



Tech Trends 2020

EMPOWERING THE DIGITAL JOURNEY WITH ORACLE | FINANCE AND THE FUTURE OF IT

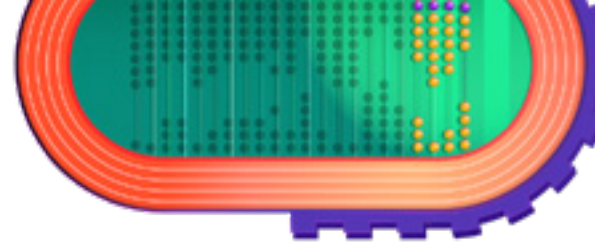
Tech Trends 2020

In 2020, the next stage of digital's evolution welcomes us with the promise of emotionally intelligent interfaces and hyperintuitive cognitive capabilities that will transform business in unpredictable ways. Yet, as we prepare for the coming decade of disruptive change, we would be wise to remember an important point about yesteryear's leading-edge innovations: Architects of the 1980s designed mainframe systems that continue to run and generate business value today. Sure, they're outmoded by today's standards, but how many of us will build systems that run for decades? And how's that for a legacy?

Architecting for longevity and adaptability requires a deep understanding of both today's realities and tomorrow's possibilities. It requires an appreciation for the technology and market forces driving change. And finally, it requires a long-term commitment to focused and incremental progress. Against this backdrop, we present Tech Trends 2020, Deloitte's 11th annual examination of the emerging technology trends that will affect your organization over the next 18 to 24 months. Several of this year's trends are responses to persistent IT challenges. Others represent technology-specific dimensions of larger enterprise opportunities. All are poised to drive significant change.

Finance and the future of IT

As technology strategy has increasingly become a core part of business strategy in organizations, the demand for improved outcomes has grown. To achieve this, we expect to see more IT and finance leaders working together to develop flexible approaches for innovating and operating at the speed of agile. Whether under the name of supporting innovation, defending against disruption, or enabling digital transformation, IT will need finance's support to effectively rethink governance of technology innovation, adapt to Agile methodologies, and secure creative capital. The work of transitioning to new finance, budgeting, and accounting processes that support innovation will not happen overnight. But there are strong incentives for both CIOs and CFOs to find ways to effectively fund innovation. Some companies are already embracing this trend and are exploring possibilities. They are at the leading edge and will likely be the first to enjoy the competitive advantages that come when finance funds innovation at the speed of agile.



Empowering the digital journey with Oracle

Digital transformation, user expectations, and data-intensive algorithms continue to put pressure on core systems in the front, middle, and back office. At the heart of Oracle Cloud transformation is the need for core modernization to address these pressures. Whether through digital finance, a real-time supply chain, or a customer relationship management system, an Oracle Cloud strategy can help to digitize key business processes while minimizing technical debt. Today, in many cases, Oracle Cloud transformations are co-sponsored by the CFO and the CIO to enable tight alignment across:



FUNDING:

Increasingly, funding for core modernization is not all-consuming. Accordingly, companies often require a transformation roadmap and funding methodology that balances the need for digitizing core business processes with the need for investing in disruptive marketplace innovations. This points to a “capacity-based” approach in which companies fund teams and value streams rather than projects and cost centers. Through a balanced, capacity-based approach to funding, organizations can make robust, well-rounded investments in innovation to address business priorities, while simultaneously implementing a core-modernization strategy.



VALUE REALIZATION:

A disciplined approach to value capture and measurement is necessary for any successful transformation. Organized under a value realization office, this approach should engage business owners in identifying concrete steps to creating value with new digital capabilities. It should also engage them in determining metrics for measuring desired outcomes, such as new revenue streams, margin improvements, cost reductions, organization consolidation, outsourcing, etc.



DIGITAL ECOSYSTEM PARTNERING:

A savvy vendor management office is more important than ever in cloud, since strong partner relationships are needed to drive co-innovation (e.g., product design and industry-specific capabilities); joint investments (e.g., vendor subsidy and pilot capability testing and adoption); and a viable OPEX-CAPEX strategy that accommodates budgeting constraints.

By aligning on these agile tenets, CFOs and CIOs can jointly establish a flexible, collaborative transformational agenda that continually balances the funding between digital innovation and ongoing operations. They can also take greater advantage of the inherent benefits of cloud models. For instance, when a company attains critical mass in running its core business processes on Oracle Cloud, the potential for adopting innovative capabilities expands with each quarterly release. This accelerating stream of new capabilities can be prioritized and sequentially enabled through a capacity-based funding approach. Overall, these strategies can drive agile adoption of capabilities at an increasing pace, provide the flexibility to adjust course, and incentivize the business to leverage the delivered digital capabilities to realize measurable value. Savvy sponsors are educating and aligning CEOs and Boards on this operating model and demonstrating its benefits in order to gain and sustain long-term commitment from company leaders.

Oracle use case

In support of the CEO’s business strategy, a leading industrial distributor launched its first business transformation effort co-sponsored by the CFO and the CIO. Through this effort, which took a capacity-based approach to funding, the company outsourced its legacy IT infrastructure and redefined its IT operating model to a cross-functional, value-chain-based team. It also rationalized its global book of work and redirected the savings to three top, enterprise-wide, innovation and transformation initiatives. Each initiative had a targeted capability-enablement plan to help the business functions to reduce costs, improve margins, or increase revenues, with value capture measured according to agreed-upon metrics.

The Oracle Cloud roadmap was selected as one of these three top initiatives. The roadmap called for a significant global foundational capability to be delivered first, followed by agile capability roll-outs at increasing frequency and ongoing innovation to existing capabilities to be delivered through quarterly updates. This agile approach allowed the CIO and CFO to correct course and reprioritize as needed without material cost implications.

In addition, the organization leveraged the partner ecosystem by co-innovating with select cloud software providers. This included jointly designing best-in-class, industry-specific capabilities and creating a plan to pilot them. Furthermore, by taking a long-term approach to these relationships, the organization secured joint investments from its chosen partners, which will help leaders to manage the budget and navigate OPEX-CAPEX constraints over several years.

In planning for this transformation, the co-sponsors, along with the CEO and the Board, weighed the costs and benefits against the risk of doing nothing in an increasingly competitive market and a disrupted industry. Ultimately, they decided to commit long-term to the critical mission of innovation as well as to adopt the flexible portfolio-management and funding processes needed to sustain the transformation. Supported by a strong collaboration between Finance and IT, the company is making inroads in advancing an agile mindset, which will propel it towards its ultimate goal of becoming a digital organization.

Talk to us about Tech Trends 2020

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