enable growth.





Using data to make decisions under pressure

Long before Covid-19, leaders in the utilities industry were familiar with existential risks outside their control. As an industry heavily exposed to climate change, nine in 10 utility executives expect extreme weather events to pose a growing risk to their businesses. Nonetheless, recent events such as flooding, hurricanes and wildfires have also demonstrated utilities' resilience in keeping the lights on regardless.

The Tightrope

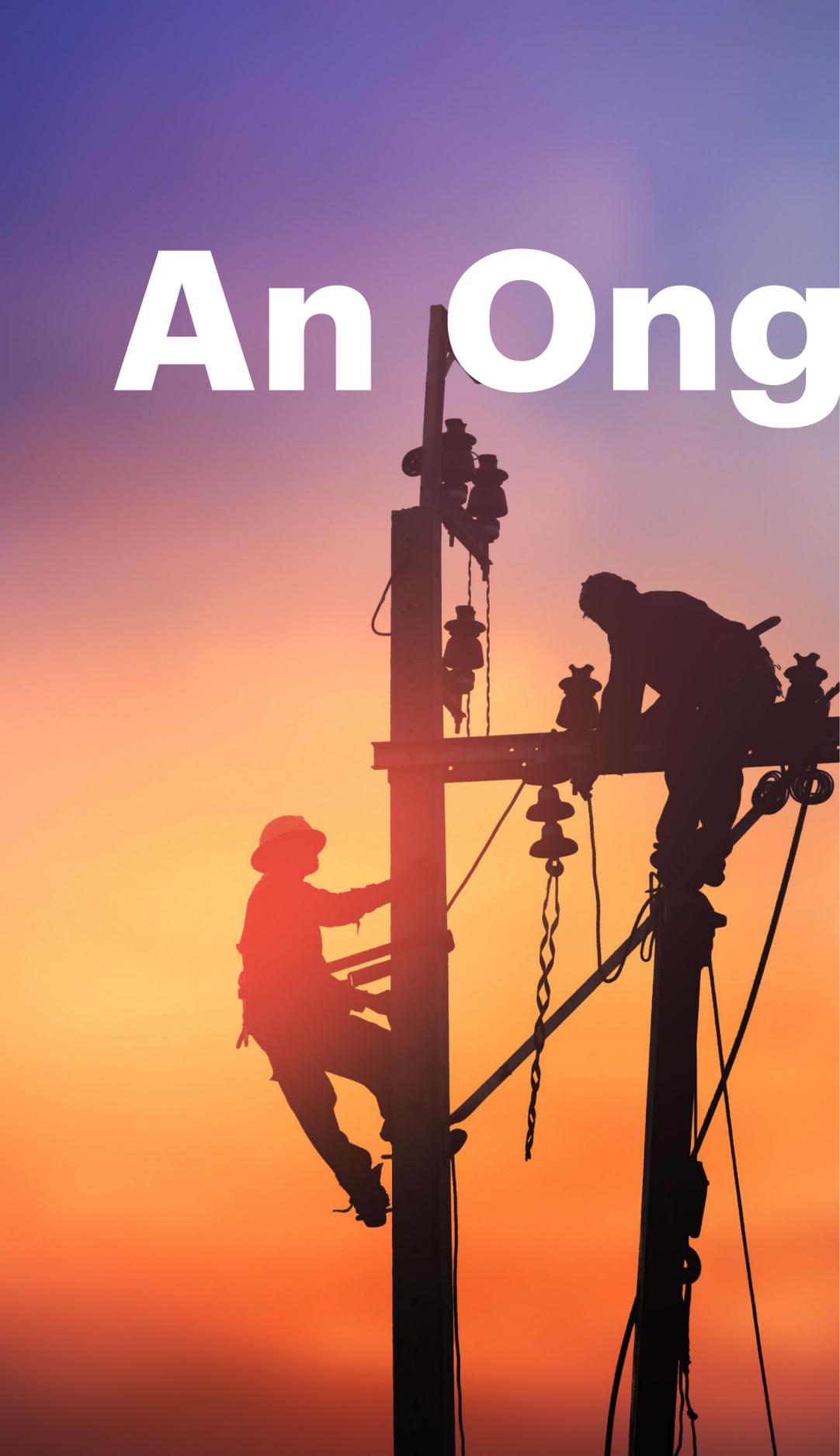
Climate change pushes the industry into a balancing act. On one hand, population growth will sustain demand for power and water; on the other, the sustainability agenda requires utilities to reconsider their portfolio mix and optimize the transition toward low-carbon sources of energy.

In the short term, as a result of the pandemic, utilities continue to accommodate fluctuating demand. Industrial customers in many markets have suspended operations during lockdown, which has had a major impact on operations. This drives CFOs to embrace sophisticated tools and technologies that provide smarter insight, as Craig Richey explains.

“Utilities continue to provide the service,” Richey says, “but it is becoming more challenging to deploy typical techniques to make short- and long-term decisions. Utilities are data-rich, but now is the time to turn that data into value across the enterprise. Building data capabilities around predictive modeling and embracing artificial intelligence provide a means with which to solve the biggest challenges for utilities, both now and in the future.”

“Now is the time to turn that data into value.”

Craig Richey
Senior Managing Director,
Global Utilities CFO &
Enterprise Value Lead



An Ongoing Trajectory

In Accenture's latest research, CFOs in utilities are taking further steps toward analytics maturing, continuing a trajectory we have seen in prior waves of the research. Nine in 10 (89%) have provided a greater amount of forecasts and analytics to C-suite colleagues and other business partners, representing a higher proportion than other sectors.

As volatility has increased, utilities CFOs have sought to leverage their data more rapidly. One in three (34%), for example, say they have been working to reduce the lag between when they receive data and when they execute a coordinated response.

Indeed, Nick Farwig, Managing Director, Utilities, CFO & Enterprise Value, believes that data holds the key for CFOs as they chart a course through volatility, an uncertain future and the need to reposition. "Data will drive the investment decisions that utilities make and how they think about building business cases for the future," he predicts.

"Data will drive the investment decisions that utilities make."

Nick Farwig

Managing Director, Utilities, CFO & Enterprise Value



Reshaping the business to smooth the way

for growth

Despite the threats they face, utilities CFOs have not lost sight of the growth agenda; they are helping ensure their enterprises are prepared for new opportunities to come. More than eight in 10 (84%) of utilities CFOs agree that, whatever happens in the broader economy, the businesses must not lose sight of what is required to improve competitiveness and drive new growth.

Business transformation is a crucial piece of the puzzle. CFOs are determined to make their enterprises as efficient as possible. This fits an ongoing focus on resilience, but it is also critical in ideally positioning utilities for growth. Over the past two years, some 42% of utility CFOs say they have been involved in business-wide transformation, compared to 36% of CFOs across all sectors.

CFOs' rate of progress is encouraging. In our 2018 study, utilities CFOs said their remit was expanding to cover enterprise-wide digitalization. What was aspiration two years ago has become practical reality today, with cloud technology providing a good example of where CFOs are concentrating their efforts.

CFOs point to the value of cloud tools in enabling cost efficiency, sharpening reporting accuracy and enabling non-finance teams to carry out tasks that have traditionally been the responsibility of finance. But the sector is also making strides in its use of cloud for strategic initiatives. A third (32%) of utilities CFOs are employing cloud to achieve growth, well ahead of most other sectors, although there is of course more work to be done. Only 18% of utilities CFOs are utilizing cloud to identify new value.

Cloud will be vital for utilities to harness the value of data, argues Nick Farwig. "While there will be benefits from a cost-savings perspective, the real value of cloud lies in its use to promote improved access to more data," he says. "It brings an opportunity to process greater volumes of information right across the enterprise, not just individual silos."

The future for utilities CFOs in this context is the evolution of finance from information gatherer to strategic storyteller.

Aspiration

becomes

reality



Finding new value

and delivering growth

As efforts to enhance resilience and transform the business gather momentum, CFOs are poised to play a key role in delivering growth. Many see the future of finance as one in which the function is identifying new sources of value and also unlocking their potential.

Such work is top of the to-do list. Already, 34% of CFOs in utilities say that new product and service development has been among their most impactful initiatives over the past two years. Looking forward, 40%—more than in any other sector—say they want to exert more influence on this part of the business.

Again, finance teams are likely to use data as the means to turn ambition into reality. With new insight flowing through the finance function, CFOs are in a strong position to build the business case for strategic investment and calculate the ROI of innovation.



The

ESG Opportunity

One highly promising area for innovation is around environmental, social and governance (ESG). As the world reduces its carbon emissions⁵, industrial businesses face pressure to increase their efforts. The energy sector is responsible for close to three-quarters of global emissions, so its CFOs recognize that shareholders expect meaningful change. The growth of ESG-heavy investment funds⁶ means CFOs must face challenging questions from sustainability-minded investors.

Importantly, utilities also recognize the growing demand from customers for greener products and services. ESG offers an opportunity to connect with these customers, suggests Accenture's Craig Richey. "New products and services often have an environmental aspect to them, and this relates to new value creation," he explains. "If it makes something more energy efficient and helps reduce your consumers' footprint, there is growing interest in that."

CFOs in the sector have taken note. Already, 15% are keen to increase their focus on ESG performance, more than in any other sector. And as climate change is factored into every aspect of transformation, CFOs believe the buck stops with finance—68% say the function already takes ultimate responsibility for the business's ESG performance.

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Craig Richey

Senior Managing Director, Global Utilities CFO
& Enterprise Value Lead



Next Steps for Utilities CFOs

CFOs have an intimidating schedule. They are steering their businesses through uncertainty, driving widespread transformation, and they are ambitious to create new value. How, then, to manage this demanding workload and deliver across three significant and interrelated objectives?

#1. Close the gap between the CFO and operational finance

Right now, 78% of utilities CFOs concede there is a gap between their strategic endeavors and the priorities, responsibilities and performance yardsticks throughout the rest of the finance function. The result is that too often, finance leadership and operational teams are focused on different goals. This is a recurring problem for the utilities industry. In our 2018 research, we warned: “CFOs are looking at macro trends and growth but, from the controller level down, the focus is still on O&M cost and efficiency.”

#2. Collaborate and integrate

CFOs are determined to be their organizations’ changemakers and value creators, but they must accept this is a shared endeavor. Without building stronger relationships with the rest of the enterprise, such ambition is likely to come up short. The good news is that utility CFOs recognize that lack of integration and collaboration stands in their way as they drive strategic change: 34% cite this problem. Now they must overcome it.

#3. Invest now to stay ahead of future regulation

Compliance with regulation across jurisdictions will be a priority in the years to come. In regulated environments, public authorities set the terms of engagement, so the key is to focus on the direction of travel rather than the immediate constraints. In the United States, for example, the Biden administration is aiming for a “100% clean energy economy” and the realization of net-zero emissions by 2050⁷. At the same time, privacy regulation will become even more important as finance looks to deploy cloud and drive value from data.

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 514,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

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About the Research

Accenture has been tracking the changing roles and responsibilities of chief financial officers (CFOs) for the better part of two decades. In its seventh iteration, our research is based on online surveys with more than 1,300 senior finance leaders from around the globe, carried out between April and June 2020. It also draws on a smaller survey of 177 respondents between February and March 2020. We also conducted more than 40 qualitative interviews with CFOs. We selected interviewees on the basis that they worked for global, billion-dollar enterprises that reflected of sectors and geographies worldwide. Accenture also modelled the applications of differentiated speed—predictive, data driven decision making via deployment of digital technologies and zero basing of workloads on two hundred forty-five S&P500 companies, across 10 industries, to quantify the impact on revenue and EBITDA from 2020 to 2022.

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