



The Australian CFO Forum 2013

White Paper

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A Brave New World: How the CFO's Role is Changing in Digital Australia

Australia is undergoing a digital transformation. In response to the rapidly changing global business environment and evolving customer expectations, Australian organisations that recognise the imperative to embrace digital technologies will have a competitive edge. Businesses that can integrate digital and physical elements will successfully transform their business models, reshape entire industries and improve Australia's international competitiveness.

In this environment of digital transformation, IBM® wanted to understand how CFOs were responding to this change, and what key concerns they held. In May 2013, more than 40 senior and board-level finance executives from organisations across Australia came together at the Australian CFO Forum 2013. The event, held during Shared Services & Outsourcing Week Australasia, provided a platform for finance leaders to share their thoughts on the latest challenges and opportunities affecting their roles and businesses. The private setting allowed for a candid exchange of ideas on a range of topics.

This report summarises the conversations that took place during the CFO Forum. It also aims to identify the synergies and differences among the group around four key topics: digital transformation, analytics, operational agility, and talent and leadership. I hope it provides you with valuable insights into how the digital revolution is changing the role of the CFO and what businesses must do to remain competitive.

Finally, I'd like to thank all the finance leaders who participated in the CFO Forum – your comments, ideas and spirit of collaboration were greatly appreciated.

Sara Watts
Chief Financial Officer
IBM Australia & New Zealand



Key Findings from the Australian CFO Forum:

- Integrating digital technologies into day-to-day business is inevitable, however there are major hurdles to overcome.
- High costs and uncertainty around project ownership are hampering the adoption of analytics.
- Finance teams need to become better at analysing and disseminating the information gleaned from data collection.
- There is no clear consensus on which business functions to outsource, though there was consensus that outsourcing can offer strategic advantage.
- CFOs are striving to implement a 'culture of change' so they can seize new opportunities.
- Early adopters will have a significant competitive advantage.

Digital Transformation

Sara Watts, CFO for IBM Australia and New Zealand, opened the discussion by urging her peers to embrace the influx of new technologies, such as social media, cloud computing, high-speed broadband and analytics, because these are already heavily influencing the global and domestic economies. For example, 6 per cent of all retail sales in Australia are now made online, which represents 15.5 per cent growth year-on-year, compared to just 4 per cent sales growth in stores.

Attendees agreed that integrating digital technologies into day-to-day business presents both a challenge – in terms of keeping pace with rapid change – and an opportunity to gain competitive advantage. The group agreed there were still major hurdles to overcome before Australian CFOs could take full advantage of the opportunities the digital disruption brings with it.

That is, the true value of digital disruption was in enabling unparalleled innovation and business



growth, and that the most financially successful organisations integrate technology with business to drive performance.

Another key topic was the need for Australian organisations to be involved in global benchmarking of their performance rather than using traditional domestic comparisons. More than half the participants said they had already begun benchmarking themselves against international competitors.

As the discussion turned to the business opportunities of digitalisation, participants agreed that for many organisations, there is a long way to go before they can fully capitalise on its potential. However, they also expressed much excitement about the untapped possibilities ahead. As one participant said, "By acting now, we can be ready to embrace the opportunities that these technologies bring and increase our global competitiveness."

Analytics and Big Data

The second topic discussed was analytics and big data. All participants agreed that using analytics was a powerful way to help their business – and finance in particular – make faster and better informed decisions.



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The finance leaders felt they needed to be able to provide real-time business advice and influence strategy, and that analytics is a key tool in making this possible. For analytics to be effective, there is a need for finance departments to better manage the collection, credibility and dissemination of data from multiple sources, using clear and succinct accounting processes.

As one attendee said, "Data is the raw material of a finance function ... There has to be some credibility around that data and that's what all these accounting structures give us. By and large that's finance's job – to manage and

fraud each year.¹ According to attendees, the two main factors preventing organisations from widely using analytics are cost and uncertainty around whose responsibility it is to drive adoption.

About 60 per cent of forum participants said they were currently trying to incorporate analytics into their role, although some believed that analytics capabilities are the CIO's responsibility. Others felt responsibility sat with specific business functions or departments. One senior leader from a major Australian organisation argued that analytics should become a stand-alone function.

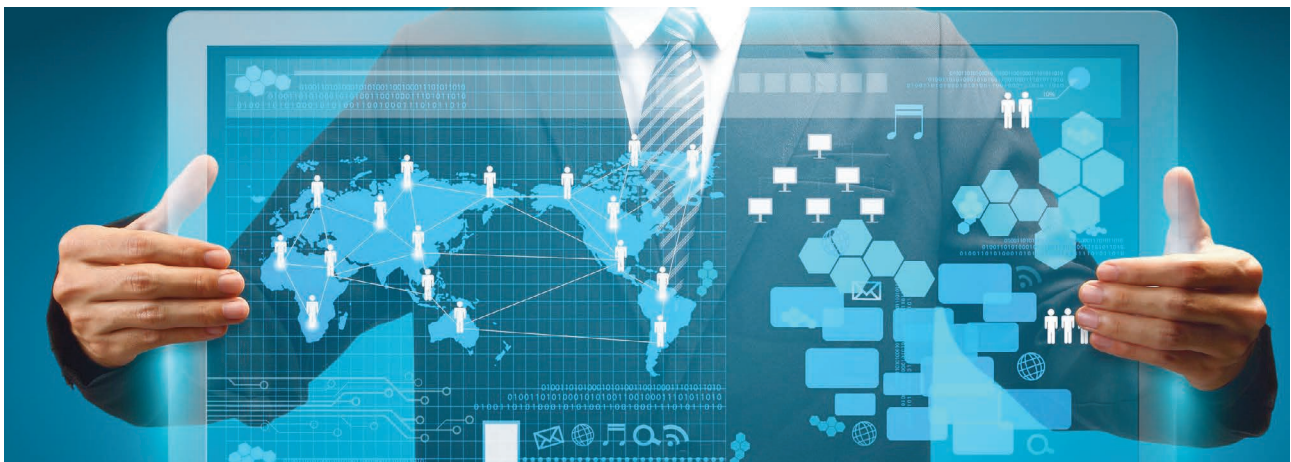


figure out how to package it and turn it into something useful for the business." Once the data is 'packaged', what next? Participants agreed it was all about influencing the business. As some participants asked, if using analytics to predict the future more accurately is the ultimate weapon of competitive advantage, with the potential to deliver enormous fiscal gains, why isn't every business and CFO doing it? For example, it was noted that Australian businesses could save \$1 billion if fraud could be prevented through the early identification of suspicious transactions or activity. This is supported by findings from a 2012 Association of Certified Fraud Examiners global survey, in which respondents estimated that the typical organisation loses 5 per cent of its revenues to

Among the varying opinions, the one point participants agreed on was the high cost of implementing analytics. In 2012, Australian businesses spent \$265 billion on information management, which was equal to 6.2 per cent of total business revenue generated in Australia. Five years ago that figure was only 5 per cent, which shows that organisations are steadily increasing their investments in analytics capabilities.

What's Ahead in Analytics?

Participants agreed that the biggest change in analytics recently has been the shift in focus to external rather than internal data. For example, organisations that have traditionally prioritised

¹ Report to the Nations on Occupational Fraud and Abuse: 2012 Global Fraud Study, Association of Certified Fraud Examiners, <http://www.acfe.com/rtnn-highlights.aspx>.



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collecting and analysing data such as sales results are now realising the value that lies in data on customer behaviour and customer sentiment communicated through channels such as social media.

Participants acknowledged that as different types of business–customer interaction evolve, these changes must be reflected in the way finance departments handle external data. Better insight into external data surrounding the customer can help organisations transform the customer experience and deliver real business value. CFOs need to take a more holistic view of the trends and opportunities they uncover through data analysis, and use this information to plan and influence corporate strategy.

This idea is reflected in the 2010 IBM Global CFO Study, which found that strong business insight capabilities can drive performance improvement



beyond finance. For example, automated financial and operational metrics enable deeper analysis, more consistent data handling across the business and faster decision making. This increased visibility can help organisations better anticipate external forces that could affect the business.²

However, most forum participants felt there is still a way to go before analytics capabilities are integrated across the business. Even participants

from companies that currently capture and disseminate data in an analytical manner were still concerned that business decision-makers were not doing enough to incorporate the findings and insight into business actions. This underscores the need for CFOs to better position themselves as strategic influencers.

Some participants also noted that departmental silos, such as finance and marketing, need to be broken down to enable the business to more easily recognise broader data patterns and take appropriate action.

The final discussion about analytics touched on the seemingly limitless opportunities that analytics capabilities and big data can deliver. According to participants, there are many areas of analytics that organisations are still to ‘crack’, including “how analytics helps with company culture” and “analytics relating to intellectual property” – for example, deep analytics that can extract more information and insights from relevant literature than organisations could derive manually.

Operational Agility

One of the major challenges for CFOs is constantly trying to balance cost-cutting with investment in growth, and operating expenditure with capital expenditure. Participants were asked to consider whether they thought this balance could be better achieved through operational models such as outsourcing and offshoring. For example, in The Sauce’s Australian Business Process Outsourcing Research Report 2012, 71 per cent of organisations rated global expansion as the most important driver influencing their company’s outsourcing policy. Around half cited scalability, business process engineering and ‘going green’ as important reasons for outsourcing, while only 21 per cent rated reducing operating costs as important.³

² The New Value Integrator: Insights from the Global Chief Financial Officer Study (2010), IBM Global Business Services, <http://www-935.ibm.com/services/us/cfo/cfostudy2010/driving-higher-performance.html>.

³ The Australian Business Process Outsourcing Research Report 2012, The Sauce, <http://thesauce.net.au/australian-bpo-research-report-2012-overview/>.



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In terms of back-office operating models, more than 50 per cent of the CFO Forum participants said they had a centralised shared service centre, while around one-third said they had used offshoring or outsourcing provided by a third party.

From here, the debate turned to deciding which functions to outsource and how you distinguish between 'core' and 'non-core' business activities. Participants agreed that the lines between core and non-core activities were blurring. For example, the call centre has typically been considered non-core, however with a high-touch, personalised customer experience now vital at all stages of the customer lifecycle, the call centre has become integral to an organisation's success. This means organisations are more carefully considering how and to which provider they outsource their call centre function.

One participant felt that companies should outsource transactional, process-based activities (such as back-end administration) first. Another CFO suggested that any activities that rely on institutional knowledge should be initially retained, and only outsourced once the company has experience with this new business model and has established a trusted relationship with its outsourcing provider. A third participant felt

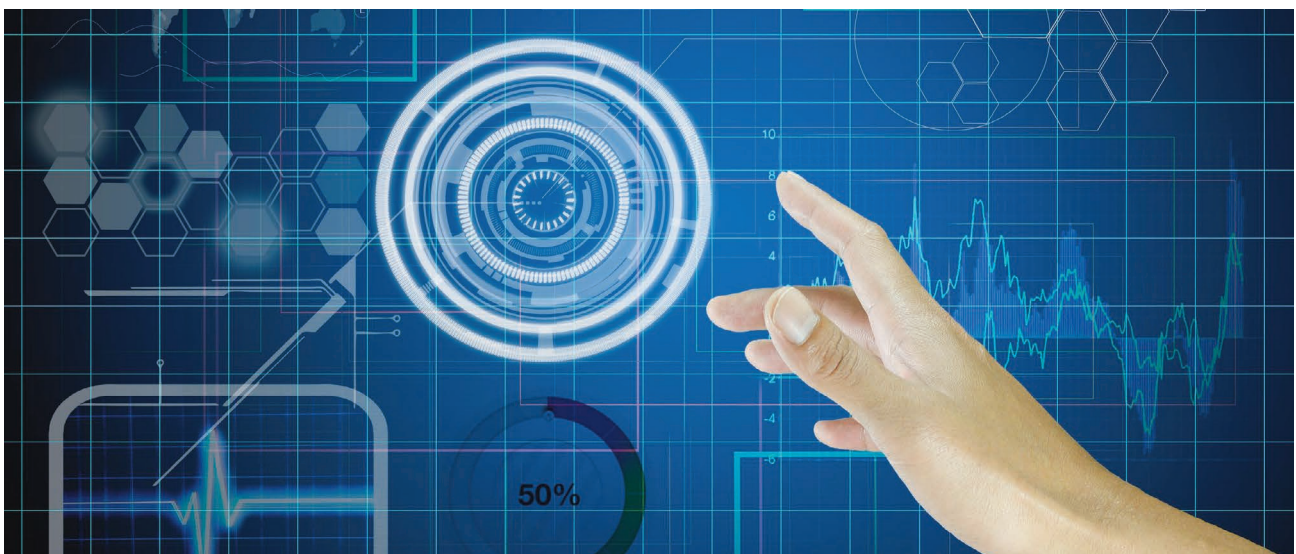
that businesses should retain any activities that 'touch' external customers and outsource the rest.

Ultimately, the group decided there was no single answer to the question "What should I outsource?" This reinforces the importance of tailored outsourcing models that align with and help execute corporate strategy.

With the distinction unclear between core and non-core environments, organisations that are considering which parts of their business to outsource should first ask themselves, "Can we eliminate or automate this activity?" Or, as one participant said, "Should I be having people touch this task at all?" Most participants agreed that organisations can unleash greater efficiencies by first asking this question, even before considering standardisation and automation.

Talent and Leadership

The final topic of the IBM CFO Forum was the critical role that senior finance leaders play in developing their teams and driving finance forward into the new world of digital transformation. All participants agreed that dramatic change was coming, and as a business leader, the CFO must drive that change – not





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simply react to it. The group recognised the need to constantly refresh their own skills in fast-changing areas such as technology to remain proactive and innovative.

Embracing a Culture of Change

Attendees agreed that businesses not only need a culture of continuous improvement, they also need to embrace continuous change. When people accept and expect change, they are in a better position to maximise the opportunities it can bring.

In terms of the finance team, change should be standard practice. To achieve this 'culture of change', businesses must provide the right communication to those affected, and help them prepare for change so they can turn it into opportunity. To 'future-proof' people, it is important to continuously build resilience in the face of change so it doesn't become a destabilising force. Organisations can do this by identifying when employees feel they are losing something intangible and developing strategies for their business leaders to help convert that into a positive situation.

While some employees will have the characteristics needed to adapt to new environments, others will struggle; finance leaders must identify those people and retrain them or encourage them to move on. One final piece of advice imparted by a finance leader working in media was to "engage young staff to think for you" when it comes to digital disruption and unlocking innovation. Participants discussed the fact that while senior finance

executives can educate themselves to keep up with the digital transformation, younger people have grown up in this environment, and forward-thinking organisations are harnessing their knowledge.

Conclusion: A New Style of Leader

As Australia's digital future dawns, businesses are beginning to take steps to transform their operations and embrace the benefits a digital business model can bring. For today's CFO, this transformation represents a significant opportunity – and responsibility.

The finance leaders who attended the Australian CFO Forum at Shared Services & Outsourcing Week Australasia were optimistic about the opportunities that digitalisation would bring. While many weren't yet in a position to take advantage of them, they were more involved in their organisations' technology investments and initiatives, and understood the financial and strategic implications of those measures. This change reflects the increasing complexity of the CFO's role, which now extends far beyond managing financial policies.

Faced with these shifting expectations, forward-thinking CFOs recognise that they must take action in the areas discussed above – digital transformation, analytics, operational agility, and talent and leadership. To do this, CFOs are looking outside their businesses for expertise and best practice. They are collaborating with peers and consulting with external partners to innovate and ensure their businesses' success in Australia's digital future.



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