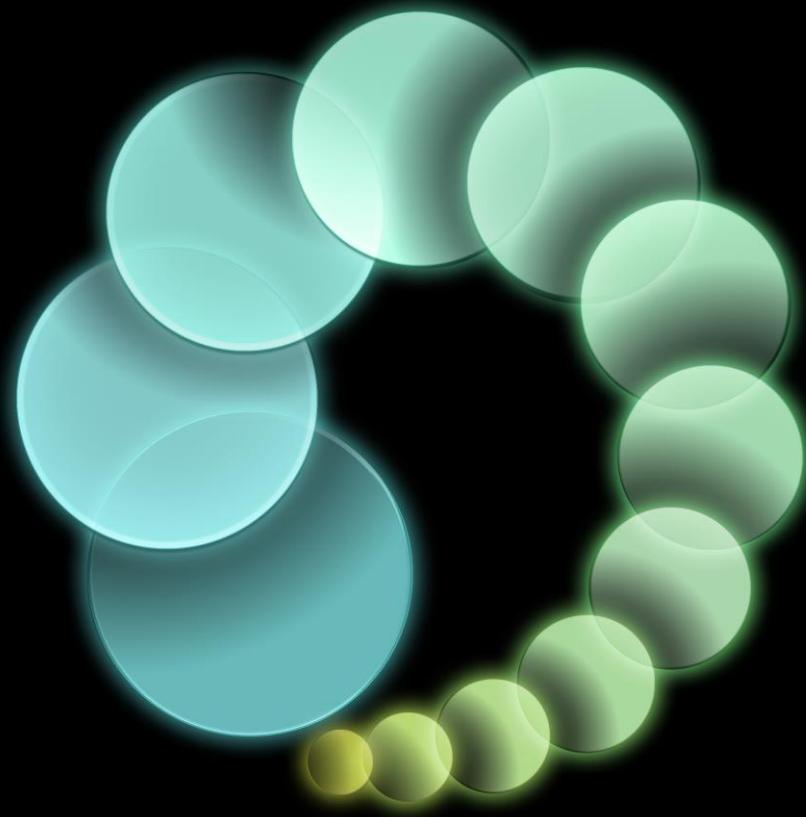


Deloitte.



Deloitte Finance Club

10 July 2018

Deloitte.



Digital Trends in Finance

CFO – Centre for Optimisation

How the finance function is evolving to
take advantage of digital disruption



The changing role of Finance

Today Finance is spending 56% of their time on Steward and Operator roles, as compared to helping to shape and enabling business strategy to driver shareholder growth.

22% → 31%

More focus on partnering the business and providing the insights to drive commercial outcomes in the key moments that matter



27% → 17%

Safeguarding the assets of the company and enhancing control through embedding automation and providing earlier predictive warnings about possible financial risks and control failures

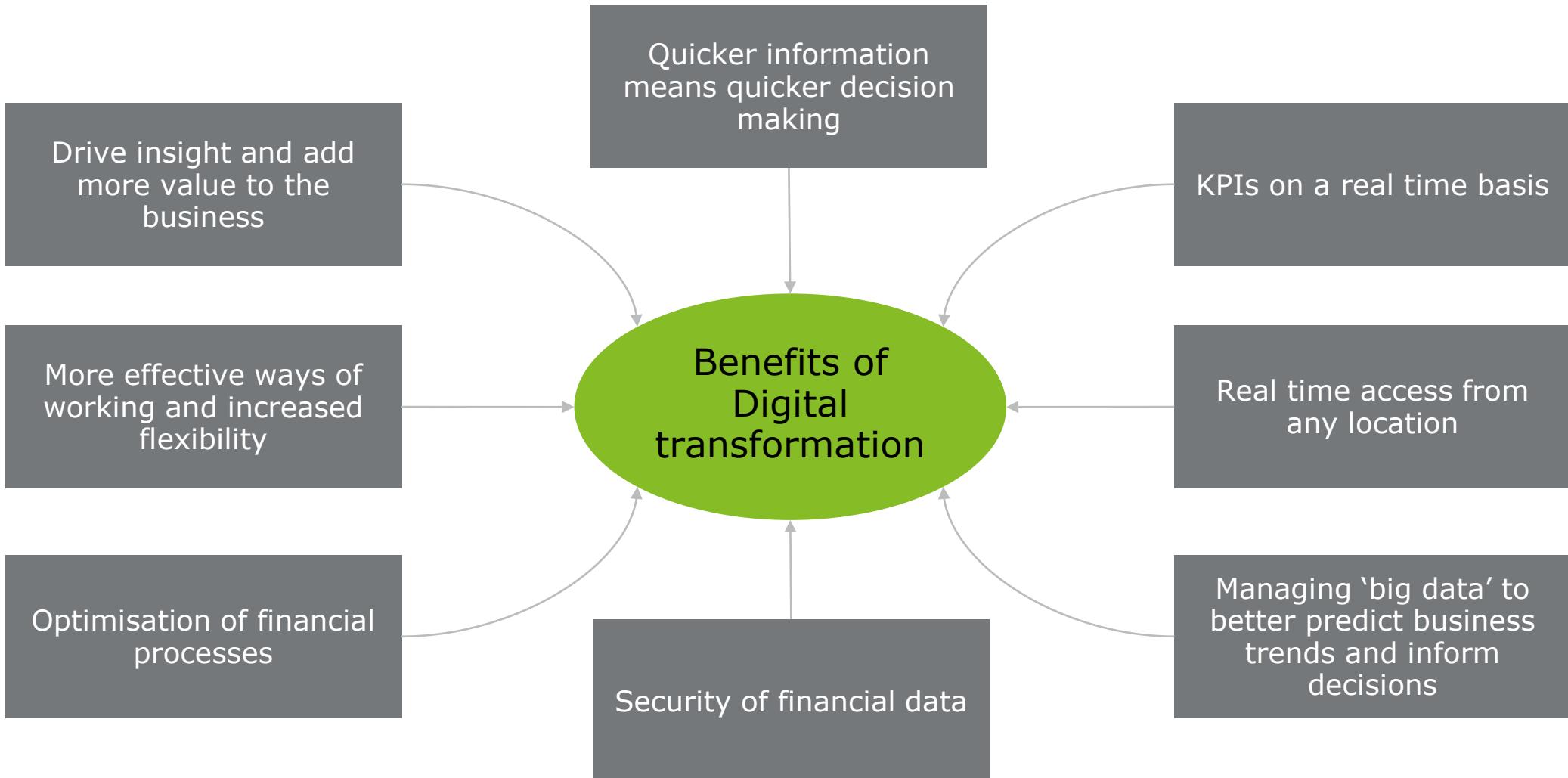
22% → 33%

Increasing time spent helping guide and steer the business to make the right strategic choices in response to increased uncertainty (for example investment decisions)

29% → 19%

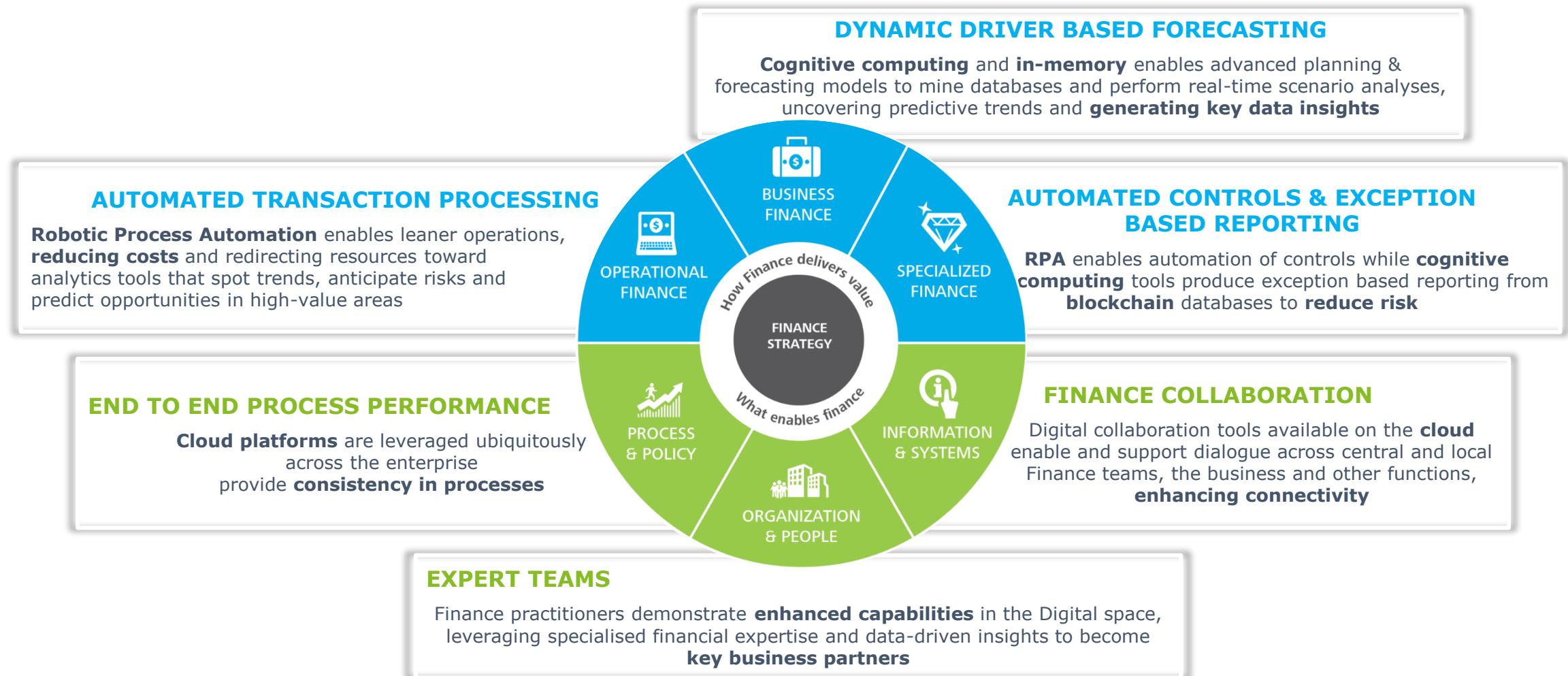
Driving greater efficiency and effectiveness in core Finance operations through leveraging automation to free up time to focus on more value adding activities

Why Digital should be on a finance leaders agenda



Digital technologies will radically transforms how Finance delivers value

Digital Finance is the next generation Finance ecosystem that utilises disruptive technology, innovation, data, and people to elevate and differentiate the capabilities of the Finance function



In order to realise full potential from "next gen" opportunities, CFO's are recognizing the need to adapt Finance's roles, capabilities, and competencies

CFOs Outlook On The Changing Landscape of Finance

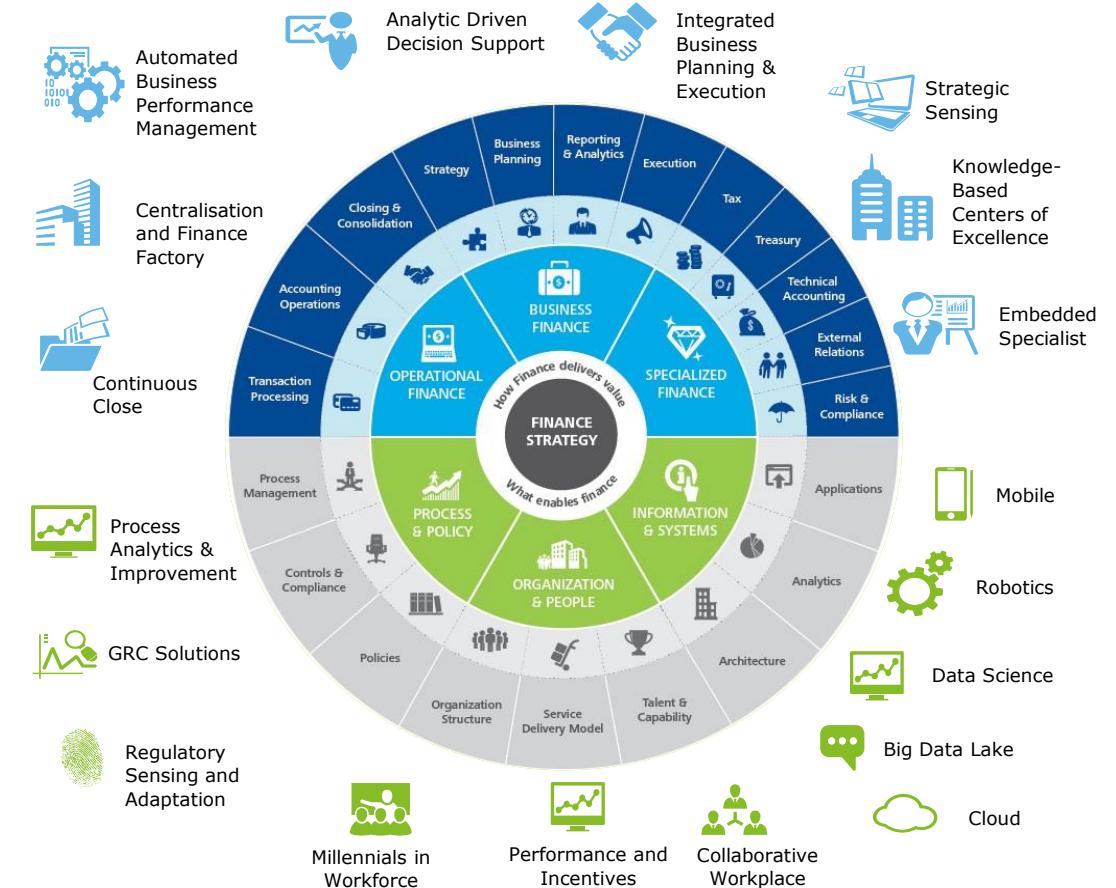
Shifts in Role

- CFOs indicate a bias toward **revenue growth over cost reduction**
- Top internal concerns include **suboptimal business strategies** and poor execution against chosen strategies
- 83% of organizations want to **increase time spent on Finance Business Partnering** over the next three years

Shifts in Capabilities and Competencies

- 57% of organizations believe that their **financial, reporting, and analytics platforms** are a barrier to Business Partnering
- CFOs expect future **shortages of leaders**, innovators, and business developers
- More than 70% say insufficient consultative, partnering, analytical, and **technical skills** have been an issue
- c.66% say **outdated roles**, value propositions, and recruiting mechanisms have gotten in the way
- c.80% of CFOs say they have planned for **generational shifts**
- Concerns about **cyber security** have risen dramatically as cited by 45% of CFOs

Next gen opportunities in a digital world



Two scenarios for the future of finance

We are in year 2022...

Scenario 1

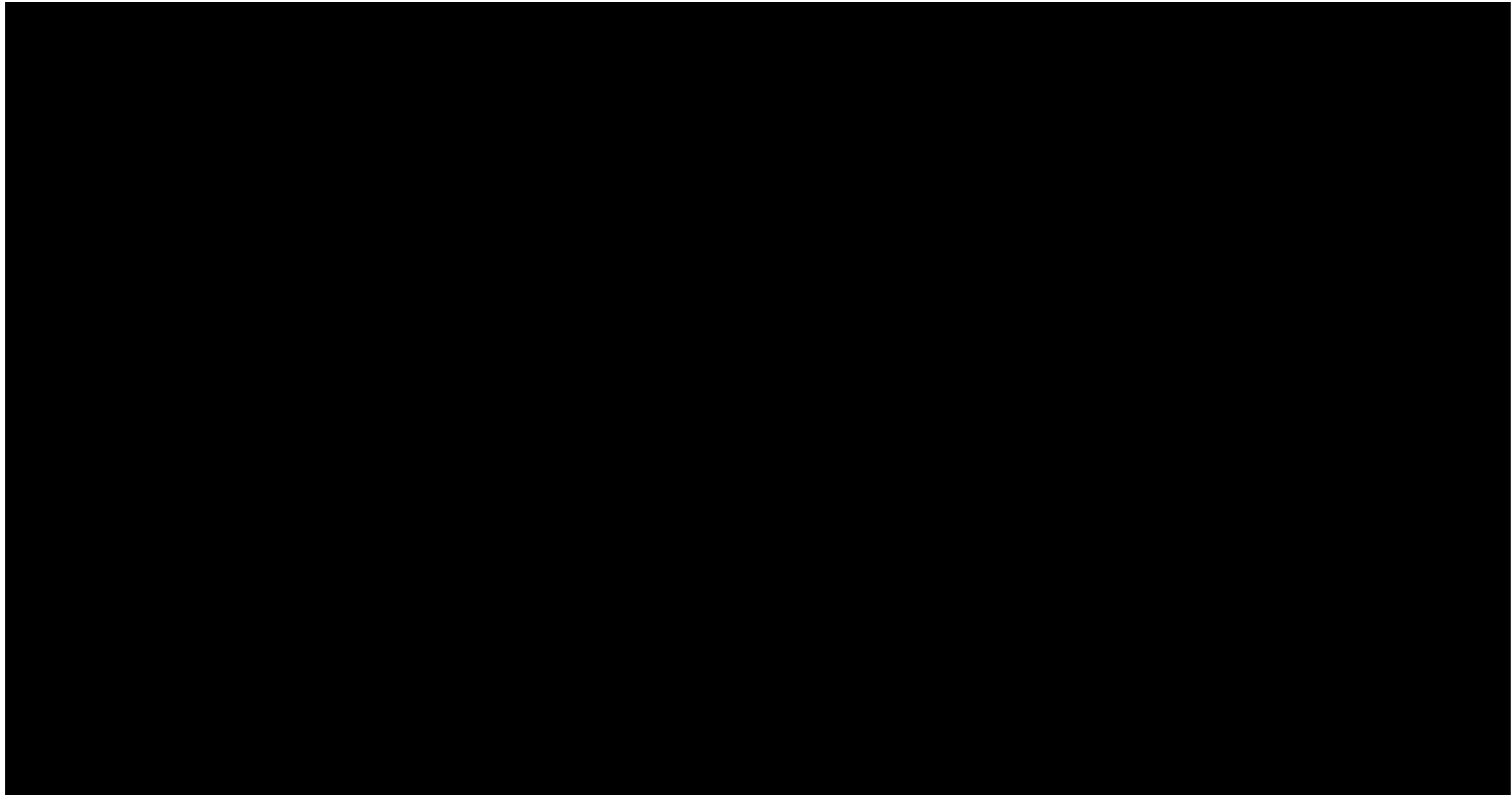
Finance as a division has significantly shrunk. The function consists of a small team of specialists for topics like IFRS, tax, compliance, regulation etc. In many areas, standardisation and automation have taken place. Business decisions are made from information derived by operational functions.

Scenario 2

Finance is the co-pilot in the context of strategic development and appreciated as a business partner for operational functions. The function focuses on cross-functional and interdisciplinary co-operation. New skills in analytics have been built up and used successfully.



Video: Finance has a decision to make.....



What could the future look like for Finance?

Many Operational and Specialized Finance processes could be centralized into “Finance Factories” and CoE’s powered by Cognitive and RPA capabilities

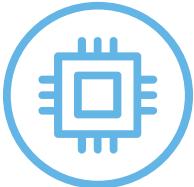
Operational Finance.....

Blockchain



- Increased transparency to all transactions via the distributed ledger

RPA



- Reduced labor required across all routine financial transactions

Cognitive



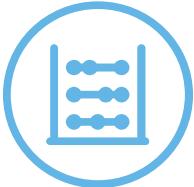
- Enables identification, recovery, and reduction of overpayments in high volume, complex transactional data environments

Cloud



- Faster execution of transactional processes such as A/R, A/P and Travel & Expenses

In-Memory



- Shortened close cycles and reduction of reconciliations / data entry through single platform implementation

Specialized finance future....

- Allows for “distributed validation” where audit is no longer required as transactions are independently verified via network

- Automated controls / compliance monitoring by coding controls into “bots” prior to performance of repetitive rule-based tasks

- Allows for integrated accounting and transaction solution
- Cognitive risk sensing

- Allows for flexible, unified ledgers that are updated in real time

- Increased efficiency through the interpretation of rulesets

Commercial finance future....

- Improved quality of information made available for strategic decisions
- Enhanced budgetary controls enabled by increasing reliability of financial data and transparency into how money is spent vs. budget

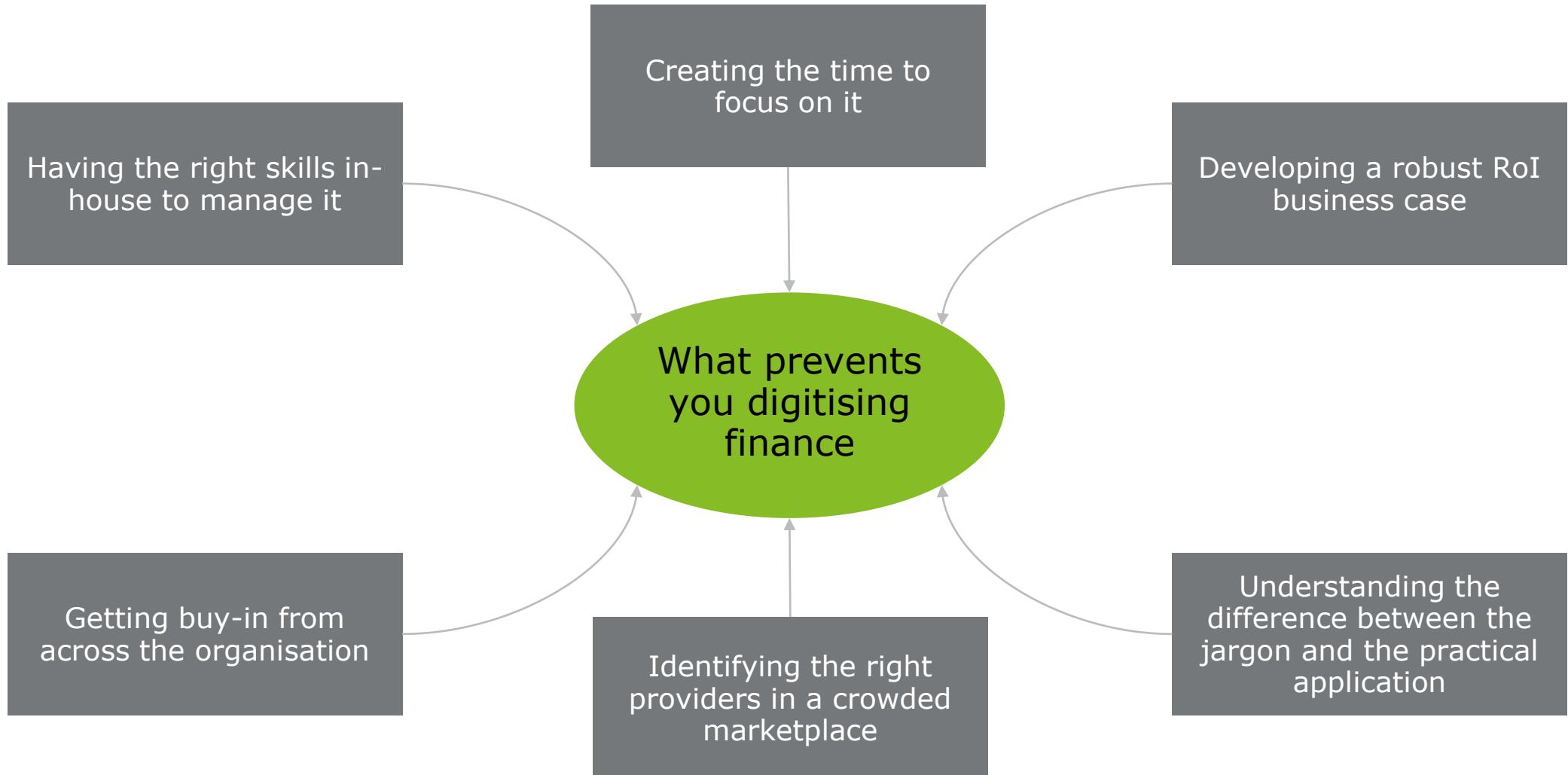
- Automated financial analysis through next-gen software robots that utilize machine learning technology to deepen analytical capabilities of “bots”
- Increased breadth of available financial data available for decision making

- Uncovered patterns in financial data using prescriptive analytics to expedite decision making and enhance planning / forecasting
- Stacks information from across corporate financial performance, managerial reports, external analyst's assessments, and regulations using cognitive systems to create a holistic financial analysis

- Enables move from point analysis to an industrialized solution that allows for deeper/richer analytics
- Enhanced customer profitability analysis through a shared view of all customer activity via shared objects on the same platform

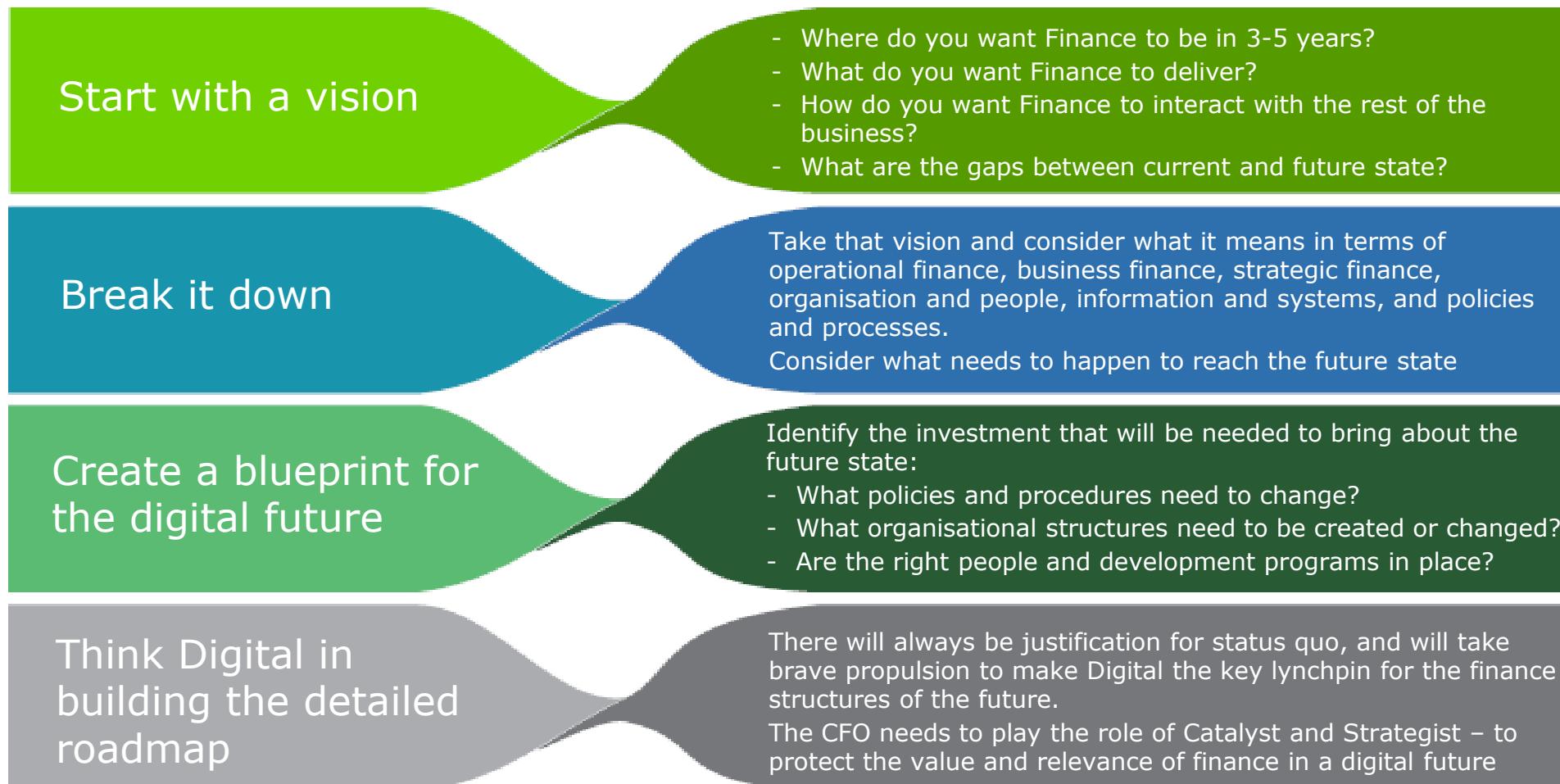
- Real-time processing of transactional and analytical data on a single in-memory database
- Decreased time to run plans, forecasts, and reports from hour(s) to second(s)

Challenges and Blockers



What next?

Getting started on a journey is a binary moment, moving from static to dynamic. There is no generic answer as the launching pad will vary according to organisation digital maturity and risk appetite. However, finance leaders may use the following to prepare the ground:





Driving efficiency within Operational Finance

BlackLine showcase

- ERP
- General Ledger
- Sub-Ledger
- Close tasks
- Intercompany

Existing Processes

- ✗ Manual account recs
- ✗ Manual transaction matching
- ✗ Spreadsheet based variances
- ✗ Email / spreadsheet documentation
- ✗ Recurring Close Task Management



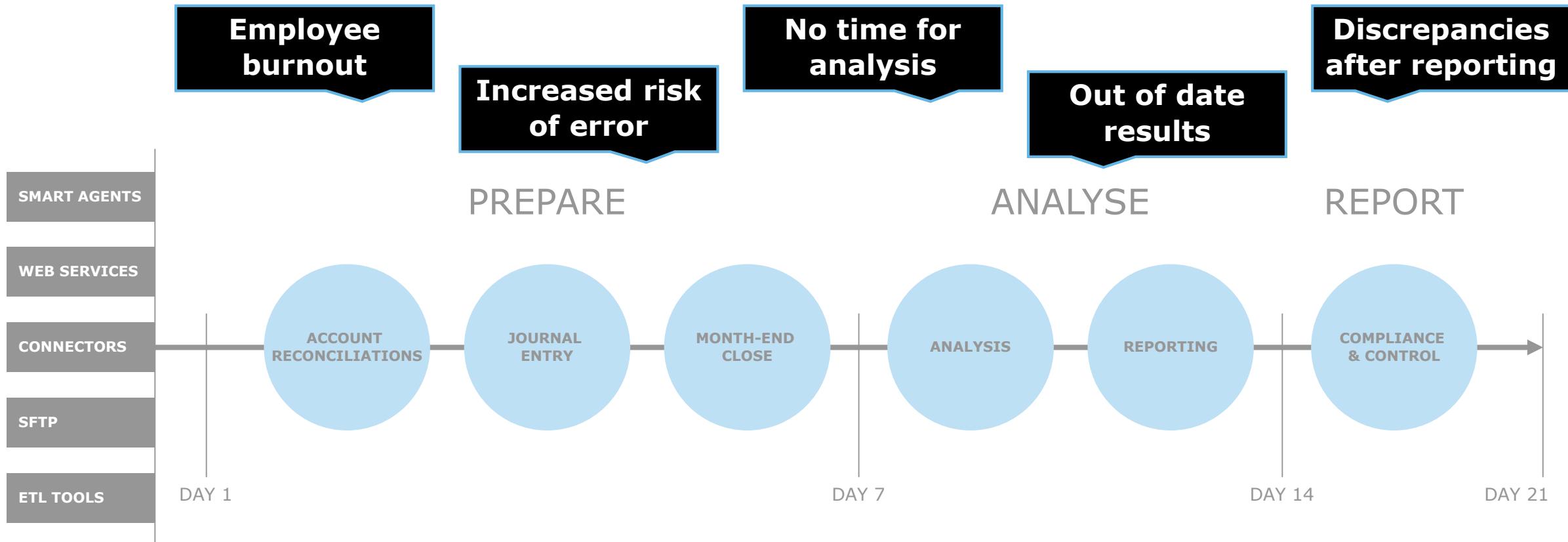
BLACKLINE

An SAP-Endorsed
Business Solution

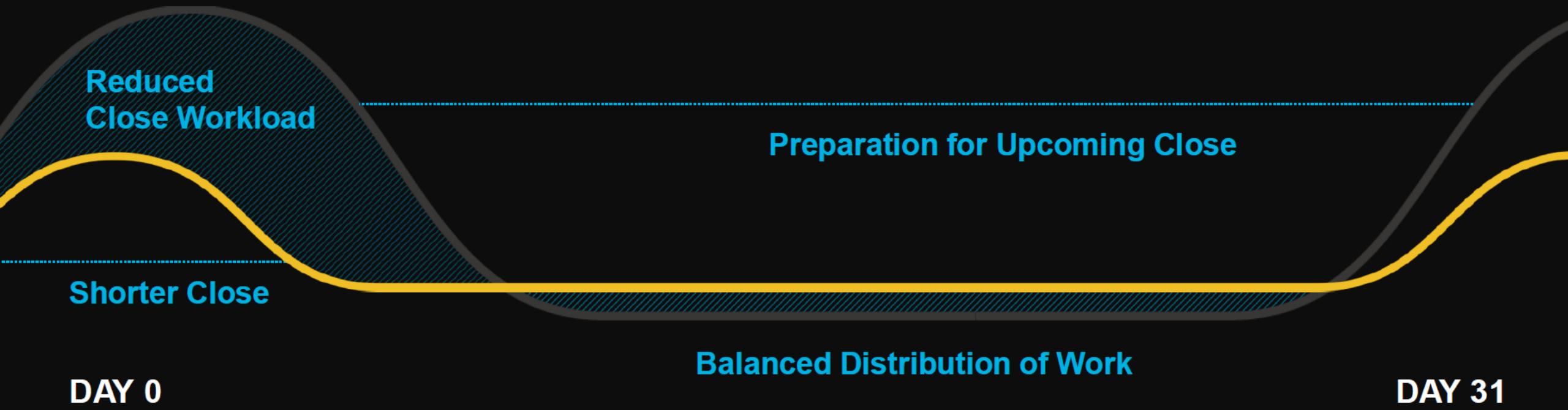
- Account reconciliation
- Auto-Transaction Matching
- Automated/Recurring Journals
- Embedded Workflow Mgmt.
- Controlled Document Storage
- Non-SAP sources

- Consolidation
- Disclosure
- Planning
- Reporting

The **conventional record-to-report model** condenses a huge amount of work into a short span of time and **delays data processing and reporting** until the end of the period



Continuous accounting embeds automation, control, and period-end tasks within **day-to-day** activities, allowing the rigid accounting calendar to more closely mirror the broader business



BlackLine

Continuous Accounting Platform



Account Reconciliation

Streamline the financial close by simplifying the account reconciliation process with automated, rules-based workflows with embedded controls, and touchless certification



Intercompany Hub

Transform intercompany accounting by creating one global, centralised repository for initiation, validation, approval and reconciliation of intercompany transactions



Task Management

Improve visibility and execution by centralising close tasks, establishing dependencies and accountability, and enabling real-time dashboard reporting of global close status



Journal Entry

Automate manual journal initiation, approval, and posting with a transparent audit trail and native integration with reconciliations and tasks



Consolidation Integrity

Reduce risk of reporting errors by automating the agreement of consolidated financials to underlying, reconciled ledgers



Variance Analysis

Discover discrepancies and fluctuations in balances quickly through automated alerts and timely notifications when further action is required



Smart Close

A native solution for SAP. Automate SAP tasks, job scheduling, execution, monitoring of close tasks, and outcome verification and escalation...a robotics-led approach to the close

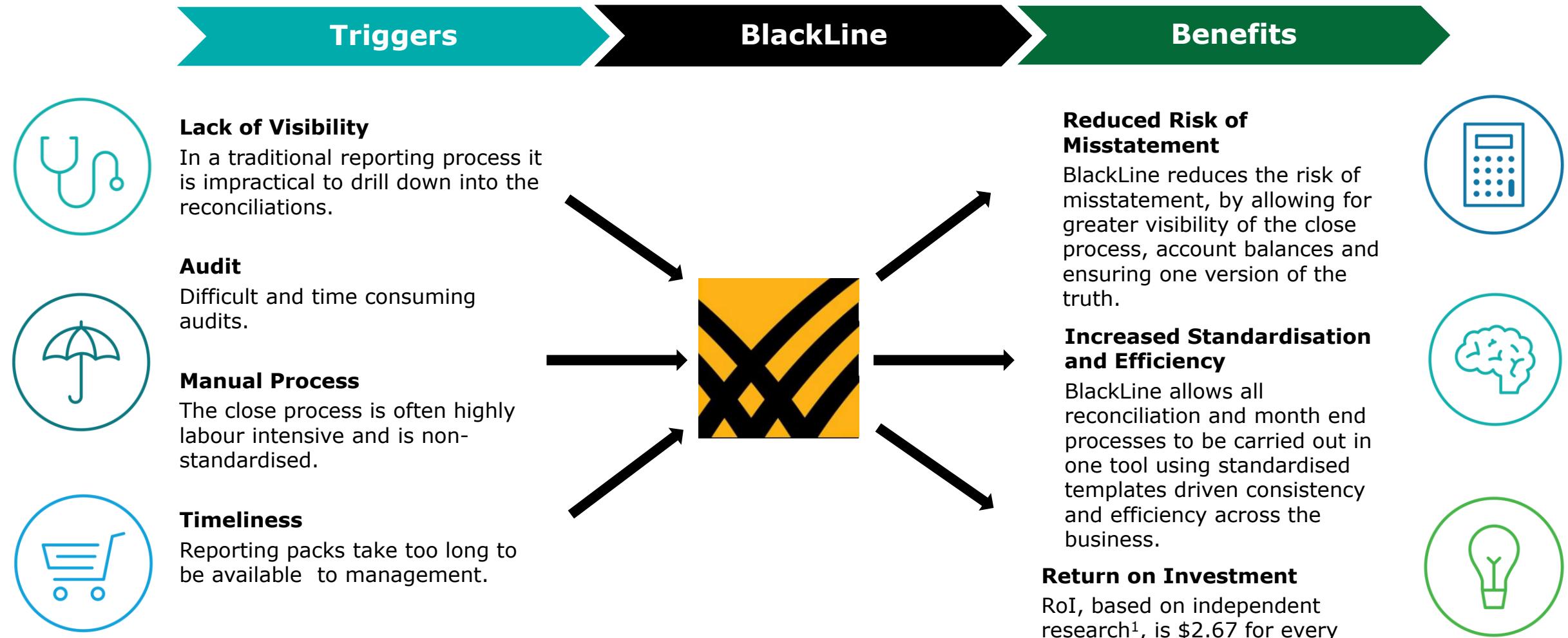


Transaction Matching

Match and reconcile high-volume data across multiple systems and datasets with business rules to rapidly identify and resolve or explain exceptions

Remediating common financial close challenges

Triggers to explore BlackLine



¹Nucleus Research – Enterprise Applications, Document R137, July 2017

Blackline Demo

A close-up photograph of a man's face, focusing on his eyes and nose. He is wearing a pair of futuristic-looking VR goggles. A digital interface is overlaid on the image, showing a circular progress bar with a colorful gradient (blue, green, yellow) and a small digital cube or sensor attached to his temple. The background is blurred, suggesting a high-tech environment.

Commercial Finance

Key trends

"The world has become a vastly more volatile, uncertain and complex place compounded by the growing force of Digital disruption and exponential technologies. Experience and intuition is still valuable but no longer sufficient. Decisions that work for one business do not guarantee success for another; nor will a good outcome yesterday always translate into a good one tomorrow. The consumers path to purchase and company value chains are increasingly complex, blurring functional lines and driving the need for convergence.

Its time to re-write the rulebook on commercial finance decision-making."

What Keeps CFOs Up at Night?

CFOs' concerns illustrating the **breadth of their challenges**

from the CFO Program's regional **CFO Forums**, 1,500+ CFO **Transition Lab™** sessions globally, and **Global CFO Signals™** report



78%

believe that their organization needs to improve both how they **evaluate smaller projects across business units**, and **big capital investments** that do not come often

75%

believe that the **dominant constraints for growth** are **internal** (organization structure, siloed behaviors, culture, inefficiency, etc.) and not external ones

61%

say that **using data analytics to make business decisions** is a top influence on their strategy, and 52% say that the **shift toward digital businesses** is a top influence

60%

say there is room for improvement in their organization's ability to **identify and manage strategic risks**

8%

state that their organization has been highly effective at implementing **process improvement measures**

Sources: Global Signals 3Q17; Deloitte Dbrief webcasts 2016, in which polling survey results were collected from over 10,000 finance executives and managers



Mega Trends

Sustainability & Mobility

- Enhancing livelihood
 - Sustainable resourcing
 - Small scale distributors
- Health & Well-being
 - Product content
 - Employee health
- Environmental impact
 - Renewable energy
 - Total manufacturing waste
- Sharing economy
- Connected homes, cars and cities

Exponential Tech



Human vs. Machine....

- Artificial Intelligence
- Prescriptive analytics
- Cognitive and Natural Language Processing
- Machine Learning
- Robotics Process Automation
- Chatbots
- Neuro Science

Price pressures

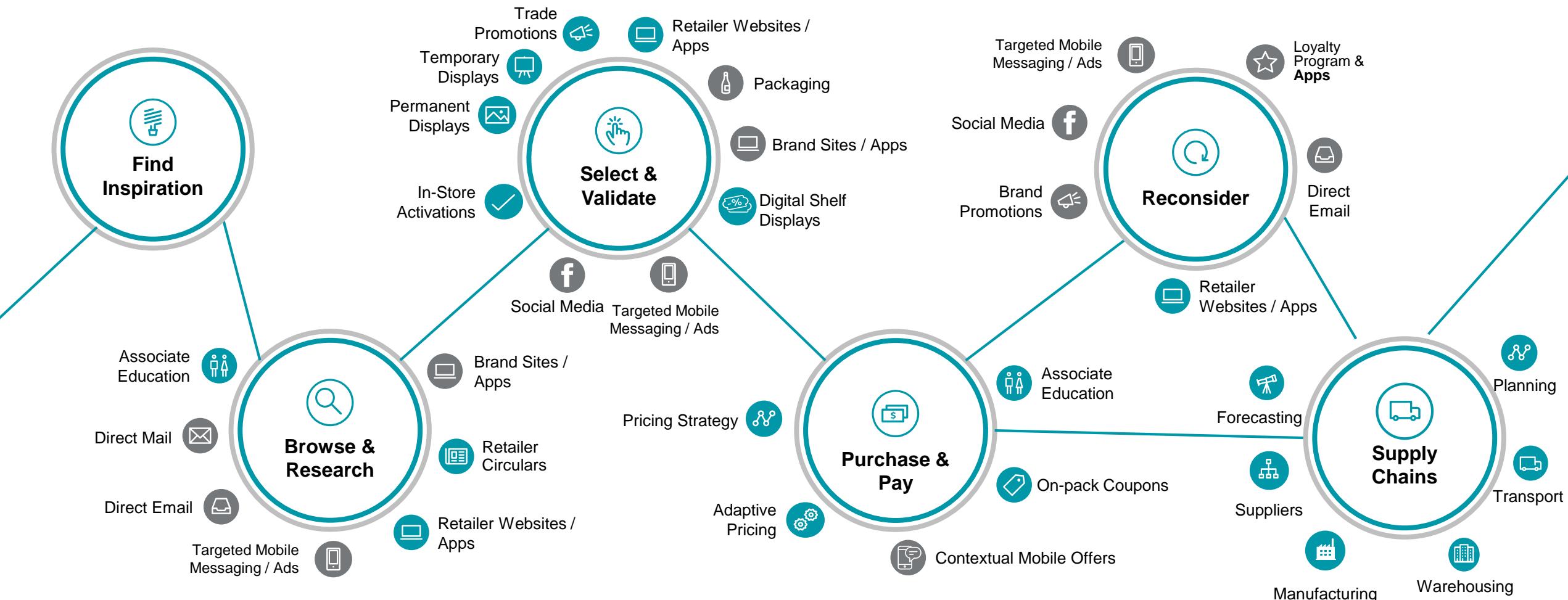


- Increasing commodity prices through:
- Scarcity of resources
- Increasing prices in source countries
- Increased customer expectations
- Hyper competition

Connected Consumer

- Always on....
- Different shopper experience and information through:
 - E-commerce
 - M-commerce
 - Multi-channel
- Path to purchase is no longer linear.....its now connected, digital and frictionless

The path to purchase is no longer linear and value chains are becoming increasingly complex.....



Organisations must take an end-to-end view of how commercial investments are used to engage the consumer across the entire path-to-purchase

....which is blurring lines and driving convergence and a need for value chain thinking

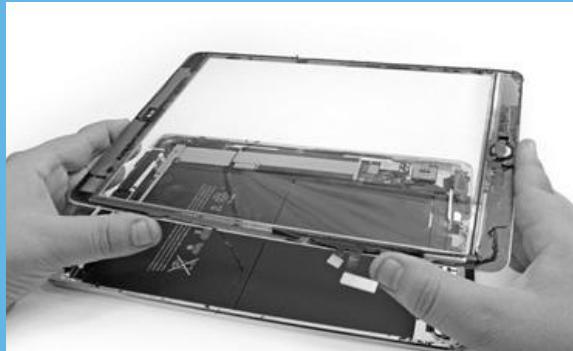


Digital and Analytics capabilities are accelerating at an EXPONENTIAL rate....

"Technology is a resource LIBERATING force, converting scarcity into ABUNDANCE!"



"The most ADVANCED TECHNOLOGIES become INVISIBLE"



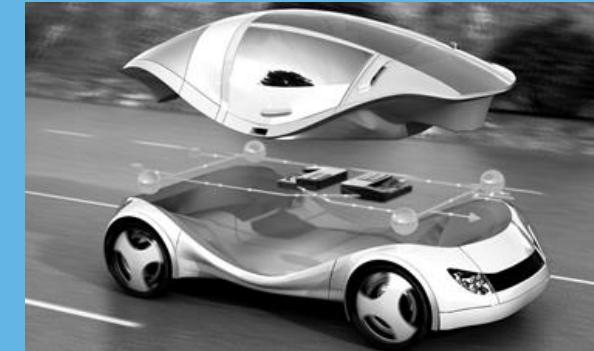
"ALL JOBS can be automated – Except YOURS of course –"



"ROBOTICS PHD's 10 years ago were doing things what your 5 YEAR OLD can do today"



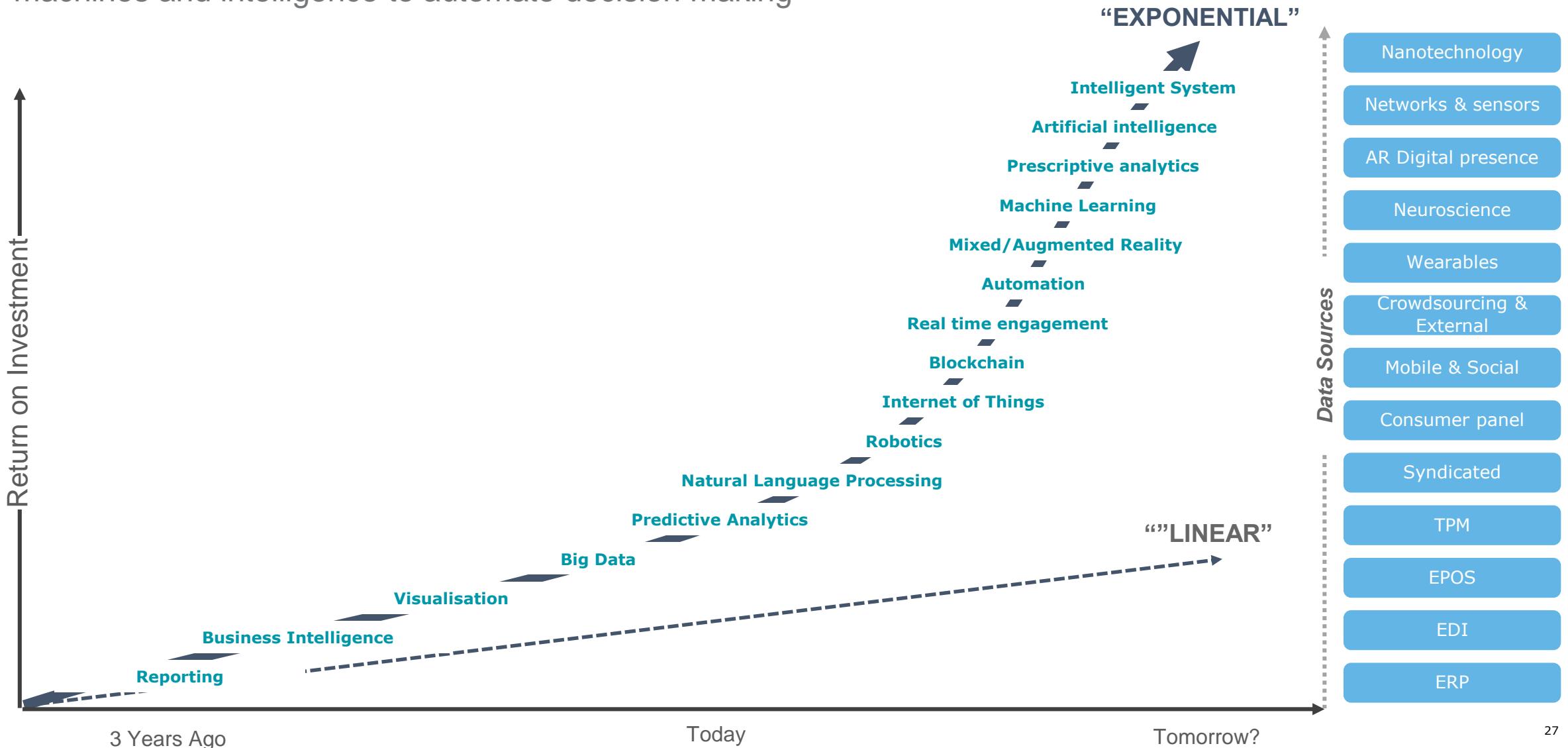
"Cars are becoming SOFTWARE"



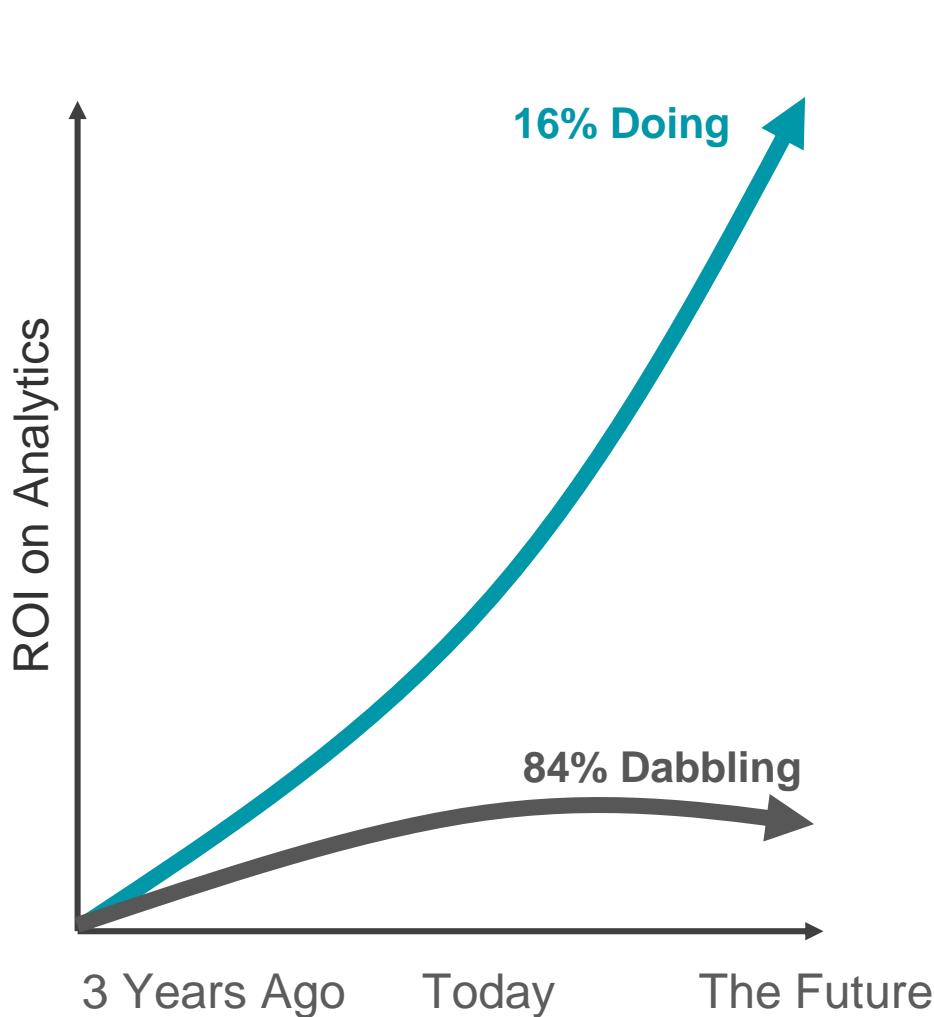
"By 2020 it will be CHEAPER to sequence a human genome than it will be to FLUSH YOUR TOILET"

Exponential technologies and analytics are also being used to drive measurable value

Organisations are embracing exponential capabilities combining machines and intelligence to automate decision making



Yet....Many organisations are still “Dabbling”



Dabblers

“Uses limited data to make decisions, often fragmented, pockets of excellence, no scale”

Doers

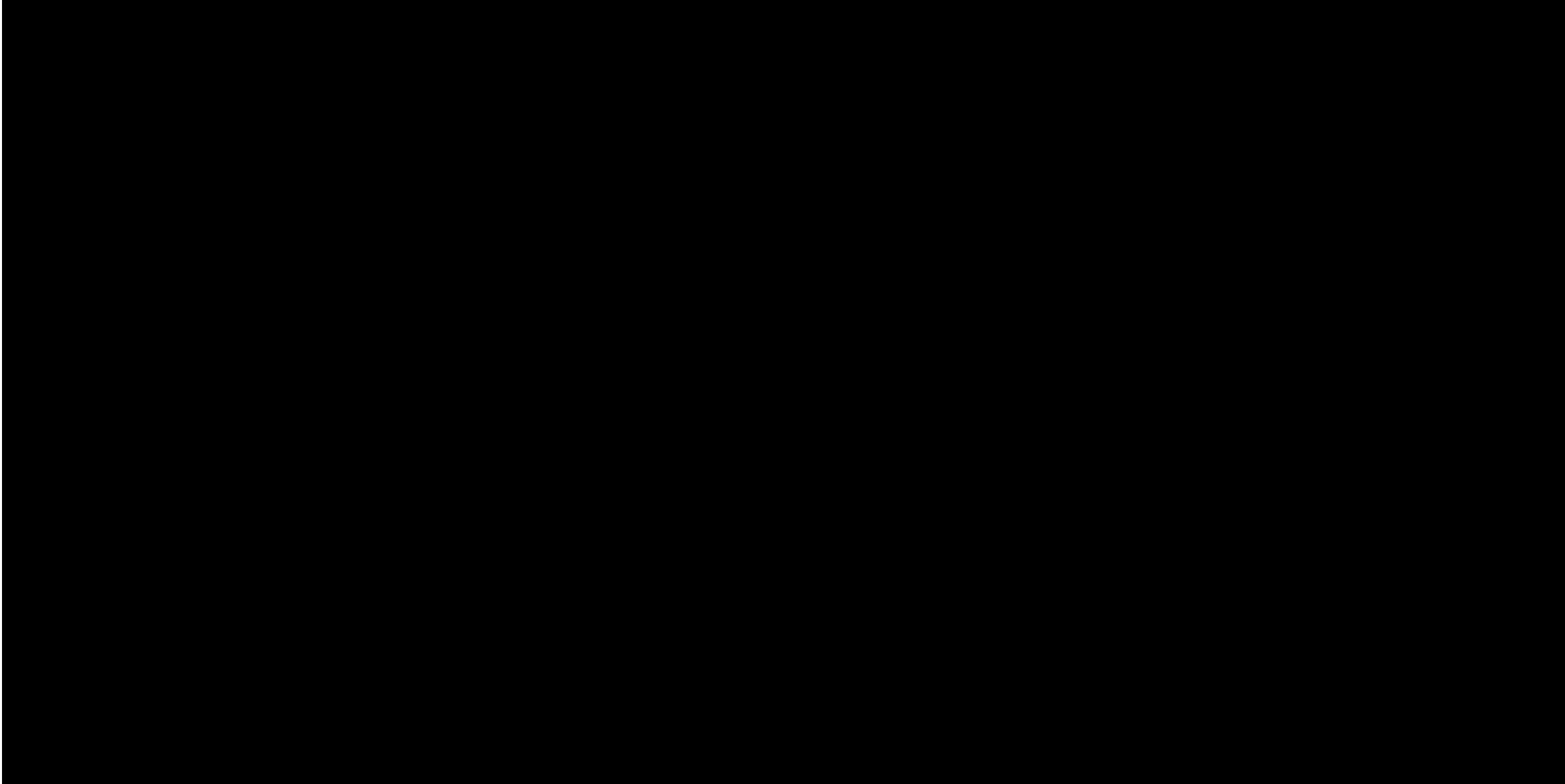
“A disruptor - Institutionalised strategic and tactical decisions making (at scale) leveraging exponential technologies ”

‘Doing’ respondents are
53% faster to insights
38% better at course correction
... as compared to ‘Dabblers’

And **70%** of ‘doers’ plan to invest even more in analytics in the future

Source: Deloitte “Dabbling to Doing” Study

Video: Becoming an Insight Driven organisation - Integrated finance business partnering...



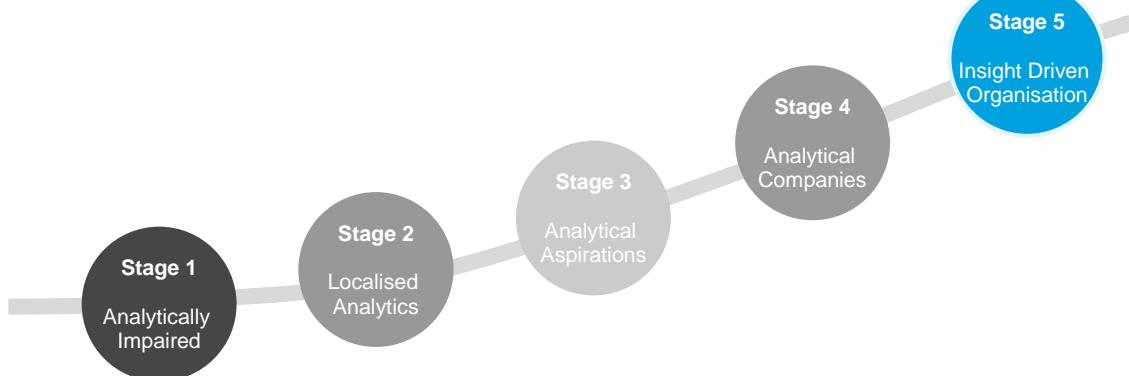
Becoming an Insight Driven Organisation (IDO)

With the volume of data available to organisations, both internally and externally, they can easily get caught up in the processing of data analysis and loose sight of improving the decision making process.

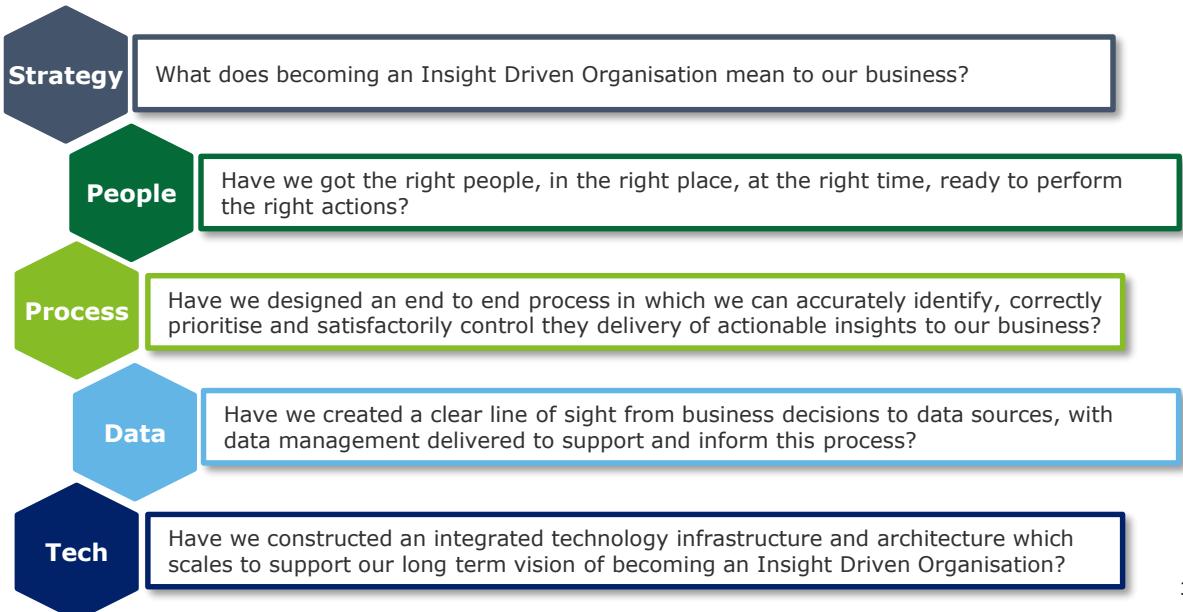
An Insight Driven Organisation is one which embeds analysis, data and reasoning into their decision making processes, they do not view Analytics as a project with a start and end date. IDOs see analytics as a core capability across their organisation to provide insight to support the decision making process; to tackle their most complex business problems; and to address the growing analytical trends.

In addition, through asking the right questions and the application of more advanced analytical techniques, decision making processes can be made more efficient, focusing human input on making decisions and acting on them, rather than collecting and analysing data

Where are you on the maturity curve?



IDO components



Becoming an IDO

Examples

Strategy:

Examples

- 1) Start with business issues
- 2) Create alignment at executive level
- 3) Plan your approach in bite-size pieces
- 4) One size does not fit all
- 5) Design thinking needs to be Digital first
- 6) Delivery needs to be agile



Process:

Examples

- 1) Decide which services are in scope
- 2) Define and measure success metrics early on
- 3) Align governance structure to business goals
- 4) Leverage and reuse models, algorithms, tools
- 5) Track adoption of insights by the business



Technology:

Examples

- 1) Embrace new technology
- 2) Where possible, leverage what you've got
- 3) Talk business when asking for budget
- 4) Thoroughly research vendor capabilities
- 5) Collect data with a digital end goal in mind
- 6) Create an environment to experiment in



People:

Examples

- 1) Appoint an IDO programme lead
- 2) Find a C-Suite champion
- 3) Expect a competitive talent market
- 4) Prioritise change and communication
- 5) Analytics requires continuous upskilling



Data:

Examples

- 1) Data is everywhere – get inspired!
- 2) Create an environment of trust around data
- 3) Treat data as an asset and organise it as such – but don't let "great" data quality get in the way of "good" to get started
- 4) Strong data governance is a necessity
- 5) Cyber security should be high on your agenda
- 6) Ensure GDPR compliance



Connect and Digitise the org!





DEO

Unlocking Enterprise Value through
Cognitive Decision Support

What makes a high-performing organisation?

Better, Faster Decisions than the Competition

Systemising Organisational Decision-making



What decisions need to be made?



What data / information is available / do I need to make the decision?



When do decisions need to be made?
Periodically (daily, weekly, monthly annually) or based on events?



What is the goal / objective that the decision should achieve (e.g. improve profit, reduce cost, growth sales?)



Who needs to be involved in the optimal decision-making process and what is their individual role?



What levers are available / what are the options that I need to choose between or the trade-off's I need to make?



What insights or answers are required to make the optimal decision?



What are the constraints that I need to consider?

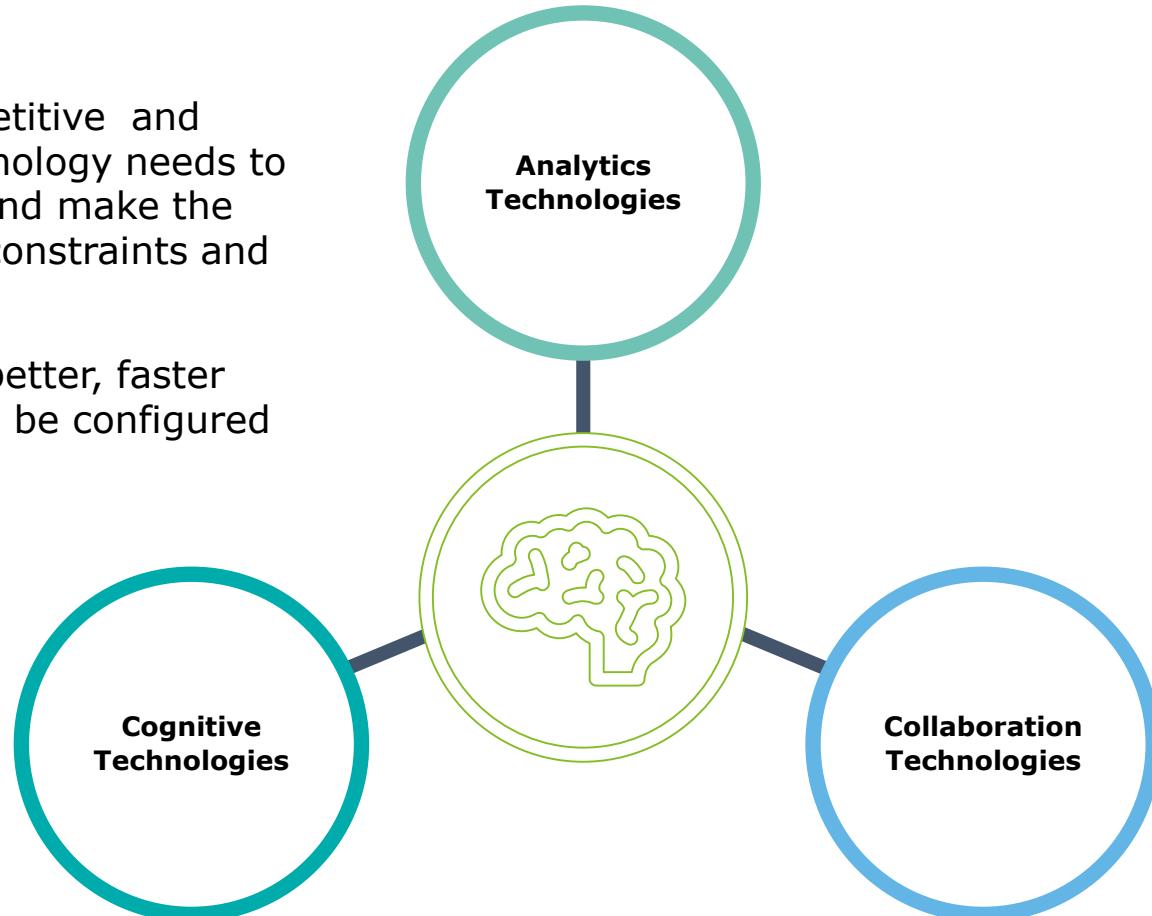
What technologies are required to support?

Better, Faster Decisions than the Competition

Human Designed : Machine Powered

Technology and data insights don't make more competitive and efficient organisations. In order to achieve that, technology needs to be shaped to how people agree common objectives and make the best decisions to achieve these objectives given the constraints and trade-offs that are inevitably required.

Proven technologies are readily available to support better, faster organisational decision-making – they simply need to be configured around clearly defined decision models.



Capture the knowledge and insights of the community

Collaboration Technologies

Capturing the knowledge and insights of the community / communities involved in making specific decisions represents a huge opportunity to supplement structured data with unstructured data.

Providing a suitable set of collaboration tools that encourage individuals to interact around data, analytical insights and the ultimate decision, generates a significant amount of valuable data.

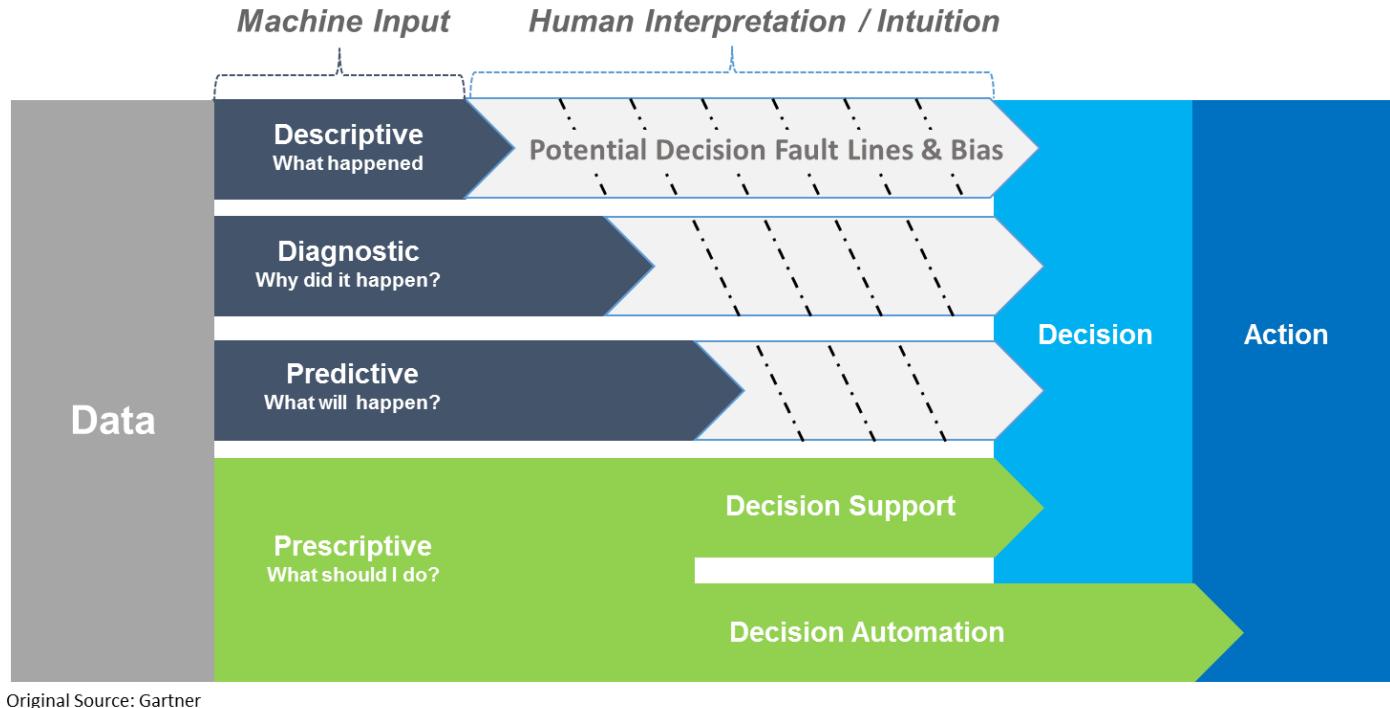


Derive Answers rather than Insights

Analytics Technologies

Analytics has matured well beyond data visualisation and diagnostics to the point where Prescriptive Analytics is able to determine the best course of action to follow in order to achieve specified objectives. This involves making complex trade-off decisions based on hard and soft constraints.

In order to support complex decision-making, the analytical tools available support graphical modelling of decision processes and the automatic generation of advanced optimisation algorithms from these models.

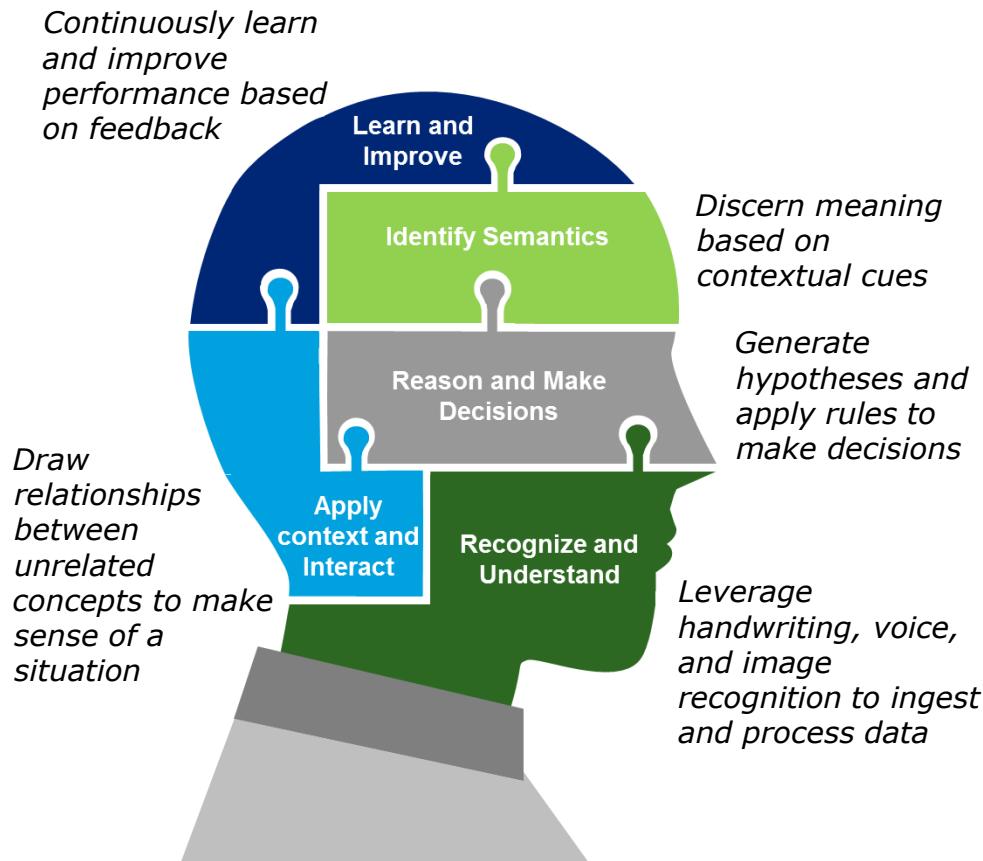


Leverage Automation, Machine Learning and AI

Cognitive Technologies

With the advent of Cloud computing, Cognitive technologies have become readily accessible for the purposes of automating processes, providing enhanced customer experiences, and providing greater analytical insights.

The incorporation of Cognitive technologies is therefore considered an integral part of any advanced analytics solution,



Primary Cognitive Components

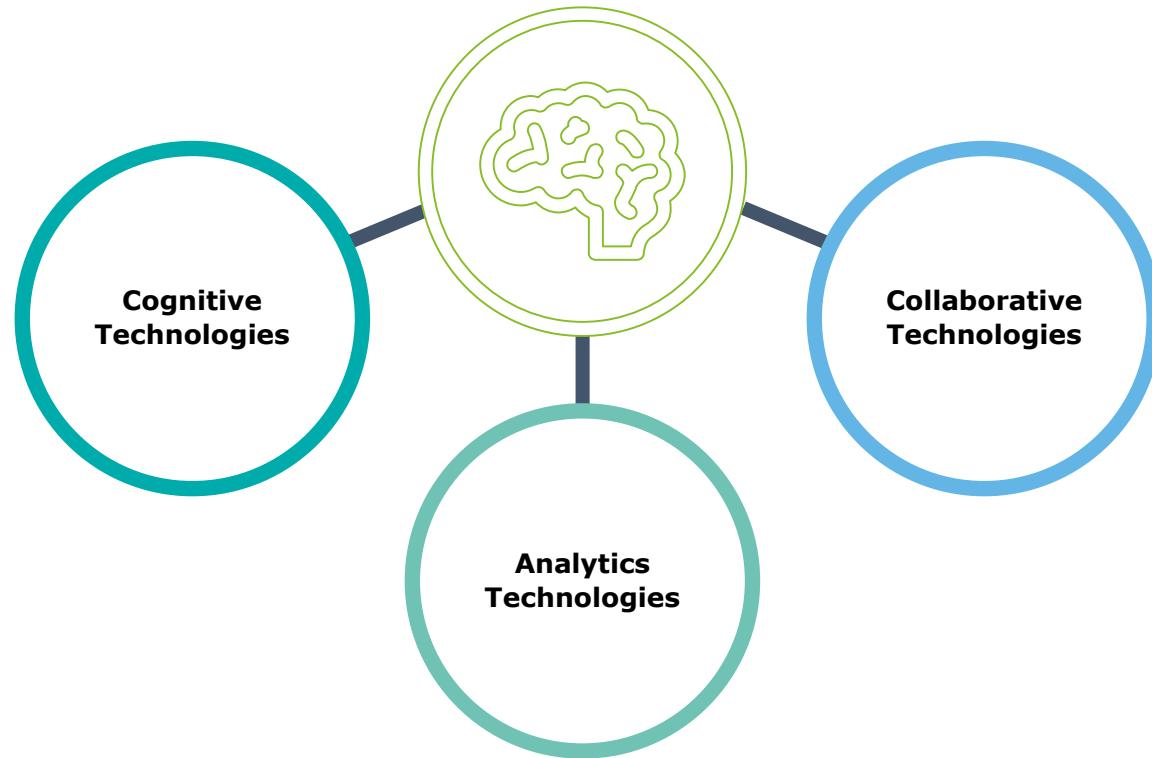
- Machine Learning
- Prescriptive Decision-making
- Probabilistic Inference
- Rules-Based Engine
- Natural Language Processing
- Semantic Computing / Ontology
- Handwriting Recognition
- Image Recognition
- Text Analytics Engine
- Information Retrieval
- Voice Recognition
- Natural Language Generation
- Virtual Decision Advising
- Textual Entailment
- Reinforcement Learning
- Augmented / Virtual Reality
- Speech Synthesis

Making Better Faster Decisions

Finance needs to leverage cognitive, analytics and collaborative technologies to make better, faster, decisions.

We call this...

Cognitive Decision Support

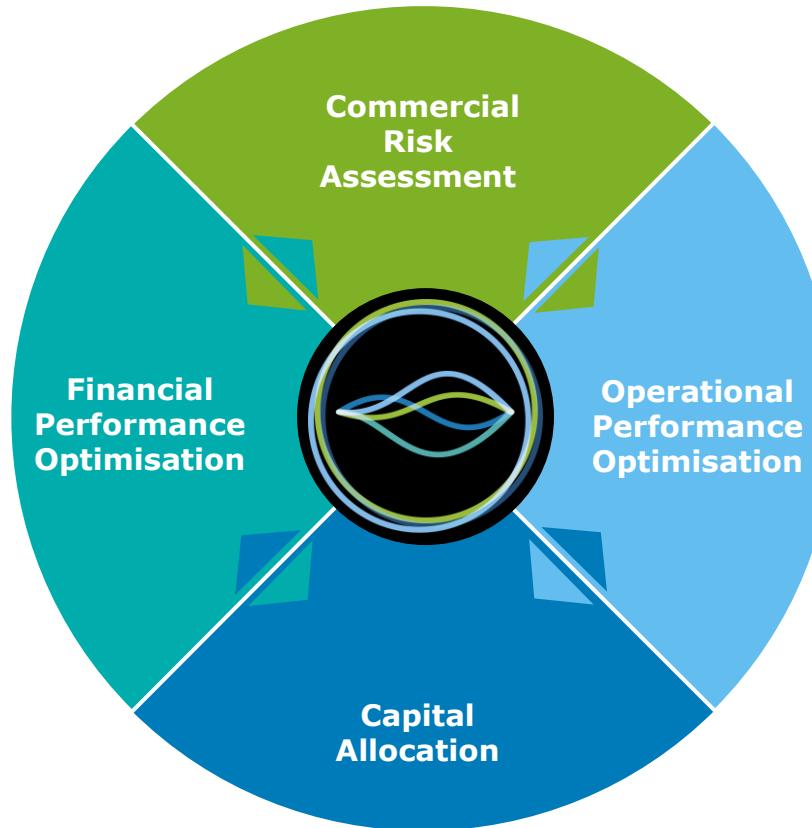


What types of decision-making does DEO support ...

What is the 'Consequence of Failure'?

How do we Integrated Risk & Investment Models?

- How do we Maximise Profit?
- How do we Increase Revenue?
- How do we Reduce Working Capital?



Capital Investment Case Models
Mergers & Acquisitions Models

- Medium-term Planning
- Strategic / Long-Term Capacity Panning
- Tactical Planning

DEO

Demo

Contacts

Jon Thomson

Partner, Audit

jonthomson@deloitte.co.uk

020 7303 8377

Craig Vink

Partner, Risk Advisory

[cvink@deloitte.co.uk](mailto:cvinck@deloitte.co.uk)

0118 322 2238

Mike Manby

Partner, Risk Advisory

mmanby@Deloitte.co.uk

020 7303 6226

Tom Murray

Director, Audit

tmurray@deloitte.co.uk

0118 322 2177

Louniel Blom

**Senior Manager, Risk
Advisory**

lblom@Deloitte.co.uk

020 7007 1607

Stephanie Jones

Manager, Risk Advisory

stepjones@deloitte.co.uk

020 7007 5706



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