CFOs in the Digital Age

Modern Finance Best Practices

Loren Mahon
Vice President, Finance Systems
Office of the CEO
Oracle Corporation
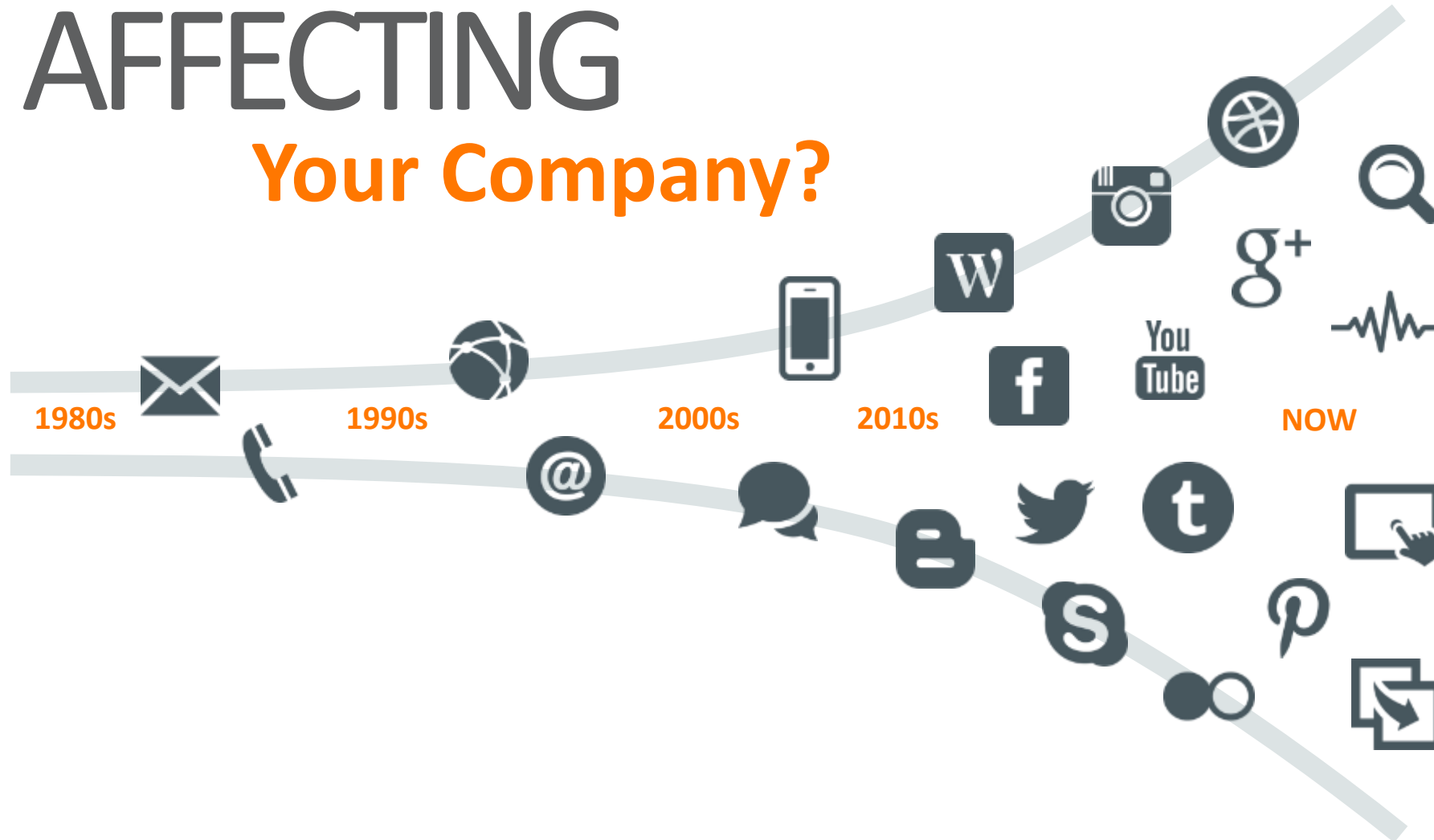
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ferf®
financial executives
research foundation

what's
AFFECTING
Your Company?

1980s   1990s   2000s   2010s   NOW

72% of CEOs say the rapid pace of **technology innovation** is their biggest challenge
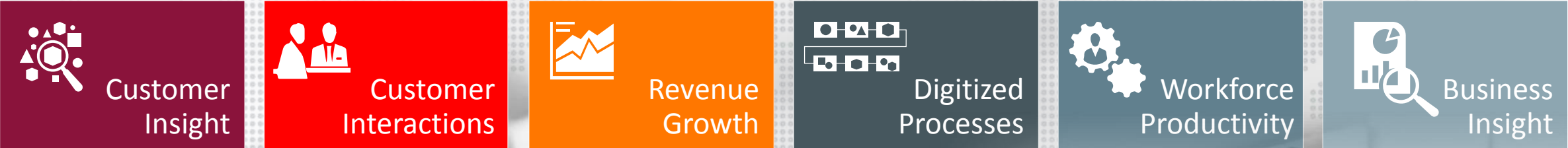
Source: 2015 Fortune 500 CEO Survey

72%

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Top Boardroom Priorities

‣ Readiness for Inorganic Growth

‣ Efficiency in Post-Merger Integration

‣ Growth from Non-Traditional Markets

‣ Demand for Faster Innovation Cycles

‣ Rapid Response to Non-Traditional Competitors

‣ Digital Transformation of the Business

Source: "Inside The 2015 Boardroom Priorities", Constellation Research, December 2014

Digital Opportunities Span Every Function

| Customer Insight | Customer Interactions | Revenue Growth | Digitized Processes | Workforce Productivity | Business Insight |

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Impact of Digital Technologies

Transforming how industries create value

MOBILE & SOCIAL	**BIG DATA**	**CLOUD SERVICES**	**THE INTERNET OF THINGS**
$1+ trillion in Mobile eCommerce revenue by 2017	**$17+** billion in Big Data revenue by 2015	**$200+** billion in Cloud Services revenue by 2015	**$290+** billion in Machine-to-Machine revenue by 2017

HEALTH SCIENCES	COMMUNICATIONS	RETAIL	UTILITIES	FINANCIAL SERVICES	ASSET INTENSIVE	HOSPITALITY
Personalized Medicine	Machine-to-Machine Communications	Commerce Anywhere on Any Device	Smart Grids and Flexible Power Consumption	Online Banking and Mobile Payments	Flexible Capital Planning & Deployment	"Above Property" Cloud Solutions

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Intangible Assets: Driving Value Creation in the Digital Age

The historic method of value creation matters less in today's Digital Age: tangible assets now constitute just 20% of total corporate value on the S&P 500, compared to 80% in 1975

Investors are paying more for companies with business models that emphasize "intangible assets" – **human capital**, customers, and intellectual property – and leverage the wisdom of crowds to co-create products and services

CFOs who continue to allocate their company's capital to tangible assets using previous generations of technology are putting their company's management and shareholders at serious risk, **generating lower levels of performance and enterprise value than digitally and big-data savvy CFOs**

Source: Research by Deloitte & Touche LLP and Open Matters, cited in the Wall Street Journal, July 28, 2014

CFOs: Embracing a Unique Role in the Digital Age

Stewards of Corporate Value:

CFOs have the finance background and understanding of market valuations needed to comprehend the long-term implications of different business models

Catalysts of Business Model Change:

CFOs have the understanding of finance and growing oversight of IT strategy to invest in digitally-enabled business models

Leaders and Strategists :

CFOs can rebalance their investment portfolio into intangible assets that can help create more sustainable, valuable business models


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Top CFO Priorities

‣ Reduce Enterprise Operating Costs

‣ Creating a Collaborative / Sharing Environment

‣ Creating an Enterprise View of Business

‣ On-Going Monitoring of Business Performance

‣ Quality of Data used for Business Decisions

‣ Facilitating Analysis & Decision Making

Source: Gartner Survey of 139 CFOs

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Finance Needs to Enable Strategic Thinking that Drives Value Creation
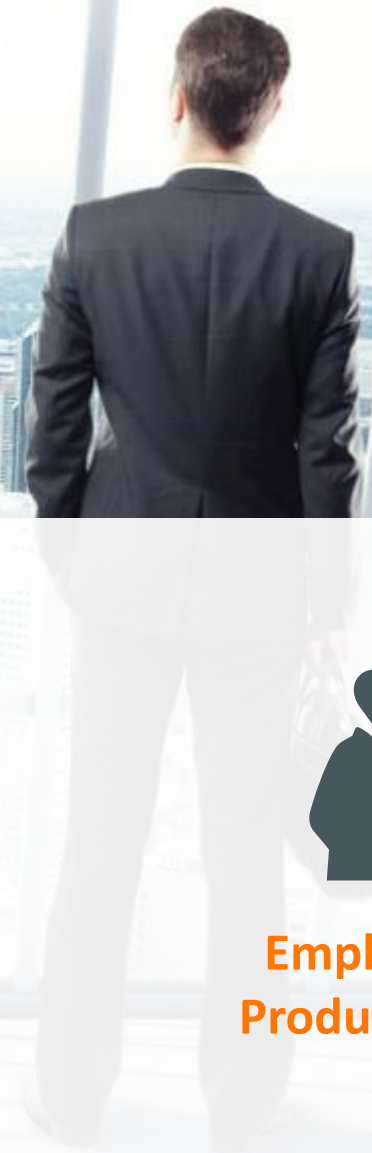
Business Opportunities

Customer Satisfaction

Quality of Processes

Employee Productivity

What is Finance's role in measuring and monitoring the new value drivers in today's digital economy?

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1. How do businesses create and measure value in the digital age?

2. What is the role of the finance team in this process?

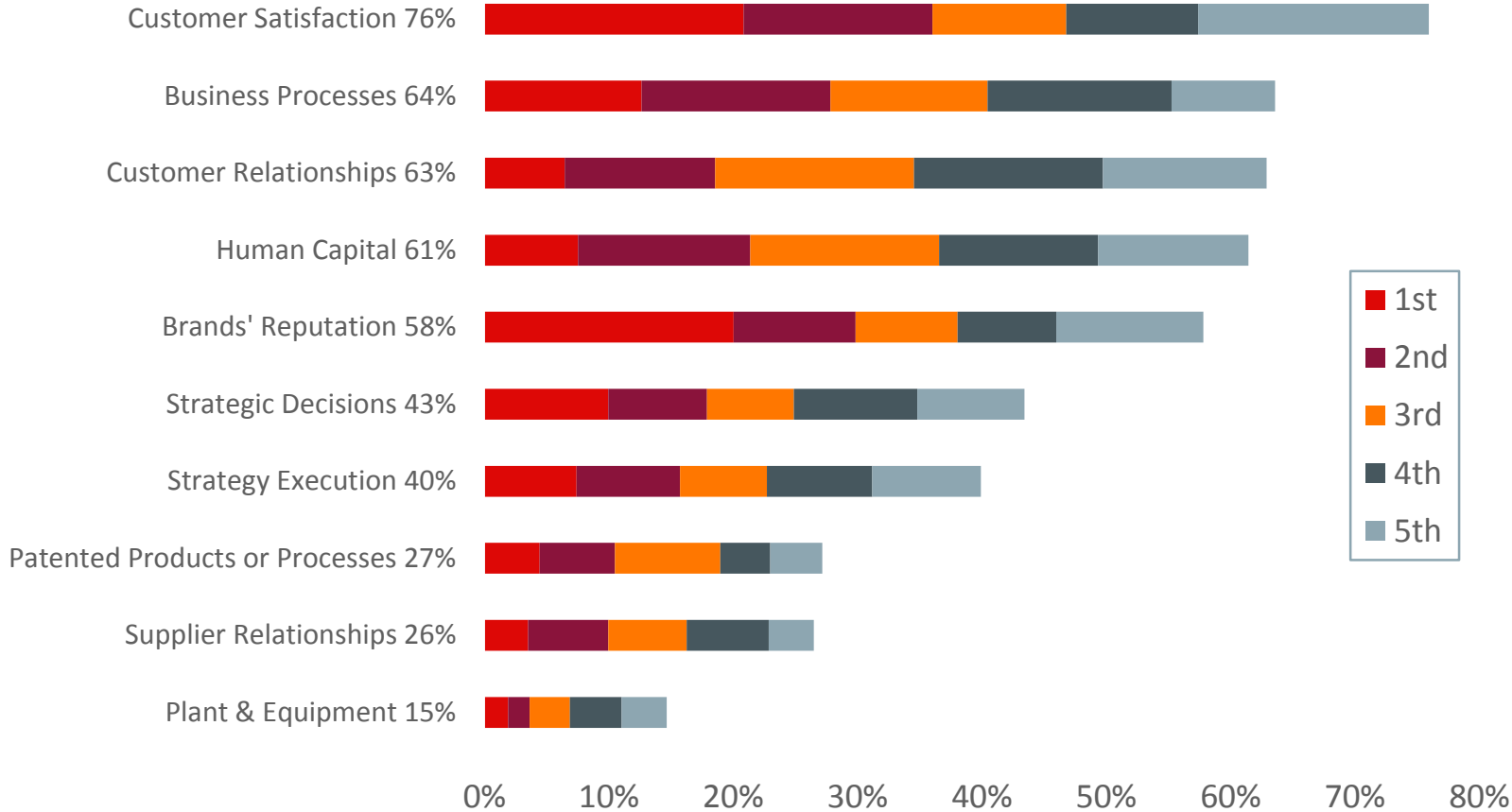THE DIGITAL FINANCE IMPERATIVE: MEASURE AND MANAGE WHAT MATTERS NEXT

PROFIT   DATA   VALUE

CUSTOMERS

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What Are the Value Drivers in the Digital Age?

Top Value Drivers Selected 1st to 5th

Customer Satisfaction 76%
Business Processes 64%
Customer Relationships 63%
Human Capital 61%
Brands' Reputation 58%
Strategic Decisions 43%
Strategy Execution 40%
Patented Products or Processes 27%
Supplier Relationships 26%
Plant & Equipment 15%

Legend:
- 1st
- 2nd
- 3rd
- 4th
- 5th

X-axis: 0% 10% 20% 30% 40% 50% 60% 70% 80%

Top 5: Intangible Assets

Customer Satisfaction	76%
Quality of Business Processes	64%
Customer Relationships	63%
Quality of People	61%
Reputation of Brand	58%

CIMA
Chartered Institute of Management Accountants

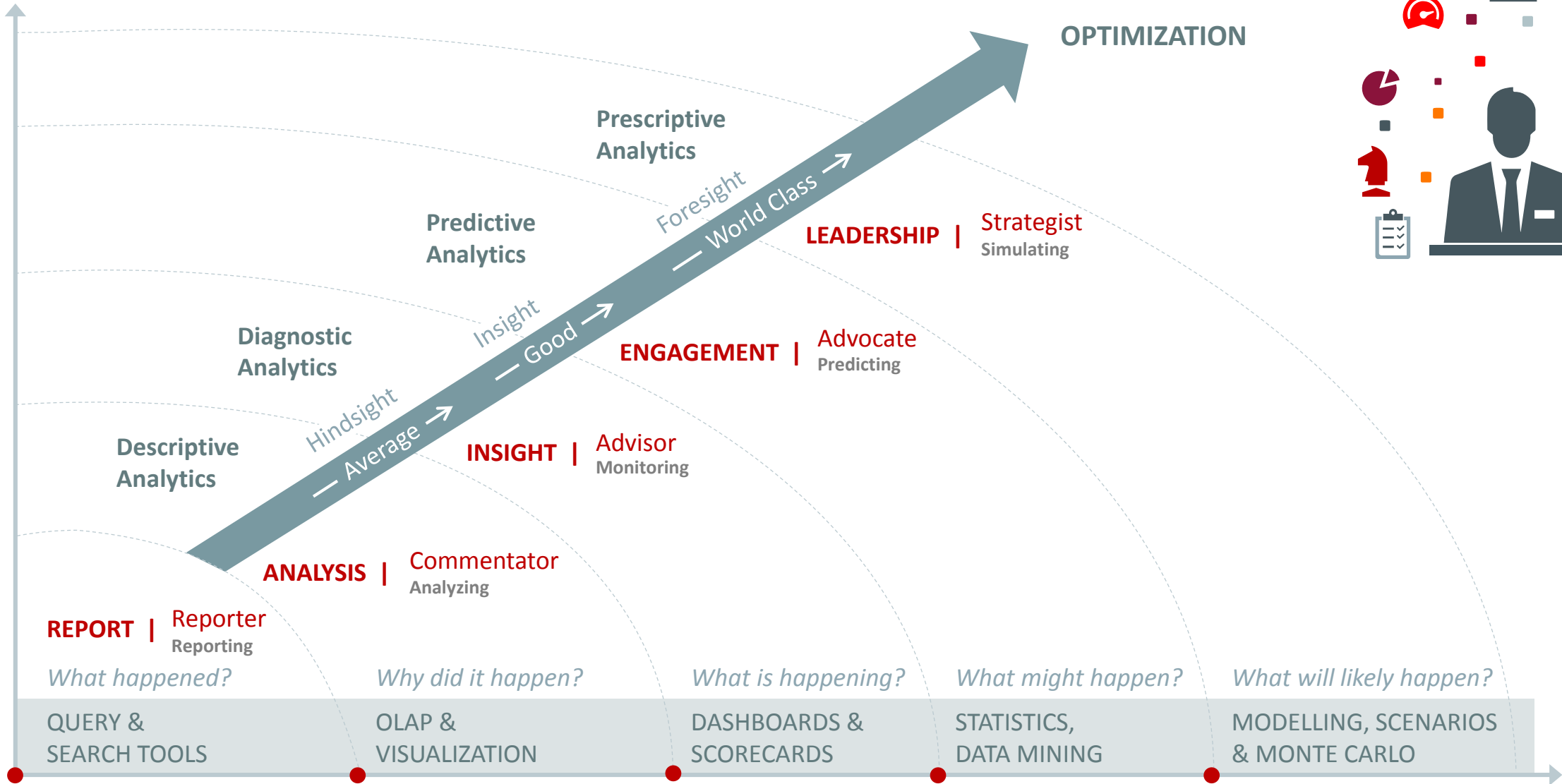ORACLE®

Who Provides the Information?

Key: Ranked 1st | Ranked 2nd

Who provides the KPIs needed to manage these value drivers?	Finance	Sales	Marketing	IT	HR	Outsourced	Other
Return on Invested Capital (ROIC)	78.0%	4.7%	5.3%	4.1%	3.9%	2.8%	1.2%
Data quality	38.4%	4.8%	6.8%	39.0%	3.6%	3.2%	4.2%
Employee productivity	29.8%	7.2%	5.6%	7.0%	38.8%	3.7%	7.9%
Social sentiment	26.5%	14.2%	25.1%	9.1%	17.5%	2.5%	5.1%
Competitor activity	21.3%	25.5%	27.9%	8.2%	4.4%	5.4%	7.3%
Customer pipeline/retention	13.9%	42.4%	22.9%	6.1%	7.3%	3.4%	3.9%
Employee engagement and retention	13.0%	5.6%	5.4%	6.6%	61.6%	3.7%	4.1%
Talent sourcing/pipeline	10.3%	4.6%	10.0%	8.4%	58.8%	5.1%	2.7%
Social engagement	10.0%	19.3%	28.0%	11.3%	21.5%	1.6%	8.4%
Digital marketing effectiveness	9.9%	8.9%	43.9%	25.5%	4.8%	3.8%	3.2%
Brand awareness/equity	9.3%	17.0%	54.2%	5.8%	4.1%	5.5%	4.1%
Customer experience and satisfaction	7.6%	35.5%	29.9%	9.2%	4.5%	3.6%	9.7%

Finance Needs to Access Right-time Insights

CLASSIC FINANCE ▸▸▸ ▸ MODERN FINANCE

CLASSIC FINANCE

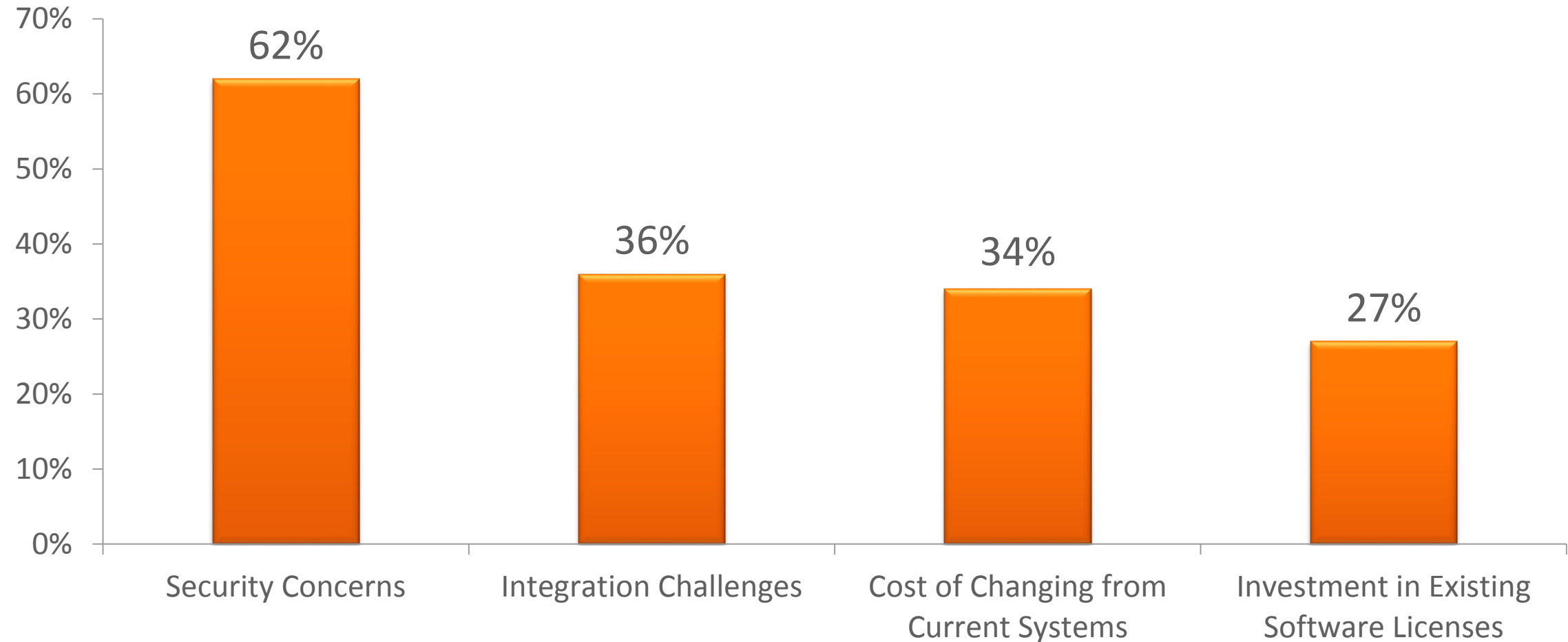|	
MON	Collecting Data
TUE	Collecting Data
WED	Maintaining Spreadsheets
THU	Developing Reports / Maintaining Spreadsheets
FRI	Other Activities / Performing Analysis / Developing Reports

MODERN FINANCE

MON	Reading Data / Performing Analysis
TUE	Performing Analysis
WED	Interacting with Decision Makers
THU	Interacting with Decision Makers
FRI	Other Activities / Strategic Initiatives / Personal Development

Keys to Enabling Finance for Critical Decision Making

- **Think Strategically.** Start with inserting Finance into the flow of business discussions across the company

- **Modernize Your Finance Platform.** Implement cloud services in order to gain faster and better insights at a lower cost

- **Deliver Better Analytics.** Provide a single source of truth that enables unique insights and helps drive business value

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Biggest Barriers to Public Cloud Adoption

Bar chart showing:
- Security Concerns: 62%
- Integration Challenges: 36%
- Cost of Changing from Current Systems: 34%
- Investment in Existing Software Licenses: 27%

Source: Harvard Business Review Analytic Services Report: Cloud Computing Comes of Age, 2015, n = 376

CFOs Care About Security

Data Privacy **53%**

Data Security **74%**

System Availability

Regulatory Compliance **46%**

Brand Integrity

Data Residency (Global companies)

Access Controls (IDM)

Governance of Data
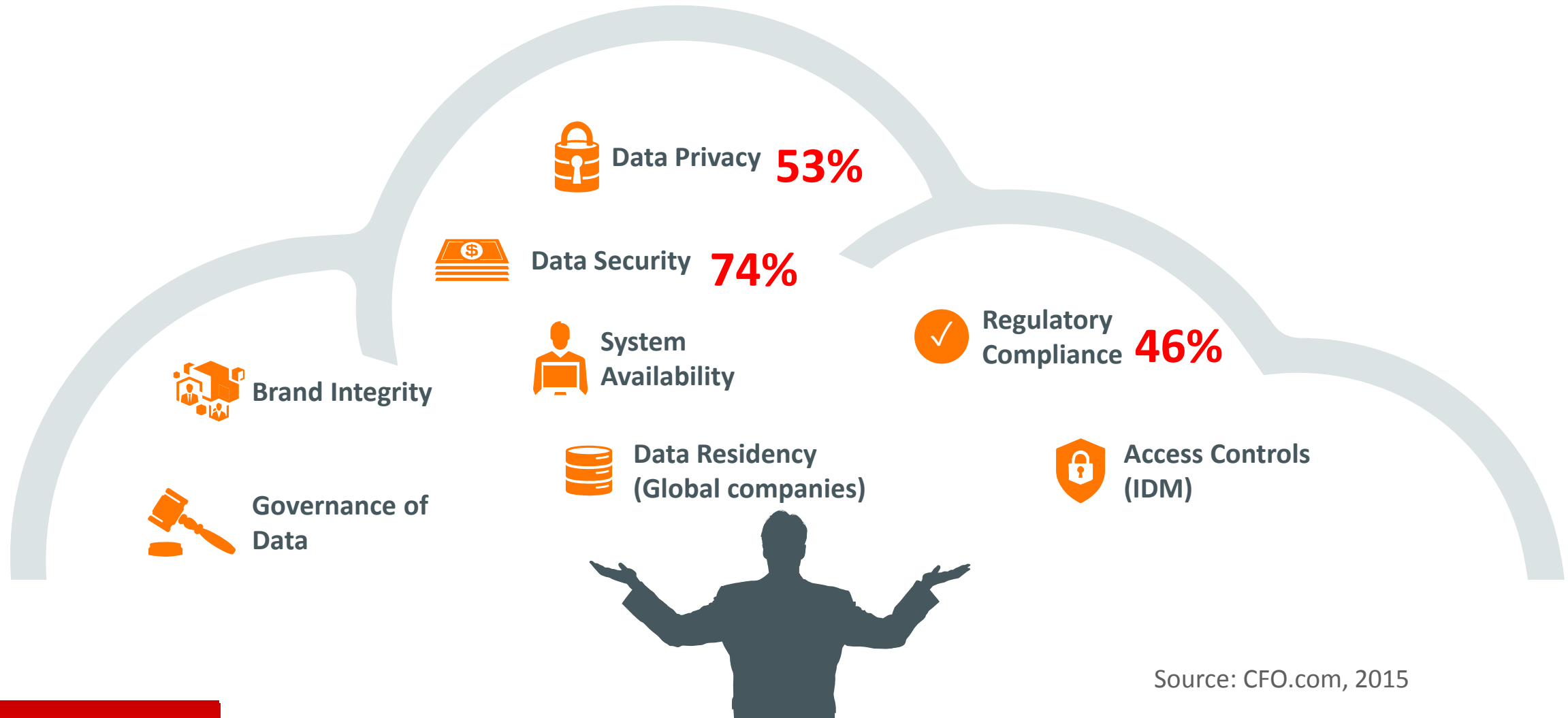
Source: CFO.com, 2015

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SaaS Security Checklist

Cloud Provider Viability ☑

Secure Data Isolation ☑

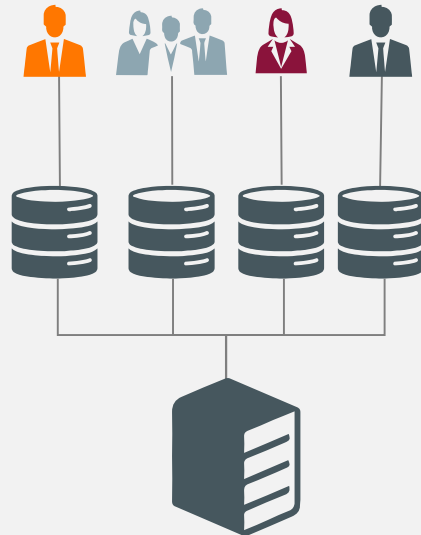Designed to be Secure at Every Layer ☑

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Secure Data Isolation

Shared resources where it makes sense. _Isolated_ where it doesn't.

Legacy Multi-Tenancy (Co-mingled)
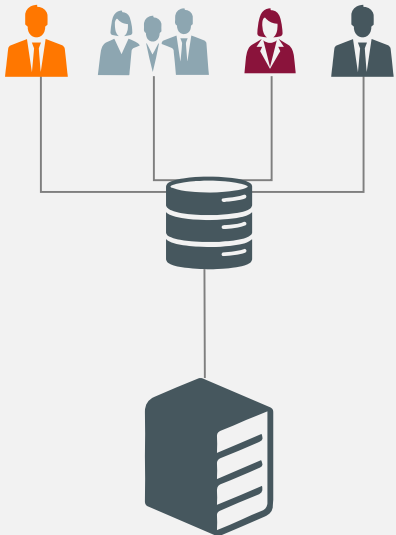
Isolated Tenancy

All the benefits of SaaS, plus

- **Your own instance; more security, less risk**

- **You choose when you upgrade**

- **Minimized "noisy neighbor" syndrome**

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A Modern Secure Cloud

Designed to be secure at every layer

Application Layer

SaaS

Platform Layer

PaaS

Storage Layer
Compute Layer

IaaS

Operating System Layer
Chip Layer

Network Layer

Physical Layer

Data Vault Option

Business Users
- role based access

Global Access Controls
- consistent on-off boarding

Data Center ManTrap

Backup and Redundancy

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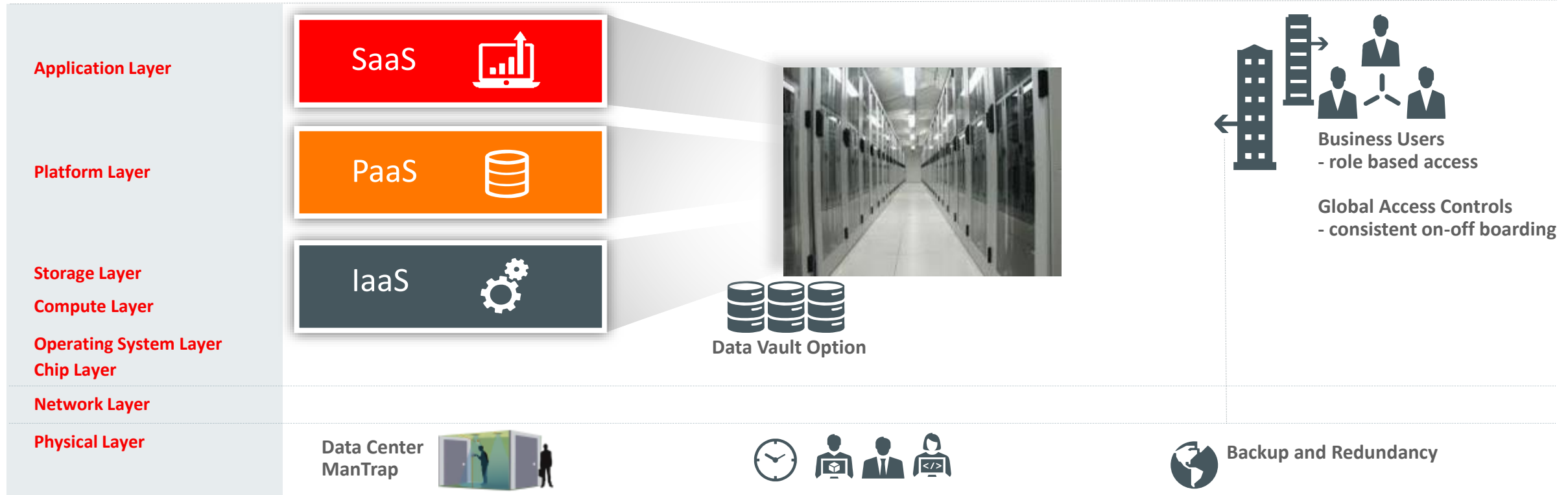
Finance Talent Needs to Evolve as Well

Effectiveness

Only **28% of CFOs** ranked their direct reports as having strong functional expertise

Business Partnering

Only **5% of CFOs** considered their direct reports "effective persuaders" able to simplify complex ideas and communicate effectively to the business

Strategic Vision

Only **11% of CFOs** ranked their direct reports effective at creating a vision, fostering buy-in, and developing talent pools to execute on strategy

Source: Corporate Executive Board 2013 survey of 673 finance executives at 78 global companies

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Winning the War for Finance Talent
Game plan for the Digital Age

The New Rules of Engagement

Recruit and Pay for Different Talent

Groom Talent In-House

Ask the Right Questions

Share Data or It has No Value

Use Technology & Data Insights to Partner

Use Digital Technologies to Attract & Retain

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The New Rules of Change Management
Continuous Transformation is a Best Practice

- According to new research by Innosight*, we're entering a stretch of accelerating change in which lifespans of big companies are getting shorter than ever.

- The 33-year average tenure of companies on the S&P 500 in 1965 narrowed to 20 years in 1990 and is forecast to shrink to 14 years by 2026.

- Record M&A activity and the growth of startups with multi-billion dollar valuations are leading indicators that a period of relative stability is ending and that an increasing number of corporate leaders will lose control of their firm's future.

*Innosight executive briefing | Corporate Longevity: Turbulence Ahead for Large Organizations, March 2016

Turbulence Ahead: The Need to Transform

CHART 1
Widespread recognition of need to transform

To what degree do you agree or disagree with this statement:

"Our organization recognizes the need to transform—that is, to change our core offerings or business model—in response to rapidly changing markets and disruption"
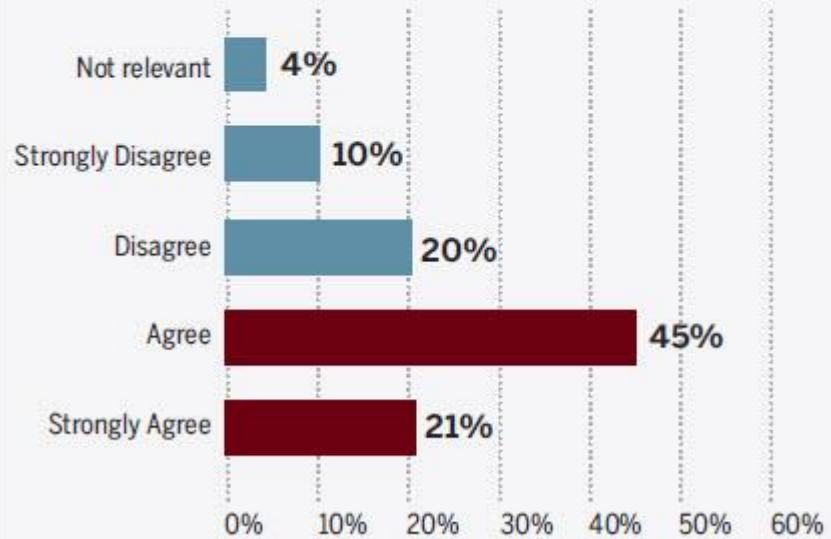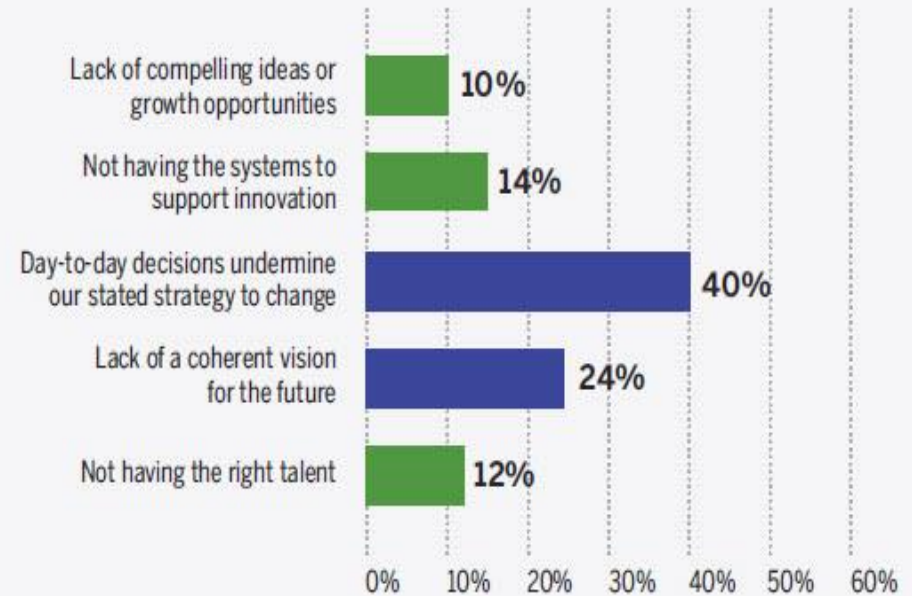
Not relevant	4%
Strongly Disagree	10%
Disagree	20%
Agree	45%
Strongly Agree	21%

0% 10% 20% 30% 40% 50% 60%

CHART 2
"Shadow Strategy" undermines transformation

"What is your organization's biggest obstacle to transform in response to market change and disruption?"

Lack of compelling ideas or growth opportunities	10%
Not having the systems to support innovation	14%
Day-to-day decisions undermine our stated strategy to change	40%
Lack of a coherent vision for the future	24%
Not having the right talent	12%

0% 10% 20% 30% 40% 50% 60%

*Innosight executive briefing | Corporate Longevity: Turbulence Ahead for Large Organizations, March 2016

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Disruption from the Inside Out:
How Oracle Is Transforming for the Cloud

Oracle Corporation

SCALE

- Founded in 1977
- 2nd largest software company in the world
- $38.2 USD in FY2015 revenue**
- 122,000 employees
- #1 in 50 product / industry categories
- $60B+ USD on >100 acquisitions

INNOVATION

- $38.9 USD invested in R&D since 2004
- 34,000 developers and engineers
- 15 million Oracle community developers
- 400,000 customers in 145 countries

ANNUAL R&D INVESTMENT**

FY' 15	$5.5
FY' 14	$5.3
FY' 13	$4.5
FY' 12	$4.2
FY' 11	$4.3
FY' 10	$3.1
FY' 09	$2.6
FY' 08	$2.6
FY' 07	$2.1
FY' 06	$1.9
FY' 05	$1.5
FY' 04	$1.3
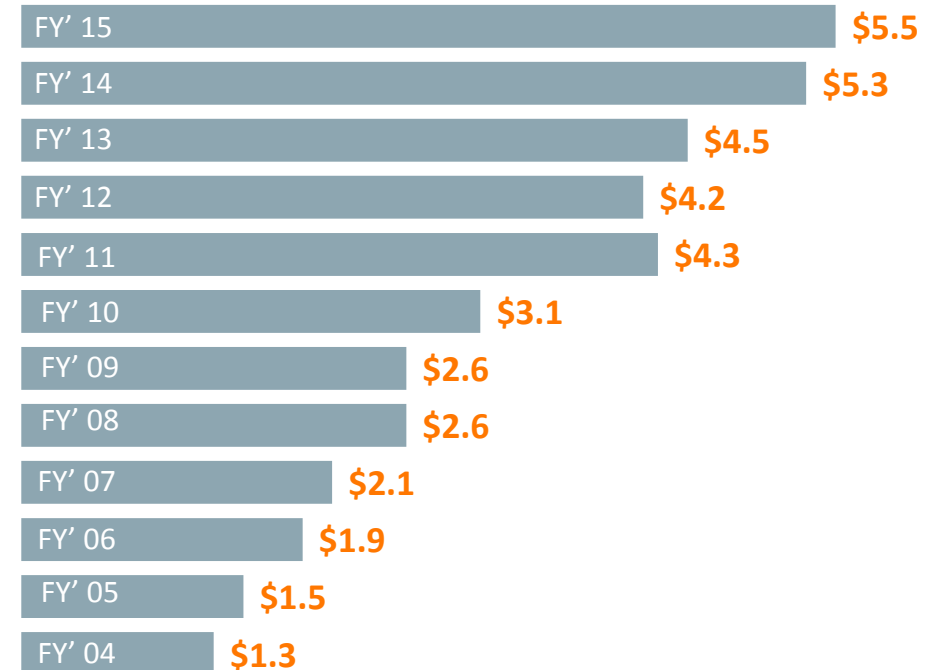
**Non-GAAP basis

Oracle Transformation 1.0

1998

- Autonomous Countries
- Geographic Functions
- Country Infrastructure
- 100s of Instances
- Abundance of Applications
- Inconsistent Processes
- Local Support
- Local Decision Making
- Fragmented Data

Today

- Multi National Corporation
- Global Functions
- Simplified Global Infrastructure
- Global Single Instance (ERP)
- Cloud, Social, Mobile
- Global Processes
- Global Business Services
- Right-time Decision Making
- Information Everywhere

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Oracle's Business Transformation Journey

PHASE I	PHASE II	PHASE III
1998 ●——————● 2003	2004 ●——————● 2012	2013 ●——————● Today

OBJECTIVES

Transform the Business

Transform Oracle to show customers how standardizing on out-of-the-box software can help transform their businesses

Scale the Business

Scale Oracle to provide customers with a complete, integrated portfolio of hardware and software solutions to simplify IT and drive innovation

Digitize the Business

Digitize Oracle to help more customers successfully leverage Cloud and Big Data

Transformation at Oracle

Phase I and Phase II

Operational Efficiencies

Item	Phase I	Phase II
Information Technology Consolidation	US $200M	US $300M+
Selling Process Efficiencies	$550M	$1,600M+
Procurement & Supply Chain Efficiencies	$150M	$300M+
Internal Operational Efficiencies	$100M	$300M+
Total Global Savings	**$1.0B**	**$2.5B+**

Our Strategy

Simplify
One Best Process

Standardize
Avoid Customization

Centralize
Move to Shared Services
or Centers of Excellence

Automate
Make Everything Self-Service

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Transformation Starts with Simplify

> *One of the things I always advise CFOs taking on large change management initiatives is that complexity is the killer of innovation and the more complexity you have in process, in systems, in organizations, in workflow, in how you make decisions, the more time and effort and money you'll spend on maintaining that complexity. That is why simplification is such a critical first step."*
>
> Loren Mahon, VP, Global Finance Systems, Oracle; Member, FEI Committee on Finance and Technology

Modern Finance Best Practices

- Secure an executive mandate for change, starting with the CEO

- Simplify and standardize your environment as much as possible before embarking on a major transformation

- Build an expertise in creating a culture of change management
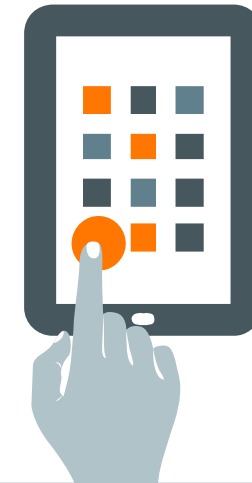
Standardize: Create One Best Business Process
Marry Global Process Ownership with Solution Ownership

Global Process Owner ...
In Business

Evaluate Business Service Center Process

- Use of technology
- Responsibility profiles and organizational structure
- Efficiency, effectiveness, relevance, best practices
- Global headcount requirements

Act as Champion of Global Process and Articulate:

- Strategic direction
- Understanding of global requirements
- Business needs and service level standards
- Key performance indicators and their attainment

Global Solution Owner ... In
IT

Partner With the Global Process Owner

- Global process definition
- Best use of technology

Support Elimination of Complexity and Global Business Services Strategy

- Application support and implementation services

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Centralize in Global Business Service Centers
Define Activity and Do It From Fewer Places at Lowest Cost

Bozeman, US
• Global Cloud Deal Management

Dublin, IE
• Global and EMEA Controllers
• EMEA Rev Rec

Beijing, CN
• JAPAC Deal Management
• JAPAC Credit & Collections

Rocklin, US
• Americas Controllers
• Global & Americas Rev Rec
• Global & Americas Procurement
• Global & N. America Comp Admin
• Global Expense Reporting

San Antonio, US
• N. America Deal Management

Prague, CZ
• EMEA Engineered Systems Deal Management
• EMEA Rev Rec

Bucharest, RO
• EMEA Deal Management
• EMEA Credit & Collections
• EMEA Rev Rec
• EMEA Procurement
• EMEA Expense Reporting
• EMEA Comp Admin

San Jose, CR
• Americas Deal Management
• LAD Credit & Collections

Global

Bangalore, IN
• Global Finance Customer Data
• Global Quoting & Deal Management
• Global Migrations & License Managed Services
• Global Order Management
• Global Project Accounting
• Global Accts Receivables & Cash Applications
• JAPAC Controllers
• JAPAC and LAD Comp Admin
• Global and JAPAC Credit & Collections
• Global Exp Reporting
• Global Purchasing & Fixed Assets
• Global Business Finance – FP&A and Center of Excellence
• SOX

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Reporting Center of Excellence
Standardized, Automated Reporting Supports Finance Partnering

India SSC
Bangalore

197 Countries

Location
- Oracle Global Financial Information Center in Bangalore supports 197 countries

Strategy
- Decommission Excel-based reports and replace with predefined multi dimensional dashboards
- Centrally produce ad hoc reports for "Single source of truth" & efficiency

Results
- Target when established FY15: 90% reduction in manual reports
- By FY17 50% will be automated

Automate for Flexibility and Growth

> *The most common mistake is not building the necessary infrastructure. Many organizations learn about their infrastructure needs as they march along the maturity curve, implementing point solutions as they go. The result is limited integration with their ERP."*
>
> The New Case for Shared Services , EY 2014

Modern Finance Best Practices

- Adopt a modern, technology-enabled set of processes delivered on global standard automation tools, leveraging the cloud strategically

- Speed "right-time" decision-making and performance measures using standardized processes and a strong data governance model

- Enable self-service everywhere
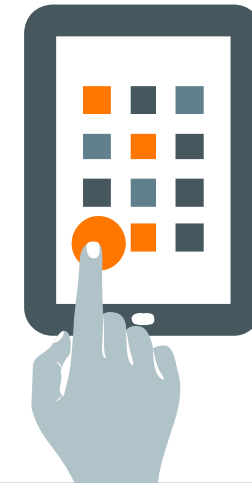
Building a Finance Bench To Influence Outcomes

Identify skills required

Acquire and develop talent

Talent review and career planning

Build flexibility into organization and culture

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Finance Transformation Today at Oracle

LEAP: Leadership, Excellence, Automation, Business Partnering

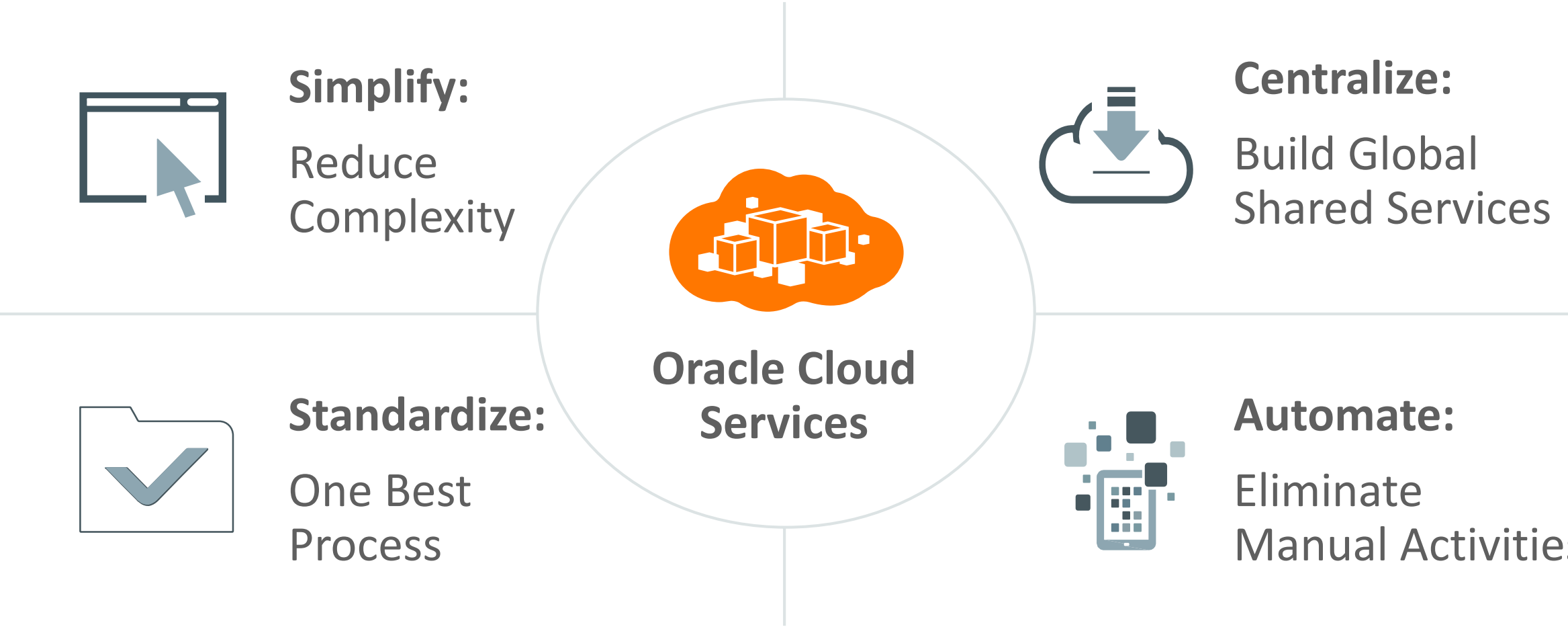**Leadership** – Creating a culture of continuous improvement

Excellence – Driving for efficiency without compromising on quality
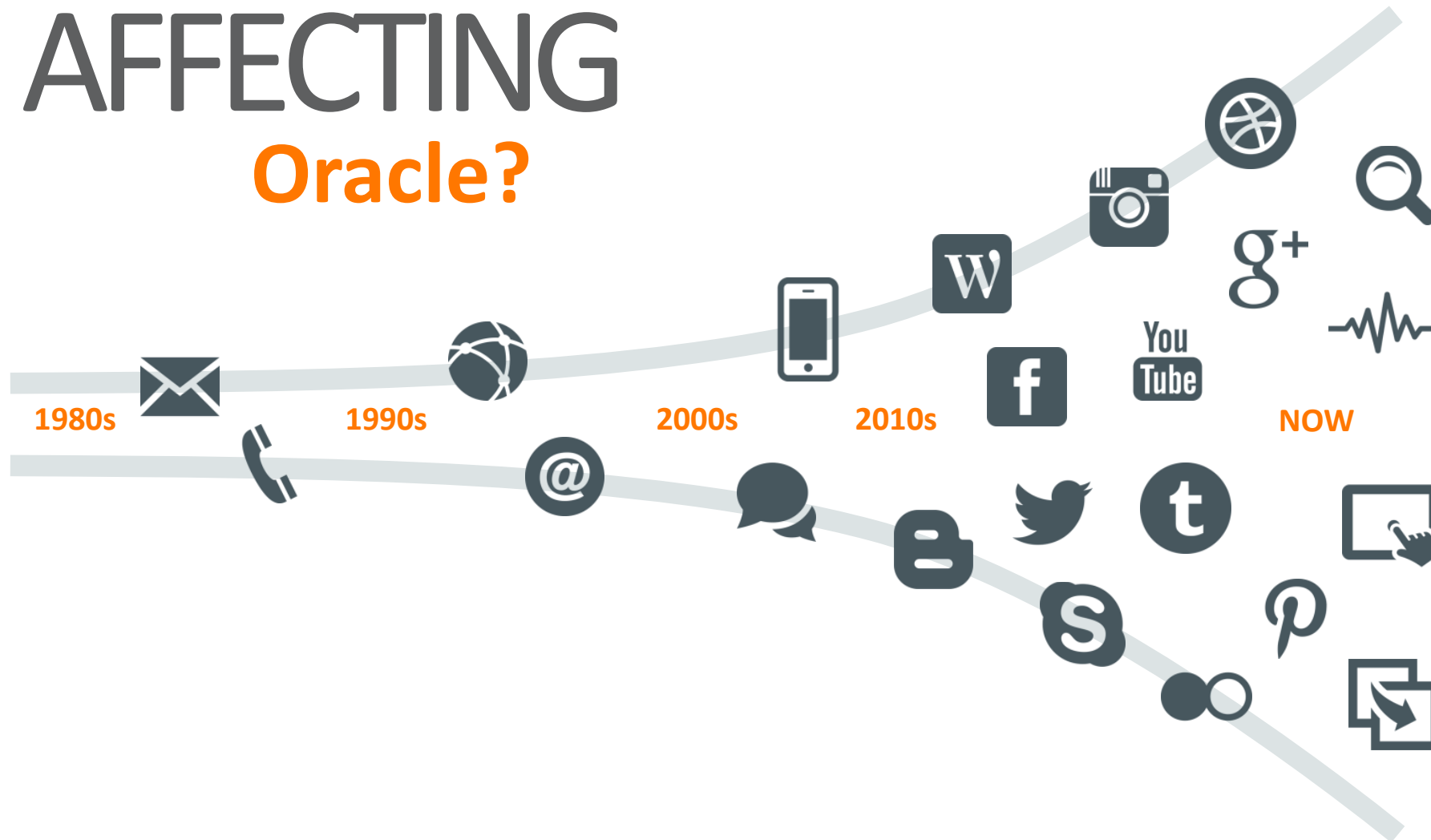
Automation – Harnessing the power of Oracle technology

Partnership with the Business – Ensuring that Finance is at the heart of the enterprise

Finance Modernization: Keys to Oracle's Success

Simplify:
Reduce Complexity

Centralize:
Build Global Shared Services

Oracle Cloud Services

Standardize:
One Best Process

Automate:
Eliminate Manual Activities

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Our Cloud Transformation Strategy

- Develop the leading and most complete set of cloud services

- Become the best company to do business with in the Cloud

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Today's Business Transformation

Focused on customer centricity

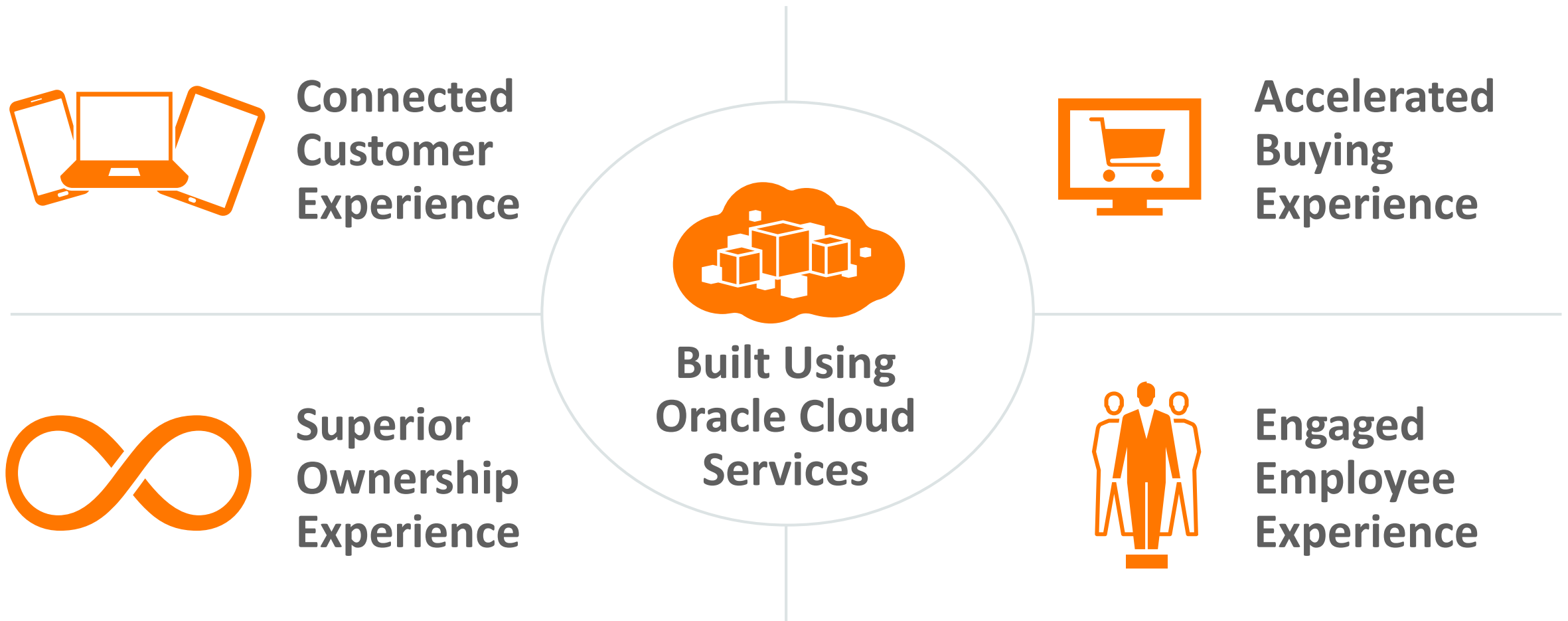**PHASE III**

2013 ●————————● Today

OBJECTIVES

Reach a Billion Customers

- Create a culture of customer centricity as we scale to reach a billion customers worldwide
- Grow and nurture the sales force to focus on customer centricity and customer success
- Deploy socially-enabled, modern CX, HCM, and ERP systems internally to boost productivity and performance
- Invest in organic and acquired innovation to become #1 in cloud services, enterprise software, and engineered systems

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Cloud Transformation: Revamp the Oracle Experience
Become the Best Company to do Business with in the Cloud

Connected Customer Experience

Accelerated Buying Experience

Built Using Oracle Cloud Services

Superior Ownership Experience

Engaged Employee Experience

Keys to Oracle's Transformation to the Cloud

- **Develop the Innovation.** Start with creating what customers want

- **Lead from the Top.** Communicate the imperative to transform

- **Embrace Disruption.** Provide incentives to accelerate the changes

- **Reinvent Systems & Processes.** To match the new business model

- **Execute the Plan.** Stick with it through any volatility

How the Cloud Has Helped Our Business

Improved User Experience

- Role centric UI
- Job specific workbenches

Social and Mobile

- Oracle Social network to drive collaboration
- iPhone based expense submission

Improved Data Security

- User access only to data needed

Streamlined Consolidation

- Reduced the number of steps needed
- Reduced close cycle by 1 day

Process Efficiency

- Simplified HCM processes for job, assignments & comp
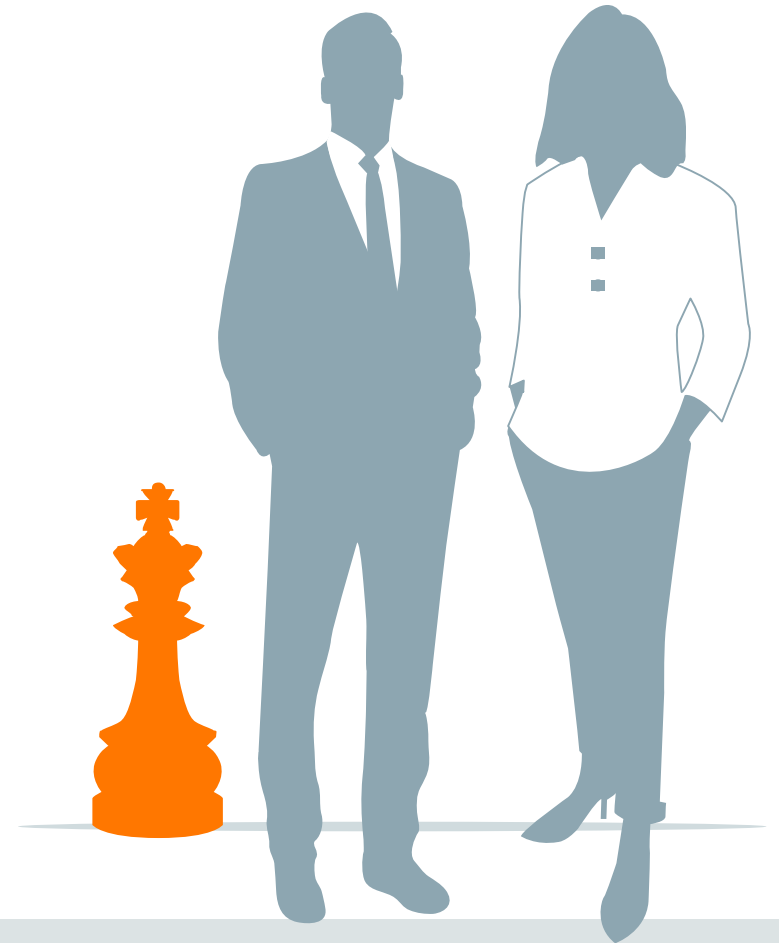- New functionality

Results of Finance Modernization & Cloud Deployment

Lower Costs

Faster Information

Better Customer Service

Strong Internal Controls and Security

Quick Integration of New Acquisitions

Empowered Employees

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Executive Strategies

Drive results through digitization and system modernization

- Secure executive mandate to implement transformation

- Simplify your operations as much as possible before embarking

- Develop optimized global business processes and then deploy using modern systems that follow vendor best practices

- Implement a global business services model that is multi-functional and aligned with corporate strategy

- Transform your customer experience with real-time performance-based metrics

- Empower your workforce with collaborative tools and modern, socially-enabled self-service applications

- Move fast and stay the course

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MOVE FAST

*AND BE WILLING TO **BREAK THINGS***

For more information

https://www.oracle.com/modern-finance

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