

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

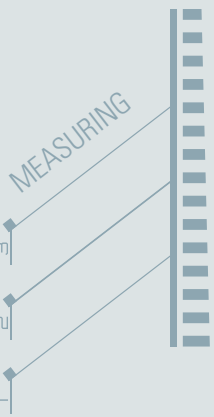
2. What is the role of the finance team in this process?

Best 43554

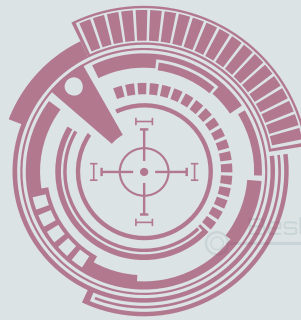
est 67383



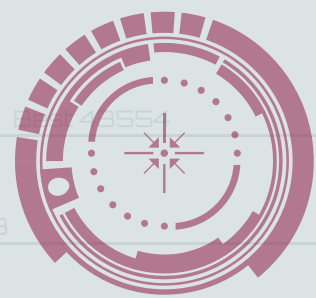
THE DIGITAL FINANCE IMPERATIVE: MEASURE AND MANAGE WHAT MATTERS NEXT



PROFIT



DATA



VALUE



Oracle sponsored this CIMA research as both organisations seek to answer these two questions. CIMA conducted a global survey of senior finance professionals and business managers across 100 countries.

CHARTERED GLOBAL MANAGEMENT ACCOUNTANT (CGMA®)

Two of the world's most prestigious accounting bodies, AICPA and CIMA, have collaborated to establish the Chartered Global Management Accountant (CGMA®) designation to elevate and build recognition of the profession of management accounting. This international designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance. CGMA® designation holders are either CPAs with qualifying management accounting experience, or associates or fellow members of the Chartered Institute of Management Accountants.

www.cgma.org

Best 43554

ORACLE

Oracle offers a comprehensive and fully integrated stack of cloud applications and platform services. For more information about Oracle (NYSE:ORCL), visit www.oracle.com

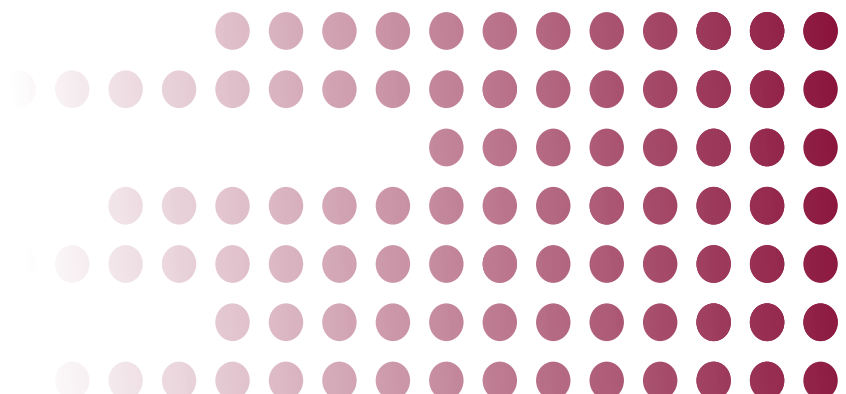
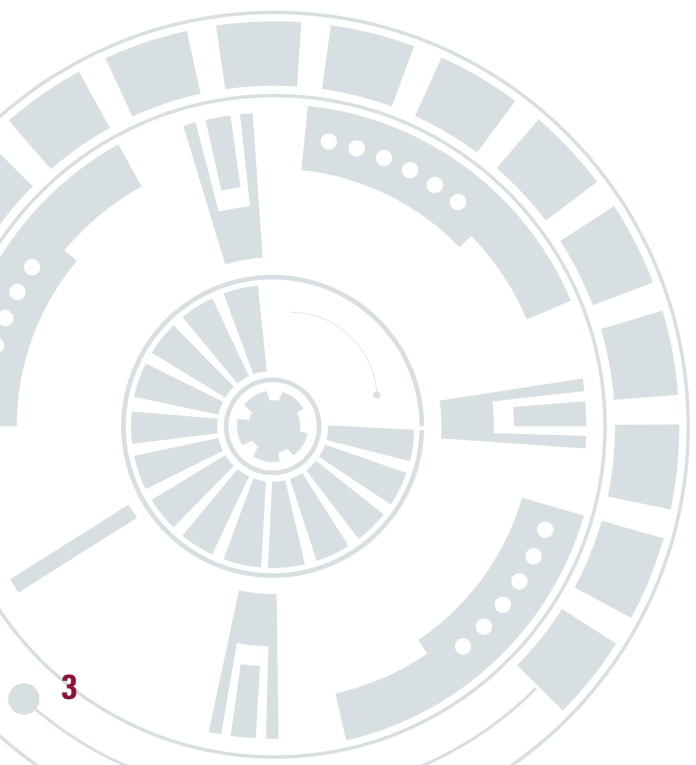
Best 67383

read this CIMA research as both organisations seek to answer these two questions. CIMA conducted a global survey of senior finance professionals and other managers across different industries.

MEASURING

CONTENTS

Executive Summary.....	4
1. Context for the Research.....	5
2. What Businesses Need to Know in the Digital Age.....	8
3. Who is Responsible for Performance and Who Provides the Management Information and KPIs Needed?.....	14
4. The Role of Finance and Its Influence.....	16
5. Next-Generation Finance.....	18
6. Conclusion and Next Steps.....	21
7. References, Resources and Research Methodology.....	24



EXECUTIVE SUMMARY

Digitisation and globalisation cause commoditisation and threaten established business models. Intangible assets – such as brands, customer relationships, intellectual property and human capital – have become the main value drivers in business. Consequently, business leaders may need to adapt their business models or develop new ones. To achieve this, quality decision-making and value-creating data insights are essential, and are rapidly becoming determinants of organisational success. Equally, organisations need new measures to manage performance, develop intangible assets and achieve their strategic goals.

CAPTURING VALUABLE DATA

In recent decades, finance embraced technology-led innovation, automating back-office processes to boost productivity, decision-making and performance management. Today, however, finance may lag behind marketing, sales and other customer-facing functions that are investing widely in digital technologies to capture valuable data about intangible assets such as brands, customer relationships, intellectual property and human capital.

BRINGING RIGOUR TO DECISIONS

Management accounting has the potential to bring professional rigour to decision-making by ensuring that decisions and performance management are informed by proper analysis of the relevant information and that the business is managed in the long-term interests of its stakeholders.

FINANCE MUST MODERNISE

The digital age has redefined business roles. CFOs and their finance teams are being asked to help define and implement new, digitally-enabled business models, and must expand their existing competencies with in-depth knowledge of technology and analytics, as well as broader leadership and business partnering skills. Traditional performance metrics no longer capture the value being created by intangibles. CFOs need new metrics to measure and monitor these value drivers using the latest cloud-based tools and technologies.

What is finance's role in measuring and monitoring the new value drivers in today's digital economy? To find the answer, Oracle sponsored comprehensive research by CIMA and AICPA into the value drivers in the digital age; the new and required performance measures; who provides these measures; and the implications for CFOs and management accountants. Nearly 800 people contributed to this report through a global online survey and interviews. We acknowledge their support and hope the findings are valuable to them, their employers and you.

1. CONTEXT FOR THE RESEARCH

THE EXPLODING VALUE OF INTANGIBLE ASSETS

Impact on finance: As corporate structures and business models evolve, so too must the metrics finance uses to measure performance.

As the internet era dawned, former GE CEO Jack Welch used the term “destroy your own business” to encourage managers at his company to find new internet-enabled ways of running their business units. He recognised the risk that new entrants, free from legacy systems, might develop new business models and compete in ways that could destroy their company.

Fast-forward 30 years, and GE is once again “destroying its own business” by responding to the digitisation of the industrial sector. The company is reinventing itself as a software provider for the “Industrial Internet”, using data and analytics to make planes, trains, automobiles and other machines worldwide run more efficiently.

THE POWER OF INTANGIBLE ASSETS

GE recognised what many are just learning: that the companies creating the most value today aren't those holding the most physical or financial assets. Rather, they are companies that control intangible assets such as intellectual property from software, patents and copyrights; customer capital from buyer data and insights from transactions; and human capital in the form of talent and co-creation networks. The evolution of value drivers on the S&P 500 reveals how intangibles now comprise 80 per cent of corporate valuations on the index – up from 20 per cent in 1975.¹

HIGH VALUE FROM FEWER FIXED ASSETS

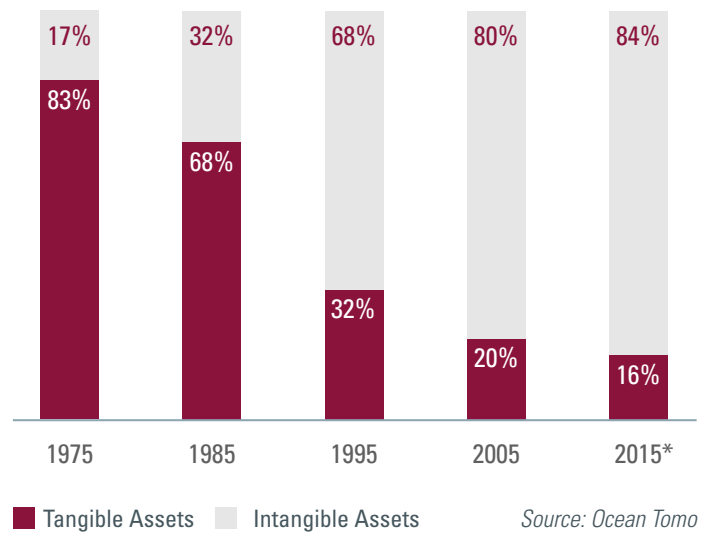
Fortune calls this economic environment the “friction-free economy”, where labour, information and money move easily, cheaply and almost instantly around the world.² Others call it the “collaborative economy” or “sharing economy”, where people get what they need from other people, using or renting excess capacity rather than owning or buying. More companies than ever are creating high value with fewer fixed assets. Think Uber, the world’s largest car service with no cars, which investors have now valued at US\$51 billion; or Apple, which outsources almost its entire value chain yet has a war chest of US\$172 billion in capital.

These companies rely less on owning physical assets like plant, equipment and real estate, and more on leveraging the excess capacity of others. For example, Apple rents out others’ servers to host its iCloud service and only pays for what it needs, and uses third parties for its manufacturing and global supply-chain operations.³ McKinsey reports that these “asset-light, idea-intensive sectors” now generate 31 per cent of Western company profits, up from 17 per cent in 1999.⁴

TURNING TO FINANCE TEAMS FOR HELP

Not all companies creating value today are Silicon Valley start-ups. Traditional companies like Walmart are evolving their business models to become digital businesses – and turning to their finance teams for help in doing so. “Our goal is to deliver a seamless shopping experience online at scale,” explains Walmart eCommerce CFO Galagher Jeff.

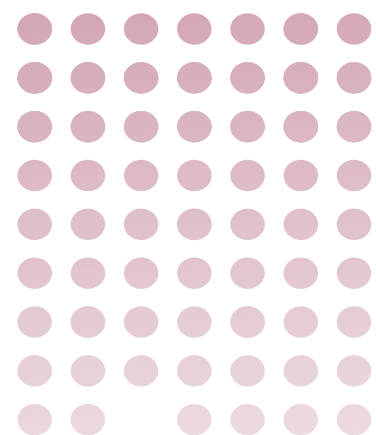
COMPONENTS OF S&P 500 MARKET VALUE



Source: Ocean Tomo
*As of January 2015

“We have 4,500 stores and over 7 million items, and we’ll probably double that number to 15 million next year. It’s my job to think about the most efficient and effective way to meet that customer demand. The digital business model looks very different, depending on the choices that we have and where we are putting inventory. So we are working with our operations team now to understand not just the channels we started with before, but where we make the investments, where we build new fulfilment centers versus third-party suppliers. Those are the kinds of questions we face.”

Galagher Jeff, CFO,
Walmart eCommerce, USA



THE IMPORTANCE OF GOOD DECISION-MAKING

Impact on finance: Intangible assets are difficult to measure in financial terms, which increases the risk of bias in decision-making. Finance can influence and advance strategic outcomes by partnering with the business to strengthen data-driven decision-making.

Globalisation and technological advances give competitors access to similar resources, while competition causes processes to converge on similar standards. This leads to commoditisation and erodes margins. The quality of a business's decision-making has become one of the most important factors in enabling it to differentiate through intangibles, and succeed.

Unfortunately, decision-making can be misinformed or be subject to bias. In today's digital world, there can be an excess of data but a shortage of information and insight. Therefore, businesses need professional rigour in their decision-making. This ensures decisions are informed by diligent analysis of the available evidence, and incorporate the long-term interests of the business and its stakeholders.

The management accounting profession can contribute greatly to this rigour, given its traditional role in providing accounts, management information and experience, partnering with the business to guide decisions.

MAKE RECOMMENDATIONS THAT ARE ACTIONABLE

“People say, ‘Don't present data, present insight,’ but it's not about some observations that we're making. It's about making recommendations that are actionable. For that recommendation to be actionable, you need to have a deep understanding of what levers are available to the business and then be able to conceptualize how those recommendations can impact the business.”

Head of Analytics,
Consumer Electronics Manufacturer, USA

OBJECTIVES AND ORGANISING FRAMEWORK

In this research, we considered what information businesses need about value drivers in the digital age, and the role management accountants play. We asked:

- What are the value drivers and are there KPIs to manage them?
- Who supplies and is responsible for the required analysis or KPIs?
- What is the role of finance and what influence does finance have?

MANAGEMENT ACCOUNTANTS' ROLES IN DECISION-MAKING

Management accountants access data to produce accounts and management information. They conduct analyses and collaborate with business managers to develop insights that inform decisions. Their professional objectivity can help ensure that decisions are taken in the interests of stakeholders. Management accountants influence how businesses implement decisions by providing plans, budgets and forecasts. And they help to achieve impact by assembling the measures needed for performance management.



DATA – MOSTLY FINANCIAL



REPORTS



ANALYSIS



INSIGHT



INFLUENCE



IMPACT

2. WHAT BUSINESSES NEED TO KNOW IN THE DIGITAL AGE

VALUE DRIVERS IN THE DIGITAL AGE

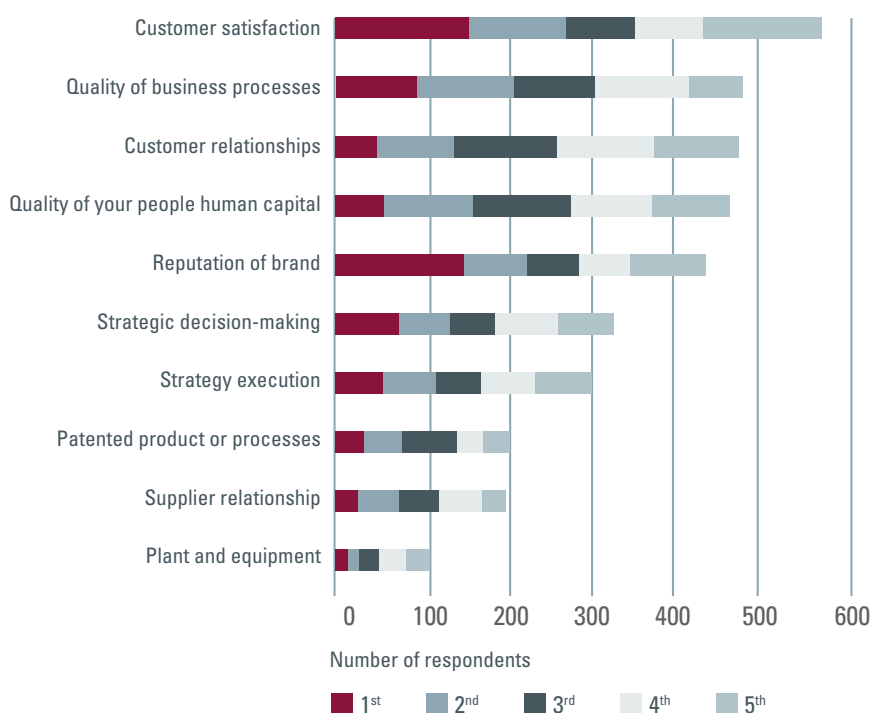
THE NEED FOR NEW MEASURES

Creating long-term value while simultaneously meeting current operational objectives requires more advanced performance management than can be achieved using financial measures alone. Business leaders need new measures and analysis to manage performance in the digital age. To manage their intangible assets, it is important that businesses measure them, or at least describe them in non-financial terms.

We asked respondents to rank first to fifth what they consider are the most important determinants of value in their business today. The top five value drivers, ranked in their top five by more than 50 per cent of the 744 respondents, are:

1. Customer satisfaction – **76 per cent**
2. Quality of business processes – **64 per cent**
3. Customer relationships – **63 per cent**
4. Quality of people (human capital) – **61 per cent**
5. Reputation of brands – **58 per cent**

RANKING THE VALUE DRIVERS



This is consistent with the findings of recent research by Brand Finance and CIMA,⁵ which shows the increasing importance of intangibles in business valuations quoted on the major stock markets.

To counter the threat of commoditisation, organisations need to show the market how they are different. The customer should be at the centre of what the business does digitally.

Customers are at the beginning and end of the balanced value chain, as illustrated in the diagram below.

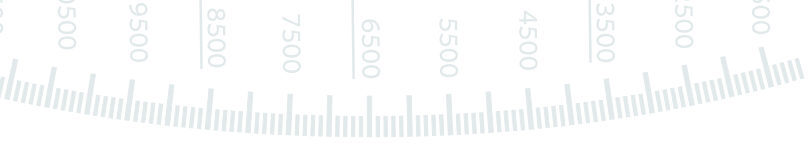
“Brand Finance has Shell within the top twenty most valuable brands in the world. There aren’t any other energy companies close to us using those calculations and it proves to us that there is value in developing and protecting the brand.”

“However, Shell has a way to go in becoming one of the world’s most valuable brands. We are getting better at treating the brand as an asset and we aspire to make it work harder even in the context of a pretty challenging external environment.”

Stuart Chaplin, Retail Global Commercial Finance Manager, Shell, Netherlands

THE BALANCED VALUE CHAIN





This table lists KPIs in descending order of those currently measured or monitored by the finance function in respondents' organisations (the sum of "always" and "recently started" responses).

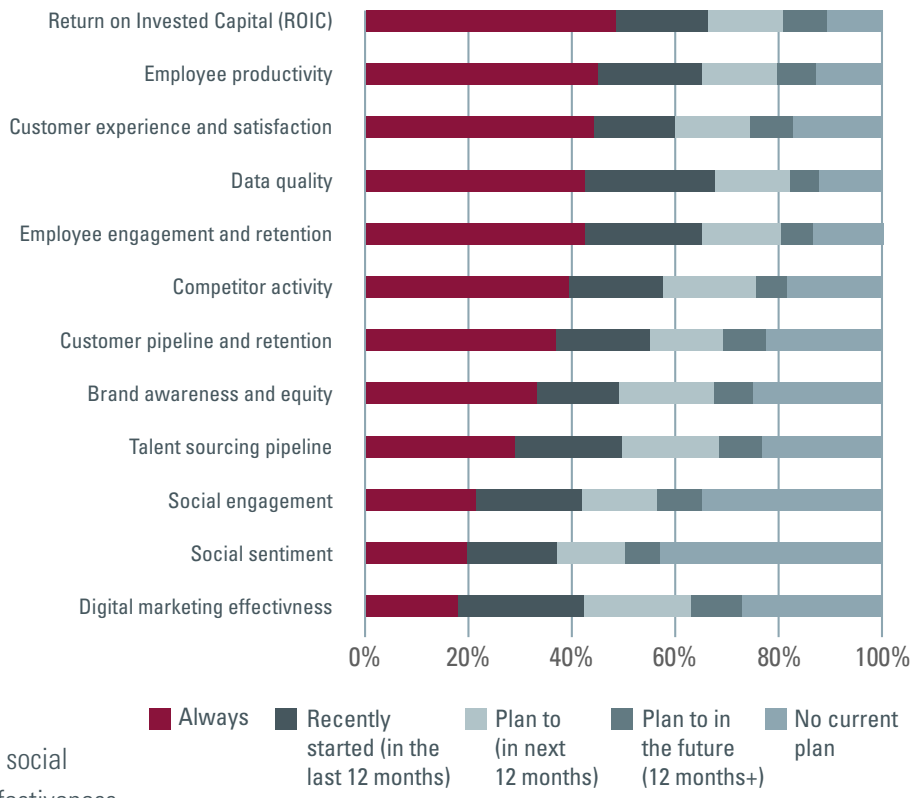
- 67 per cent of respondents' finance functions currently measure or monitor data quality. This includes 25 per cent who started doing so recently. This suggests that data quality is becoming a priority.
- Fewer than 50 per cent of respondents are measuring or monitoring new measures enabled by advances in data, such as social engagement and digital marketing effectiveness.

We need to consider if the measured KPIs are related to the value drivers.

IDENTIFYING NEW KPIs

Finance executives point to the need to identify new KPIs. Even if these KPIs need to evolve, they would help the business understand how to measure these new intangibles. "Choosing the right KPIs is hard," notes Richard Wong, Vice President of Finance at LinkedIn. "You need to make sure that the KPIs you choose are measurable, impact the business, and that the underlying data is right. The worst thing you can do is not have any KPIs. In the beginning, your KPIs may be very simple, and may need to change or evolve over time, but at least you will have KPIs to focus on, to track the business and progress. It's okay as you mature and evolve to change your KPIs."

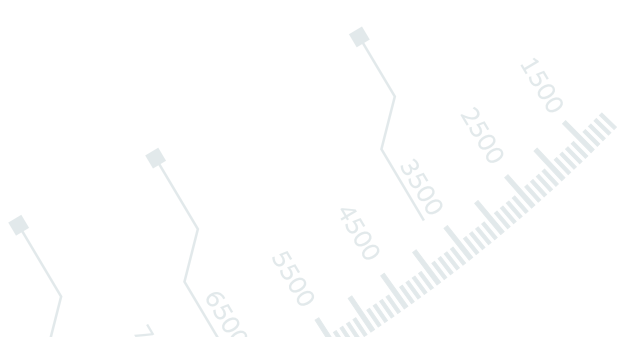
MEASURING AND MONITORING KPIs



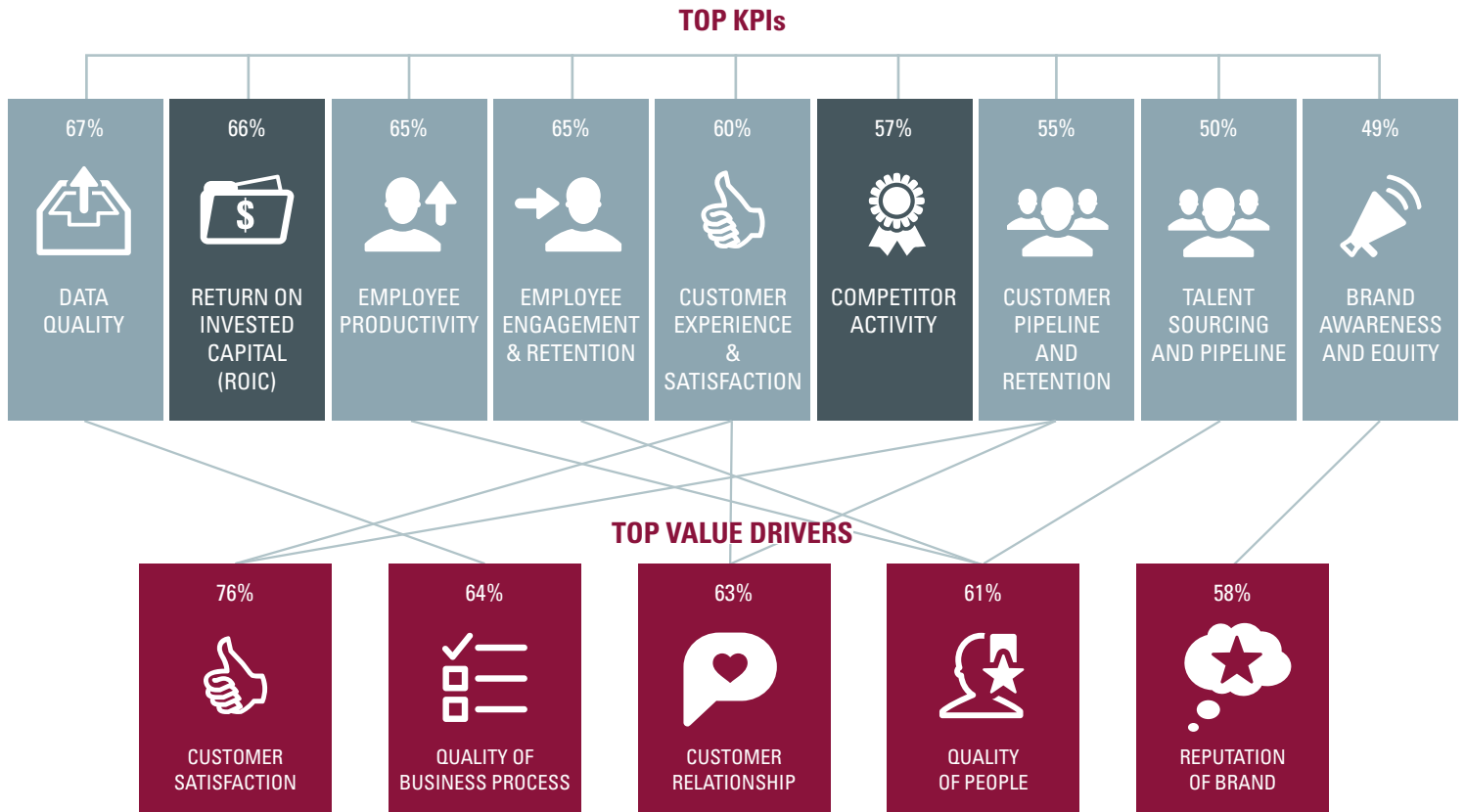
TRACKING SOCIAL SENTIMENT AT WALMART ECOMMERCE

"Tracking social sentiment and incorporating that into decision-making is something we use effectively. We look real-time at social-media word clouds and other social-media input to understand what's trending, what customers are saying about our eCommerce site, and what we can do to serve them better. It's fascinating and a great opportunity for us to do more to meet customer needs."

Galagher Jeff, CFO,
Walmart eCommerce, USA



RELATING KPIs TO VALUE DRIVERS



The top eight KPIs are those monitored by more than 50 per cent of respondents' businesses. The ninth is brand awareness, which was at a borderline 49 per cent.

The top five value drivers can relate to the corresponding KPIs in the diagram. The finance team also measures or monitors other KPIs. These include outcome KPIs (e.g. ROIC) and KPIs for factors that can influence performance (e.g. competitor activity). Respondents most measured or monitored the data quality KPI. However, the data quality KPI may not relate directly to the quality of business processes value driver. For financially qualified respondents, data quality can be about the integrity of accounting information.

BRAND AWARENESS MATTERS

Although brand awareness ranked ninth among survey respondents, one finance executive from a relatively young California company ranked it "essential".

"Brand awareness is very, very important. When I first started, we were looking at brand awareness on a quarterly basis; now we are looking at it weekly – and sometimes even hourly. We use that information to tie back to marketing campaigns and events."

Head of Analytics, Consumer Electronics Manufacturer, USA

We did not ask directly about KPIs for the quality of business processes. This is because best practice involves benchmarking against peers or best-in-class regarding SLAs (Service Level Agreements) and aligning KPIs. Benchmarking data is usually bought rather than prepared in-house.

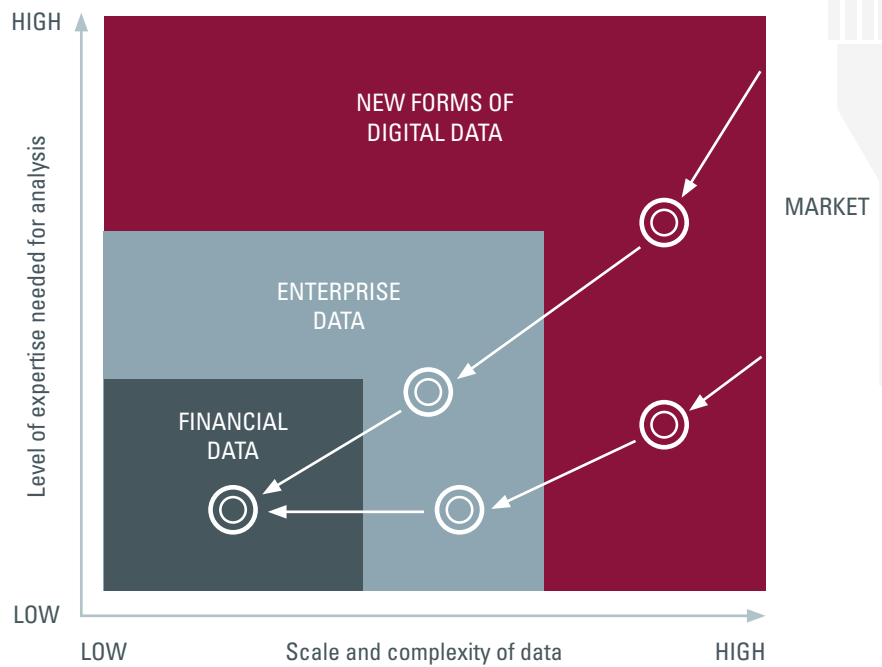
However, we did ask about the business's competence in assembling and analysing the data needed to measure and manage intangibles – specifically including the data required to measure the quality of business processes. The required data is likely to be beyond the accountant's traditional domain.

As the diagram illustrates, big data extends from the financial data (which has long been central to the accountants' role) to the data captured by the business's systems, or people, or bought in (e.g. from market analysis or benchmark services providers); and on to the many new forms of complex, often unstructured digital data such as social-media streams.

THE MEASUREMENT CHALLENGE

To measure intangibles, businesses must make connections between financial outcomes and pre-financial measures that they can use as leading indicators, usually based on a causal relationship or correlation. However, can businesses assemble and analyse the data needed to measure intangibles?

DATA FOR MEASURING AND MANAGING VALUE DRIVERS



Source: *From insight to impact; unlocking the potential in big data*, CGMA, 2013

The proportion of respondents rating their business as excellent for assembling and measuring data relating to intangibles ranged from 16 per cent for their business's intellectual property to 11 per cent for alliances and joint venture relationships (respondents answered by selecting 1 to 5 on a scale where 1 means not at all and 5 means excellent).

A "net positive score", calculated as the percentage selecting high scores (4 or 5) less the percentage selecting low scores (1 or 2), provides a useful summary measure that reflects respondents' businesses' preparedness for the digital age.

For the top five value drivers, the relevant data and net positive scores were as follows:

- 1. Customer satisfaction:** Customer sentiment is a predictive measure. We found a net positive score of +25 per cent in terms of the business's ability to assemble and analyse the relevant data.
- 2. Quality of business processes:** We asked respondents directly about the business's ability to assemble and analyse the relevant data to the quality of business processes. The net positive score was +34 per cent.
- 3. The quality of customer relationships:** This can also relate to customer sentiment. The net positive score was +25 per cent.

SATISFACTION WITH BUSINESS'S ABILITY TO ASSEMBLE AND ANALYSE DATA TO MEASURE INTANGIBLES



- 4. Quality of people (human capital):** The business's competence regarding data about employees' talent or expertise was given a net positive score of +33 per cent.
- 5. Reputation of brands:** The business's competence regarding data about potential customers' perception of the brand(s) was given a net positive score of +20 per cent.

These scores suggest there is room for improvement in providing the necessary analysis and KPIs.

3. WHO IS RESPONSIBLE FOR PERFORMANCE

AND WHO PROVIDES THE MANAGEMENT INFORMATION AND KPIs NEEDED?

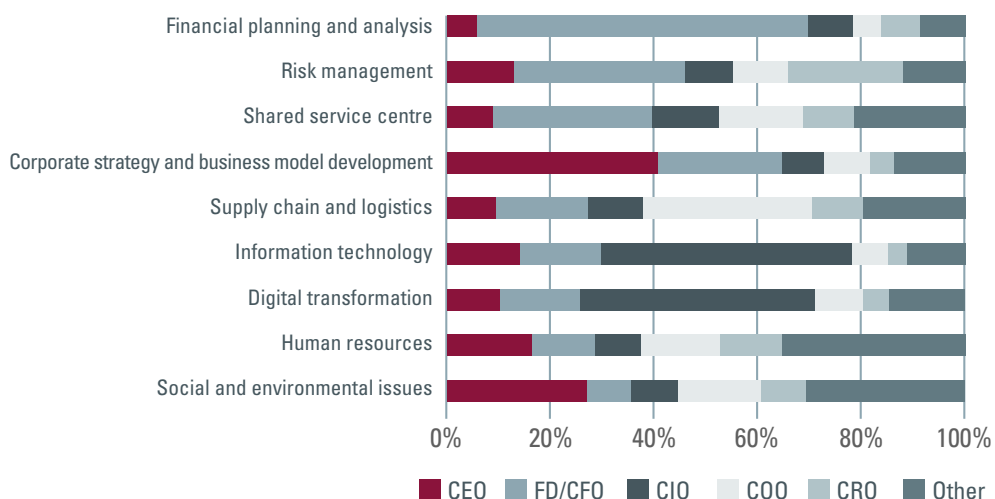
This table illustrates critical responsibilities and the corresponding C-suite role respondents consider to be primarily responsible for providing information.

CFOs are primarily responsible for financial planning and analysis, risk management and shared service centres. They were ranked second in strategy, supply chain, information technology and digital transformation.

Few considered the CFO to be responsible for HR or social and environmental issues. Yet, according to a customer finance director with an FMCG multinational in South Africa, "Sustainability provides an opportunity for finance to use rigour and discipline to bring clarity to the data out there."

It is clear that CFOs have a wider information remit than their C-suite colleagues. However, do they provide the information the business needs?

RESPONSIBILITIES AT C-SUITE LEVEL



Business Function	CEO	CFO	CIO	CRO	COO	Other
Information technology	13.4%	18.5%	47.2%	2.9%	6.7%	11.4%
Corporate strategy, business model development	43.9%	26.3%	6.9%	3.8%	9.1%	10.0%
Digital transformation	10.9%	16.9%	42.5%	4.2%	10.0%	15.4%
Supply chain and logistics	9.6%	20.0%	10.7%	8.2%	31.8%	19.6%
Risk management	13.4%	37.4%	9.6%	19.2%	9.8%	10.7%
Financial planning and analysis	4.7%	69.3%	8.0%	6.7%	4.7%	6.7%
Human resources	15.8%	11.4%	7.3%	13.8%	15.8%	35.9%
Shared service centres	8.2%	33.4%	11.6%	7.8%	16.9%	22.0%
Social and environmental issues	29.6%	9.8%	8.0%	8.7%	15.6%	28.3%

Legend: ■ Ranked 1st ■ Ranked 2nd



The CFO and the accounting and finance function focus primarily on financial measures. A centre of excellence, such as a shared service centre outside the finance function, is the second most likely provider of financial analysis for decision-making and performance management. Finance is the most frequent provider of business performance analysis but not far ahead of the business units' managers.

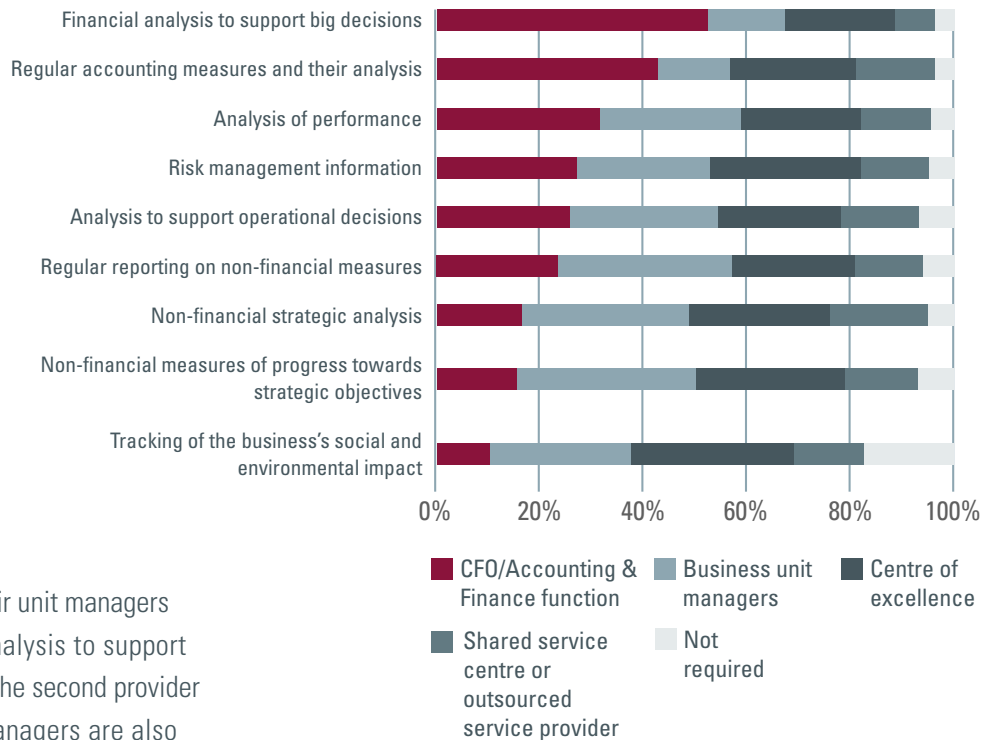
Businesses most often expect their unit managers to provide their own financial analysis to support operational decisions. Finance is the second provider of this support. Business unit managers are also most often self-sufficient for non-financial measures, with a centre of excellence the second most likely source of this support, rather than finance.

The prominence of centres of excellence in this table may reflect how advanced data analysis is becoming a specialist area beyond the remit of finance.

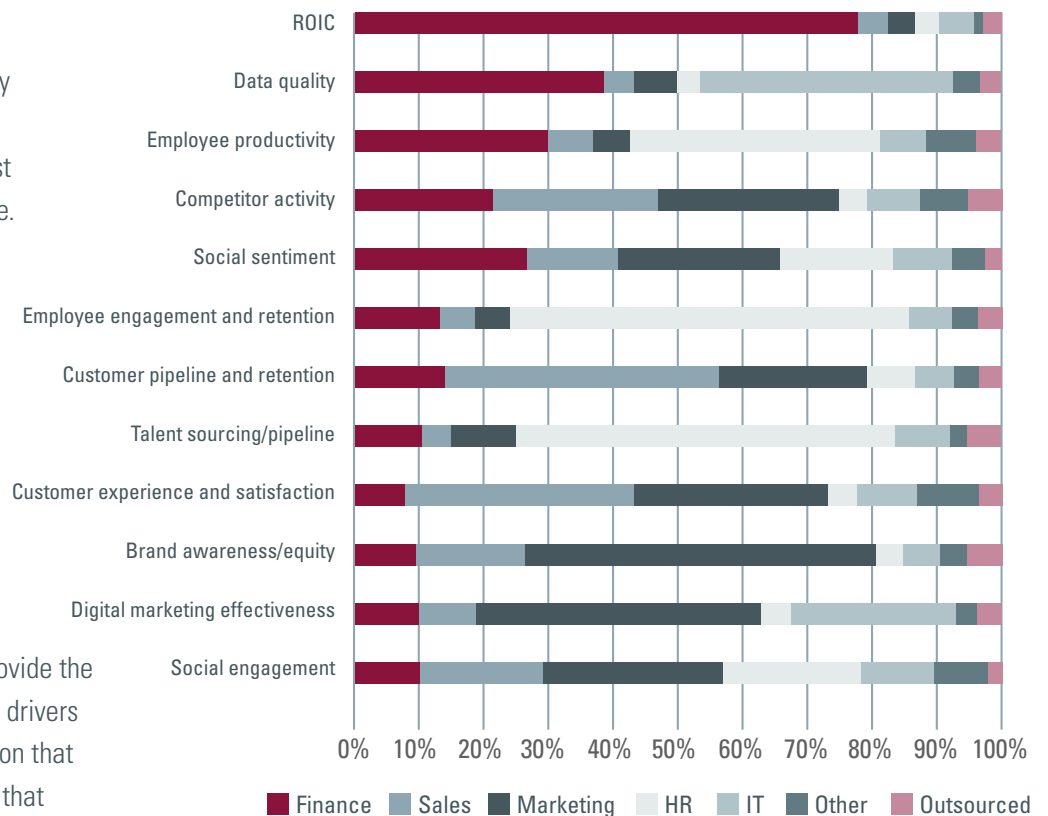
Although CFOs have a wider remit than their colleagues in the C suite, finance seems to have a relatively low engagement level in producing non-financial measures about intangibles. So who provides this information?

The function most likely to provide the KPIs needed to manage value drivers in the digital age is the function that "owns" the data. This means that each function is likely to provide the performance measures relevant to its own domain. Some objective assessment may be required.

WHO PROVIDES ACCOUNTING AND OTHER MANAGEMENT INFORMATION?



KPIs AND THE FUNCTIONS THAT PROVIDE THEM



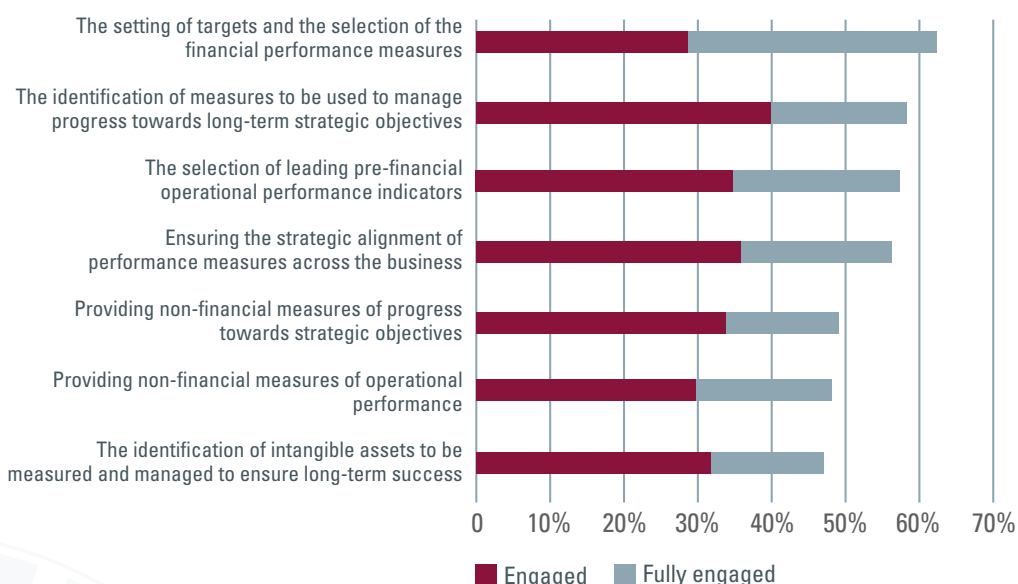
4. THE ROLE OF FINANCE AND ITS INFLUENCE

CFO AND FINANCE ENGAGEMENT IN PERFORMANCE MANAGEMENT

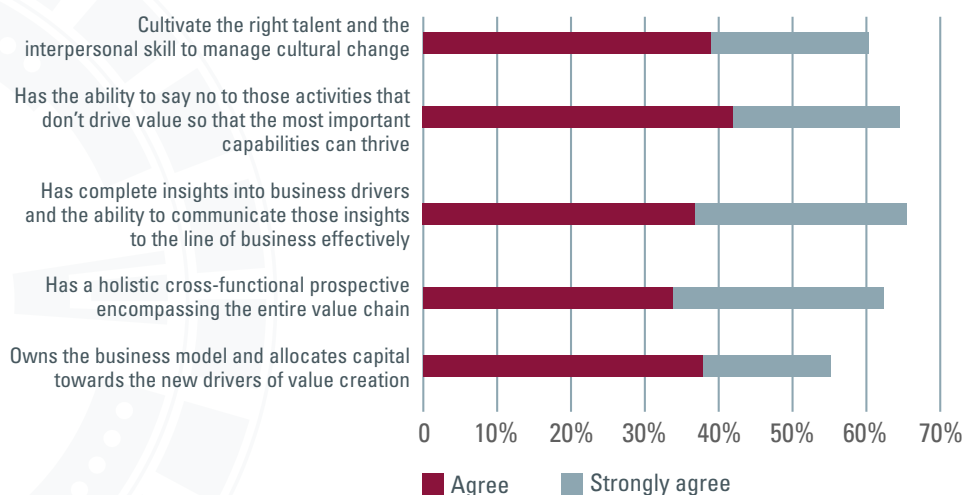
The CFO has the overview to ensure performance measures align strategically across the business and engage at a high level in performance management.

Over 50 per cent of respondents report that the role of the CFO has increased, or substantially increased, regarding information technology and data management. This is expected in a digital age. A significant minority of respondents report that the role of the CFO has increased, or substantially increased, regarding sales, supply chain, customer engagement, human resources and marketing.

FINANCE'S LEVEL OF ENGAGEMENT IN PERFORMANCE MANAGEMENT



THE CFO'S BROADER RESPONSIBILITIES



These findings suggest that finance may not necessarily be the provider of non-financial information. However, the function's broad remit means it has an important role to play in ensuring that decision-makers access and use information for decision-making and performance management.

HOW FINANCE IS BECOMING MORE INFLUENTIAL AT SOUTHWEST AIRLINES

“We’ve built our influence over time. A decade ago we made an investment to ensure we could have access to good data – and brought in the people who could be comfortable using and analyzing it. We put ourselves ahead there. That’s one of the ways we got our influence.

“There are more and more organizations where much more data is becoming available and pockets of data experts are popping up. These are not financial experts, but those who, for example, understand customer centricity and customer data. A discipline is growing there. We are seeing this happen in a

Paul Cullen, Managing Director, Financial Planning & Analysis, Southwest Airlines, USA

couple of areas across Southwest. We’ve got the people and the data available where insights are starting to come from other areas of the business, and don’t have to be in the finance function.

“Finance has a role in data technology and finance may be the logical home for it as a shared service. If you have 10 areas across a company who are doing data analysis, there should be a center of excellence where there is control over the data. At some point, we would like for the data to be hubbed and finance makes the best home.”

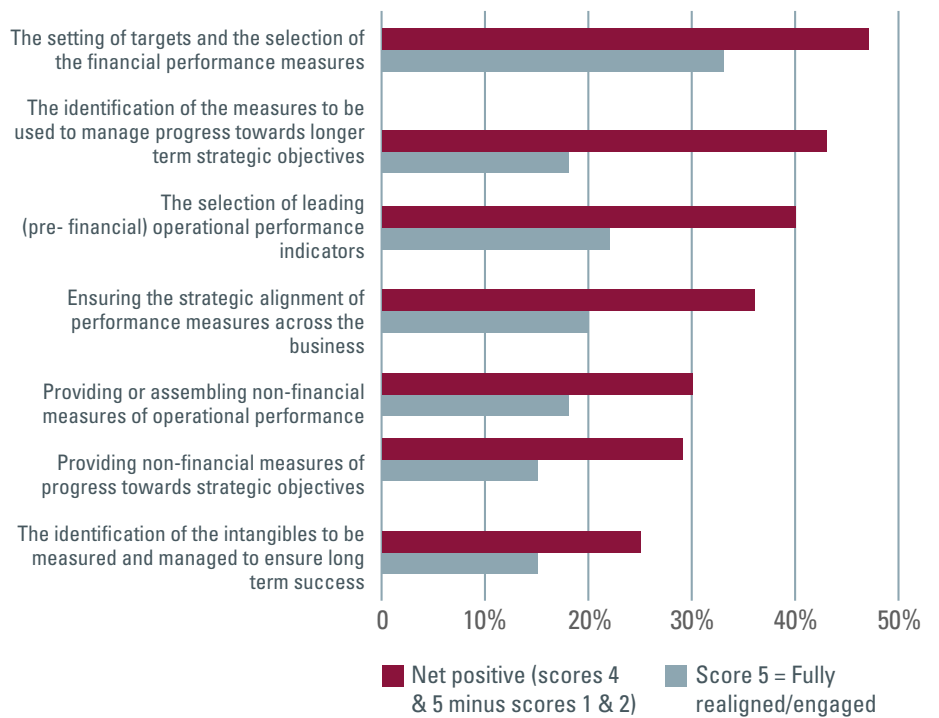
5. NEXT-GENERATION FINANCE

REALIGNING FINANCE TO SUPPORT NEW VALUE DRIVERS

When asked about the extent to which their finance function has been aligned or engaged to support new value drivers, 33 per cent reported that finance has fully realigned regarding “the setting of targets and the selection of financial performance measures” (by selecting 5 on a scale from 1 to 5 where 1 means not at all and 5 means fully). However, only 15 per cent were as positive regarding “providing non-financial measures of progress towards strategic intent” and “the identification of the intangibles to be measured and managed to ensure long-term success”.

- The highest net positive score reported is +47 per cent. This relates to “the setting of targets and the selection of financial performance measures”. The lowest, +25 per cent, was for “the identification of the intangibles to be measured and managed to ensure long term success”.
- The net positive scores for “the identification of measures of progress towards strategic intent” (+43 per cent) and “the selection of leading (pre-financial) measures of operational performance” (+40 per cent) were significantly higher than the scores for providing these measures (+29 per cent and +30 per cent).

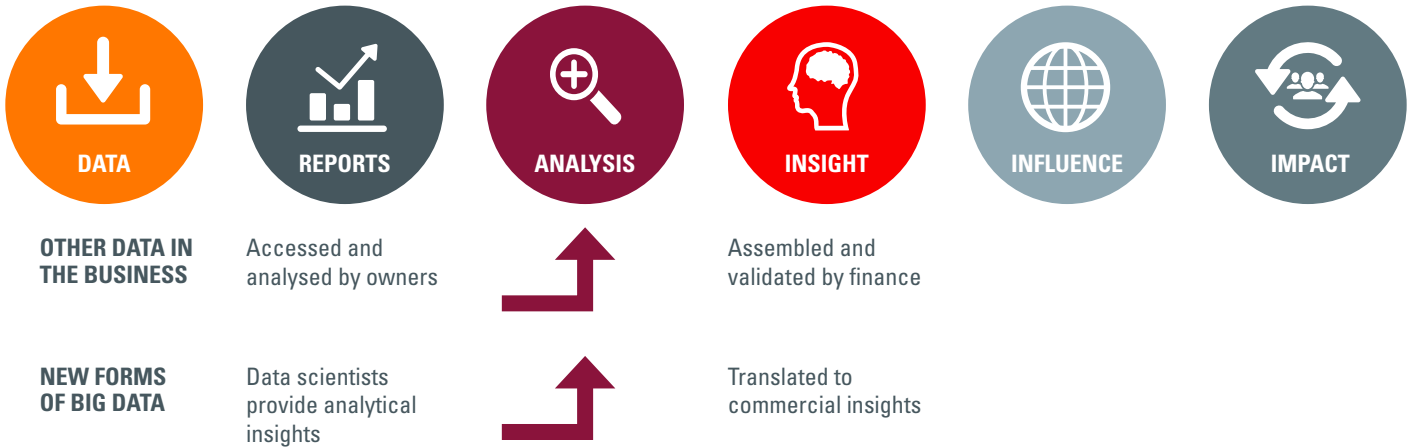
EXTENT TO WHICH FINANCE HAS REALIGNED/ENGAGED TO SUPPORT NEW VALUE DRIVERS



A net positive score, calculated as the percentage selecting high scores (4 or 5) less the percentage selecting low scores (1 or 2), provides a useful summary measure of the extent to which respondents feel finance in their business has been realigned/engaged to support new value drivers.

This suggests finance is more comfortable in its domain and when identifying or selecting appropriate non-financial measures of performance than it is with furnishing those measures. Our research confirms that finance retains its role regarding financial information and its analysis; and developing commercial insights and their application to improve performance.

INFORMATION BROKER, THE NEW PARTNERING ROLE FOR FINANCE



BUSINESS PARTNERING AT LinkedIn

“Back in 2010, when we were a much smaller company, business partnering was very reactive, with my team jumping in and out of conversations with business unit heads to answer a question or resolve a problem. We didn’t have great dashboards and information at our fingertips and, as such, did a lot of ad hoc modeling.

“As the company and our finance team have grown, our approach to business partnering has evolved. Today it’s much deeper – we have KPIs and dashboards created on a regular cadence; we take time to understand the business and problem; have a point of view on all matters and issues; and provide value-added analytics to drive the right outcomes and bring clarity to all the noise (massive big data) out there. To do that, my teams are embedded in the business unit, attending business partner staff meetings and helping manage the business units with their business partners. Finance is sometimes the first line of defense for these business units, to flag any risks and ensure that each business unit is contributing to the company’s growth and vision as a whole.”

Richard Wong, Vice President of Finance, LinkedIn, USA

ENHANCING THE VALUE OF INFORMATION

When a business unit owns data and has the necessary skills to analyse it, it is more likely to provide the KPIs and performance analysis. However, finance can enhance the value of this information by ensuring its validity and filtering it for decision-makers to use. When new analysis is needed, finance may require the relevant area to provide it.

WORKING WITH DATA SCIENTISTS

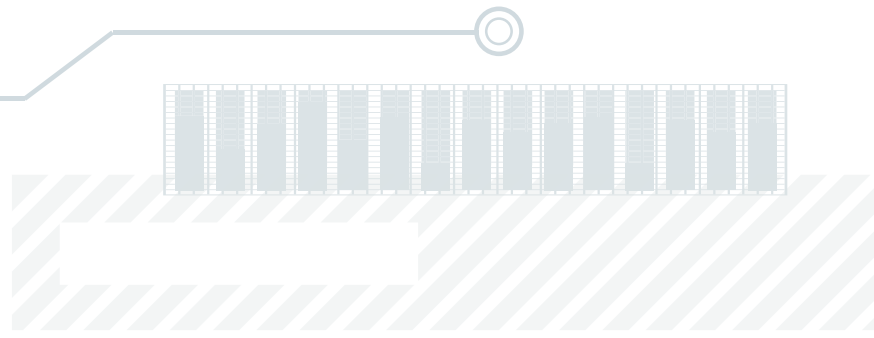
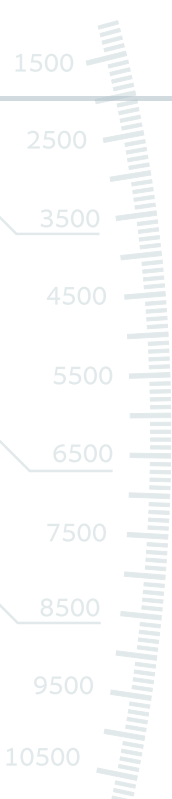
Where more advanced analytical skills are needed to analyse vast volumes of new forms of digital data, finance might look to data scientists to generate required insights. Or, when data scientists explore data and develop new analytical insights, finance can help prioritise these by their potential commercial impact – and translate them into actions for improving performance.

THE PARTNERING ROLE OF FINANCE

This means finance must take on a broad business partnering role as the brokers of information in the business. Finance needs to engage business managers in collaborative conversations to probe root causes; identify potential leading performance indicators; and source data that could provide measures for management.

The role is about improving decision-making and ensuring the business assembles and analyses relevant information that:

- focuses on the value to shareholders
- decision-makers consider with due regard to the interests of stakeholders
- is then applied to influence performance and generate value



6. CONCLUSION AND NEXT STEPS

In the digital age, business models must adapt to a competitive environment where the quality of decision-making – especially with regard to managing intangibles – will be the determinant of business success. Businesses now need more than management information based on financial data: they also need measures relating to intangible value drivers.

SAFEGUARDING THE QUALITY OF DECISION-MAKING

Business units that generate data about intangible assets also tend to own it. As such, they are the most likely providers of analysis and performance management based on this data. This means CFOs and management accountants are well placed to play important roles. With a wide view across the enterprise, they can equip leaders with the measures and analysis required to make the right decisions. As facilitators, they can also contribute their overview and professional objectivity in collaborative conversations, to safeguard the quality of decision-making.

NEXT STEP: PREPARE TO TRANSFORM FOR THE DIGITAL AGE

Digitisation threatens and transforms business models. While progressive businesses understand the potential of digitisation and the need for better management information about value drivers, many more are not prepared. Business leaders need to consider the potential impact on their business model and the probable need to develop it for the digital age.

FINANCE TAKING CENTRE STAGE

There is a risk that businesses might sideline finance as specialists in producing accounting information for statutory reporting, while other disciplines provide information for management. This might be a mistake because, as digitisation makes it more difficult for businesses to differentiate and earn a premium, the quality of decision-making has become even more important. Finance can bring its professional disciplines to decision-making. Finance may not have a credible claim to provide all the information needed in the digital age. However, it has the enterprisewide overview, professional objectivity and skills required to work with diverse internal stakeholders, ensuring the business assembles, analyses and applies data to improve performance.

HOW DIGITISATION IS TRANSFORMING FINANCE AT NESPRESSO JAPAN

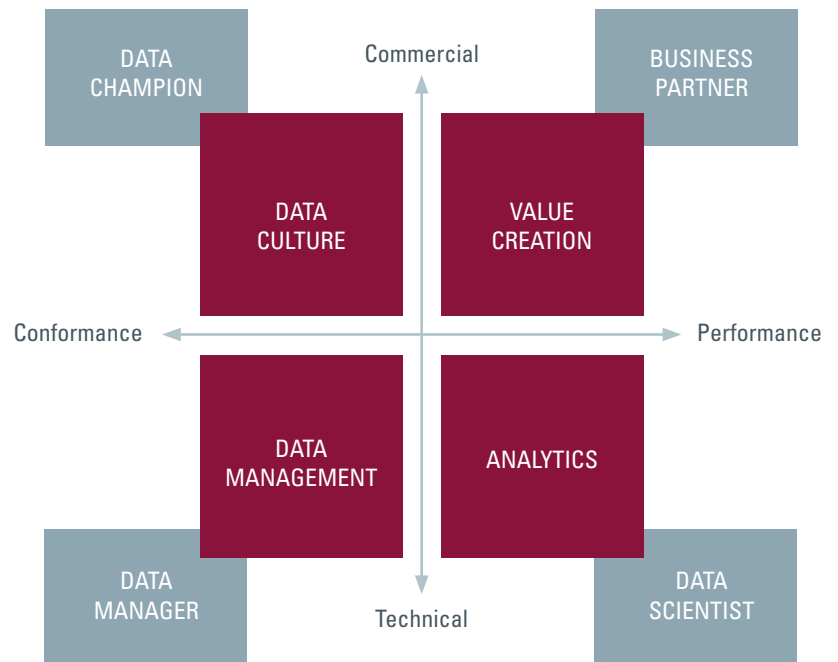
“Back-office automation and migration to shared service centres is made possible by digital. That transformation has already happened. Companies will have less finance staff. The finance team can now focus on the business leadership tasks.

“The fundamental responsibility of finance is financial reporting, and compliance and risk management. These have to be done right. On top of that, finance is responsible for allocating resources; shaping and defining strategy; using all the data to help leadership – the CFO is a co-pilot who can also pilot the plane; projecting into the future – looking into risks and opportunities; total understanding of the value chain and value drivers.

“The CFO is in close proximity to all the other functions. This means that in the digital era, the CFO needs to know the digital terrain, the language, the topic, the practices, etc. The CFO also needs to balance the risk and reality of the digital world.”

Felix Langenbach, Finance Director, Nestlé Nespresso, Japan

THE RANGE OF DATA COMPETENCIES THAT A BUSINESS MUST DEVELOP



To take advantage of the vast volume and range of data available to inform decision-making, businesses need to develop new competencies:

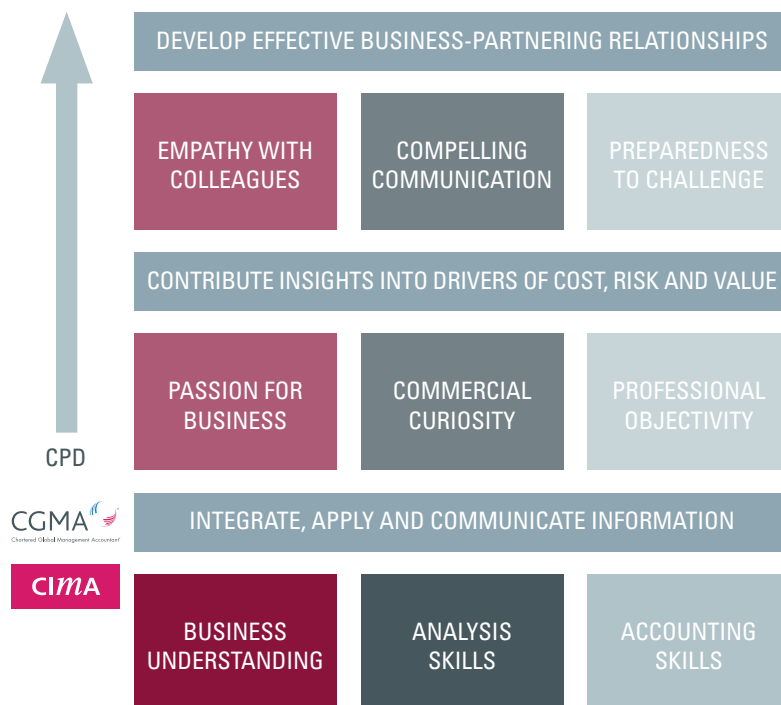
- Capturing and managing data needed to inform decisions or measure performance, for example, data about intangible assets, so that decision-makers can feel confident in the data's quality. Compliance with data standards and regulations is important to maintain customers' trust. Cyber security is also a concern. Data managers usually require an IT background. The accounting discipline that ensures the integrity of financial reporting is also valuable.
- A business must be able to analyse pertinent data. Those with the skills needed to analyse vast amounts of big data are known as "data scientists". Their skills include writing code, identifying complex correlations and deriving algorithms. These skills are in short supply – but so are the skills needed to translate analytical insights into commercial advantage.
- A business that expects to base its decisions on evidence needs the objectivity accountants can provide. This ensures the integrity of numbers and that leaders manage the business with due care for the interests of stakeholders.
- To yield commercial benefits, a business must be able to make evidence-based decision-making apply to management and analytical insights. This is probably the area of greatest opportunity for management accountants, who have the broader skills needed to cascade the CFO's influence throughout the business.

THE MANAGEMENT ACCOUNTING IMPERATIVE

The CIMA syllabus and examinations help ensure that CGMA designation holders have the essential accounting, analysis and business competencies employers expect of professionally qualified in-house accountants. Management accountants need to build on these skills through continuing professional development. This will help them acquire the skills to develop effective partnering relationships with business managers.

Digitisation could commoditise products and services. A business's ability to differentiate and earn superior returns will depend on the quality of its decision-making and performance management. In the digital world, there is an excess of data but a shortage of information and insight. The result is an increased risk of bias in decision-making. To ensure quality decisions, CFOs need to apply – and finance business partners must cascade – the discipline of management accounting throughout the organisation.

SKILLS FOR BUSINESS PARTNERING



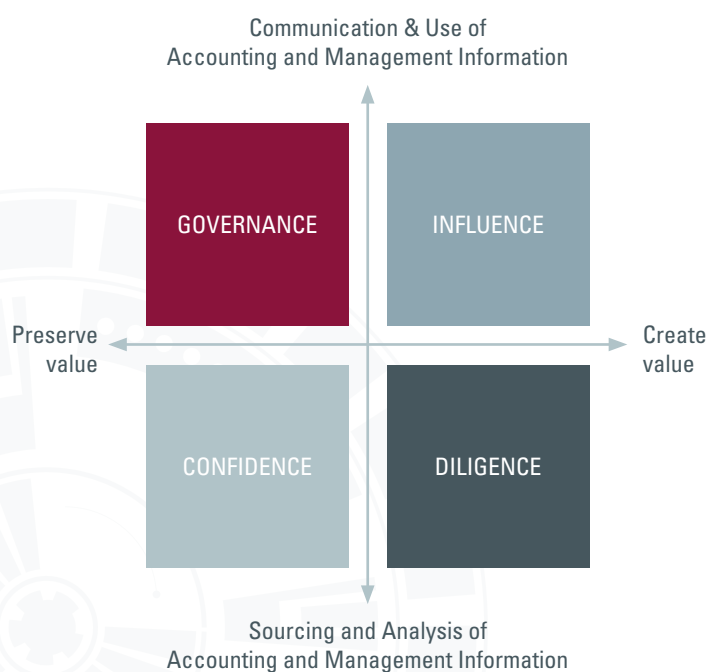
PUTTING PRINCIPLES INTO PRACTICE

The CFO cannot participate in all decisions. However, as business partners, management accountants can ensure that:

- decision-makers are confident in the information they receive
- the business analyses the information diligently with a focus on the value to shareholders
- they apply their professional objectivity to ensure good governance
- they influence colleagues to help ensure the business is managed in line with the overall strategy and stakeholder interests.

This is consistent with the Global Management Accounting Principles[®], developed by the CIMA and AICPA.⁸

IMPROVE DECISION-MAKING



7. REFERENCES, RESOURCES AND RESEARCH METHODOLOGY

REFERENCES

- 1 Ocean Tomo, as cited in The Wall Street Journal, 2014
- 2 'The 21st Century Corporation' Fortune Magazine, page 105, 2015
- 3 Ibid, page 106
- 4 Ibid, pages 108 to 109
- 5 Global Intangible Financial Tracker 2015, Brand Finance and CIMA, 2015
- 6 From insight to impact; unlocking the potential in big data, CGMA, 2013
- 7 Big Data; readying business for the big data revolution, CGMA, 2014
- 8 Global Management Accounting Principles®, CGMA, 2014

RESOURCES

Finance Business Partnering: The conversations that count, CGMA, 2015
 Global Management Accounting Principles, CGMA, 2014
 CGMA competency framework, CGMA, 2014
www.cgma.org

RESEARCH METHODOLOGY

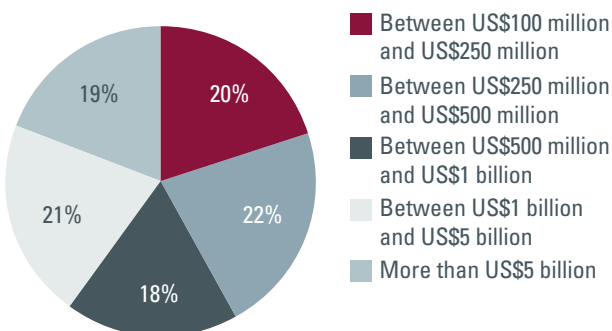
This research was conducted by CIMA and AICPA and sponsored by Oracle. It is based on a global survey of senior executives, supplemented by interviews with senior finance and management professionals across the globe to inform our interpretation of the survey results. The survey was completed by 744 respondents in 34 countries:

- 37 per cent - in EMEA (Europe, Middle East and Africa) countries excluding the UK
- 27 per cent - in the USA or Canada
- 14 per cent - in BRIC countries (Brazil, Russia, India and China)
- 12 per cent - in the UK
- 7 per cent - in APAC (Asia-Pacific) countries
- 3 per cent - in Latin America, excluding Brazil

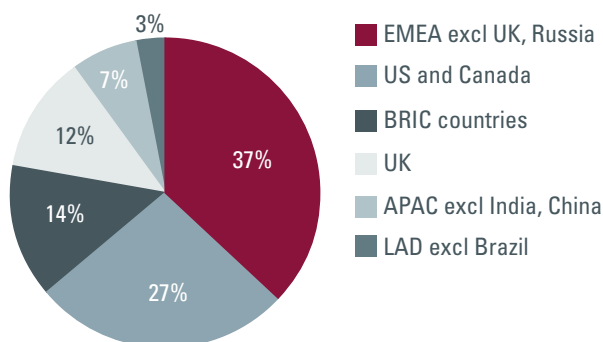
Most respondents were in senior finance roles, however 5 per cent were COOs and 21 per cent were in other senior roles.

Respondents were from a good spread of business sizes, with approximately 20 per cent from each of these turnover bands: US\$100m–US\$250m (20 per cent), US\$250m–US\$500m (22 per cent), US\$500m–US\$1bn (18 per cent), US\$1bn–US\$5bn (21 per cent) and US\$5bn+ (19 per cent).

RESPONSES BY COMPANY SIZE



RESPONSES BY REGION



American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036-8775, USA T: +1 212 596 6200 F: +1 212 596 6213

Chartered Institute of Management Accountants, The Helicon, One South Place, London EC2M 2RB United Kingdom T: +44 (0)20 7663 5441 F: +44 (0)20 7663 5442

© 2015, Chartered Institute of Management Accountants. All rights reserved. This material may be shared and reproduced for non-commercial purposes in online format only, subject to provision of proper attribution to the copyright owner listed above. For information about obtaining permission to use this material in any other manner, please email copyright@cgma.org. All other rights are hereby expressly reserved. The information provided in this publication is general and may not apply in a specific situation. Legal advice should always be sought before taking any legal action based on the information provided. Although the information provided is believed to be correct as of the publication date, be advised that this is a developing area. The AICPA or CIMA cannot accept responsibility for the consequences of its use for other purposes or other contexts. The information and any opinions expressed in this material do not represent official pronouncements of or on behalf of AICPA, CIMA, the CGMA® designation or the Association of International Certified Professional Accountants. This material is offered with the understanding that it does not constitute legal, accounting, or other professional services or advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought. The information contained herein is provided to assist the reader in developing a general understanding of the topics discussed but no attempt has been made to cover the subjects or issues exhaustively. While every attempt to verify the timeliness and accuracy of the information herein as of the date of issuance has been made, no guarantee is or can be given regarding the applicability of the information found within to any given set of facts and circumstances.