



THE CFO IN UTILITIES

See how the new CFO is adapting to a changing financial landscape, utilizing transformative new technology to disrupt, innovate and generate value for the utilities industry.

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Contents

Global message	3
Introduction	4
Powering change	6
Unlocking the value of data	8
Reshaping ways of working	10
Mastering digital transformation	12
Conclusion	13

Now is a pivotal moment for CFOs. Our new research on the dynamic role of the finance function reveals how the CFO is positioned at the center of the organization, side-by-side with the CEO, turning finance into an engine that can power the entire enterprise.

CFOs have long been responsible for producing the numbers and managing technology costs. Today, they are continuing to push the boundaries of automation and are increasingly harnessing data to enhance analysis and generate insights. They are also looking beyond the borders of the finance function, proposing and shaping business models throughout the enterprise. Ideally, they are leading the charge in deciding how to invest in digital, guiding their organization into the next evolution.

Based on a large survey of CFOs and up-and-coming finance professionals, as well as interviews with leaders from top global companies across multiple industries, the findings uncover the CFOs' ambitions, priorities and obstacles.¹

The CFO has an expanded remit to:

- Create more revenue streams.
- Manage down total costs.
- Share insights across business functions.
- Advise the CEO.
- Improve risk and compliance.
- Increase enterprise value.
- Steward the digitalization of the entire enterprise.

But CFOs (and the entire C-suite) should seize this moment.

Many CFOs face significant challenges as they take on a broader role. Our research reveals how they can leverage technologies, skills and relationships to transform their companies and prosper.

1. Accenture carried out a quantitative survey of more than 700 CFOs and senior finance executives, including 97 from the insurance sector, as well as a separate survey of 200 up-and-coming finance professionals. We also conducted almost 50 qualitative interviews with CFOs, CEOs and CDOs. The survey is titled "The CFO Reimagined: from driving value to building the digital enterprise."

With a unique ability to exploit data and create value, chief financial officers (CFOs) have greater occasion to serve as innovator and disruptor within their businesses. While this shift spans industries, opportunities and challenges are especially great for utilities CFOs.

CFOs are driving some of the most exciting work within companies. Being closest to financial results puts finance in a unique position to harness data and manage performance. With an imperative to drive departmental efficiency and improve enterprise performance, the CFO is now focused on identifying and capturing new sources of value across the business.

Global research by Accenture affirms that CFOs and their teams continue to make a conscious and radical repositioning of their role, the work they do and how they do it.

Utilities CFOs are no exception. In fact, these leaders face distinctly exciting opportunities and challenges as they navigate far more than their own changing role.

Utility CFOs are leading in an industry awash in evolution, including fundamental shifts in business models, process digitalization, and workforces entrenched in legacy ways of working.

These dynamics underscore the need for a new kind of utility CFO—one whose expertise extends well beyond financial management. The business case is clear: integrating finance with other utility functions allows CFOs to put their teams' talents to work by driving value for the business.

Particularly for utility CFOs, facilitating a finance function that delivers the following principles is critical for driving value:

- Allowing customer revenue analytics to drive financial planning and regulatory decisions.
- Integrating utility operations into financial planning and forecasting.
- Integrating both financial and operational data into risk-based capital and operations and maintenance (O&M) spend decisions.

“I don’t think a CFO who only knows strategy or who only knows operations would be suitable,” says Alan Foster, UK CFO of National Grid. “At least you need to know what you don’t know so you can make sure you’ve got people who can cover those issues.”

In the Accenture study, 80 percent of utilities finance leaders agreed: traditional finance positions in their organizations will be replaced by higher-value and more strategically focused roles.

Similarly, 78 percent agreed that the CFO is breaking new ground, carrying out activities far removed from those performed by the rest of the finance function (for example, delivering valuable operational analytics to drive business decisions).

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Powering change

Utilities CFOs are stepping up to face their industry challenges.

They report that they currently are focusing on identifying and targeting areas of new value across the enterprise (88 percent), driving business-wide operational transformation (87 percent) and exploring how disruptive new technologies could benefit the entire enterprise (85 percent).

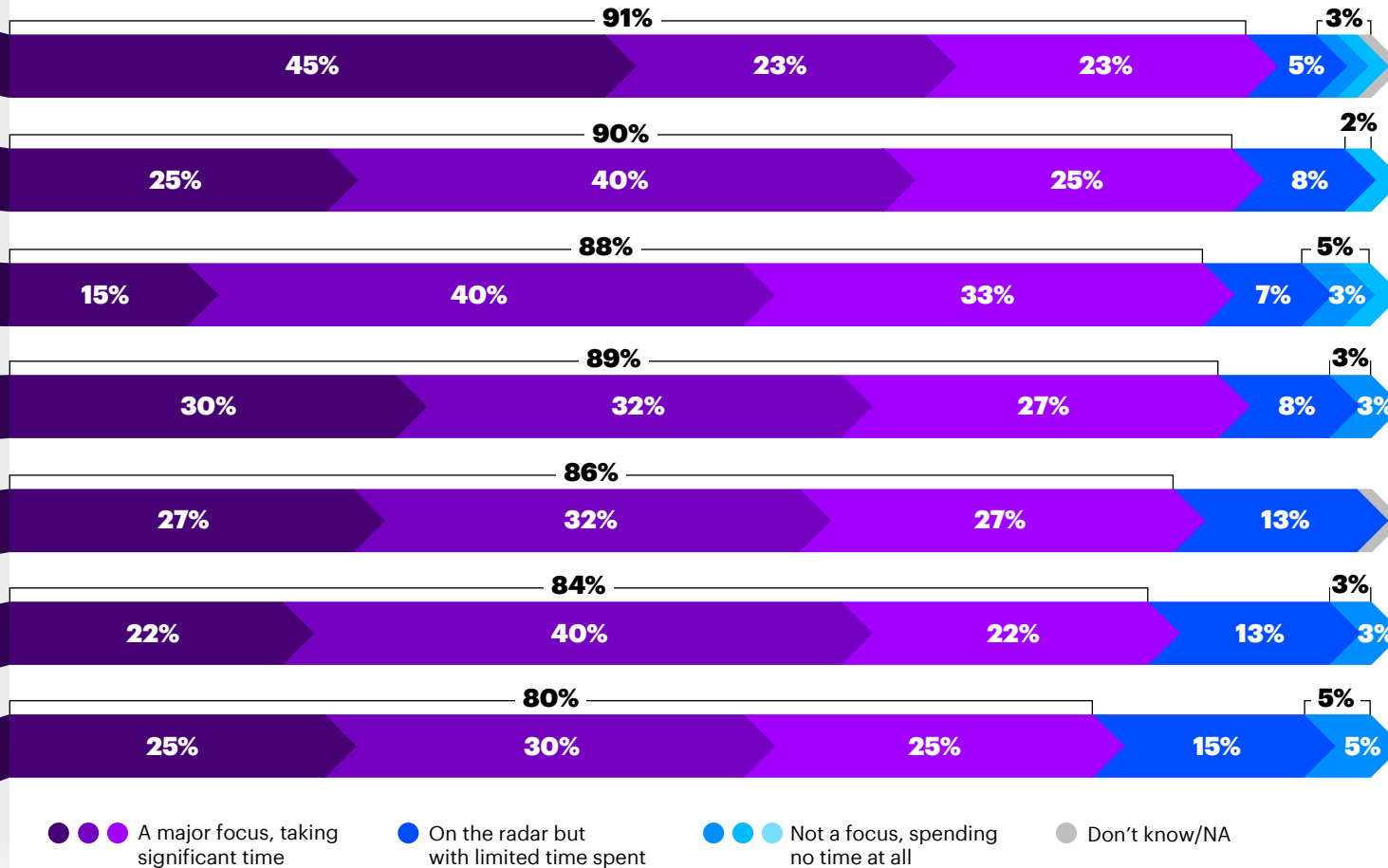
Looking to the future, 92 percent believe they will be focused on leading efforts to make the entire enterprise more efficient through adoption of digital technologies across the business (see Figure 1). Nearly as many (90 percent) believe the CFO will be identifying and preparing the business for increasingly volatile future scenarios.

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FIGURE 1**Key priorities for utilities CFOs in three years.**

(n=60 Individual % may not = (net) % due to rounding. If data is <2% data labels are not shown.)



Leading efforts to make entire enterprise more efficient through adoption of digital technology across the business.

Identifying and preparing the business for increasingly volatile future scenarios.

Exploring how disruptive new technologies could benefit the entire enterprise.

Identifying and targeting areas of new value across the wider business ecosystem.

Providing real-time/near-real-time insight of business performance to highlight risks and opportunities.

Driving business-wide operational transformation.

Identifying and targeting areas of new value across the enterprise.

Unlocking the value of data

Whether streamlining inefficiencies or rolling out new products and services, good data is the secret weapon of any utility finance team.

More than half of survey respondents (52 percent) believe this function should play a leading role in identifying which data represents the greatest potential or unrealized value for the business. The focus on data stewardship extends beyond finance. Nearly as many (45 percent) see the CFO organization's role as developing leading practices for combining different data sets, as well as designing and rolling out the enterprise-wide data governance strategy.

Given the highly complex and distributed nature of utilities operations—especially given an operations

workforce focused on safely keeping power and gas flowing—collecting operational data can be a tall order. Yet 80 percent of respondents said their utility's finance function is assuming total responsibility for data governance across the enterprise. While the finance team may be squarely positioned to perform analyses connecting operating metrics with financial results—insights vital to meeting key industry challenges—the CFO organization cannot maintain, govern and utilize the enterprise data on its own. This is precisely why the finance team needs to be seamlessly integrated with operational teams.

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Multi-stream data analysis is already a priority for some utilities, including Duke Energy Corporation. Executive Vice President and CFO Steve Young suggests that new efficiencies in his business have been enabled, in part, by greater access to operating-performance data: ***“In the non-financial area, the data is blooming. Where are the outages? What equipment failures are we seeing? When you can see what lines, what areas, what geographies have problems then it changes your maintenance profile significantly. You start to pinpoint what parts of the system are failing more rapidly.”***

Given the abundance of valuable data in operations, finance needs to step up to the plate to inform capital and O&M allocation decisions in the business.

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Reshaping ways of working

Artificial intelligence (AI), Industrial Internet of Things (IIoT) sensors and other forms of automation are making it easier to gather consistent, comprehensive data.

The Accenture study suggests that utilities' finance departments are already making progress in implementing scalable solutions for:

- Artificial intelligence—75 percent
- Predictive analysis—70 percent
- Robotic process automation—68 percent

As utilities' finance departments adopt more intelligent automation, the composition of the workforce will continue to evolve. Fewer human resources will be dedicated to transactional tasks across accounting and reporting.

Instead, they will focus on more strategic analyses, driving operational efficiency, building and testing new business models, improving insights about customers, and partnering with business operations.

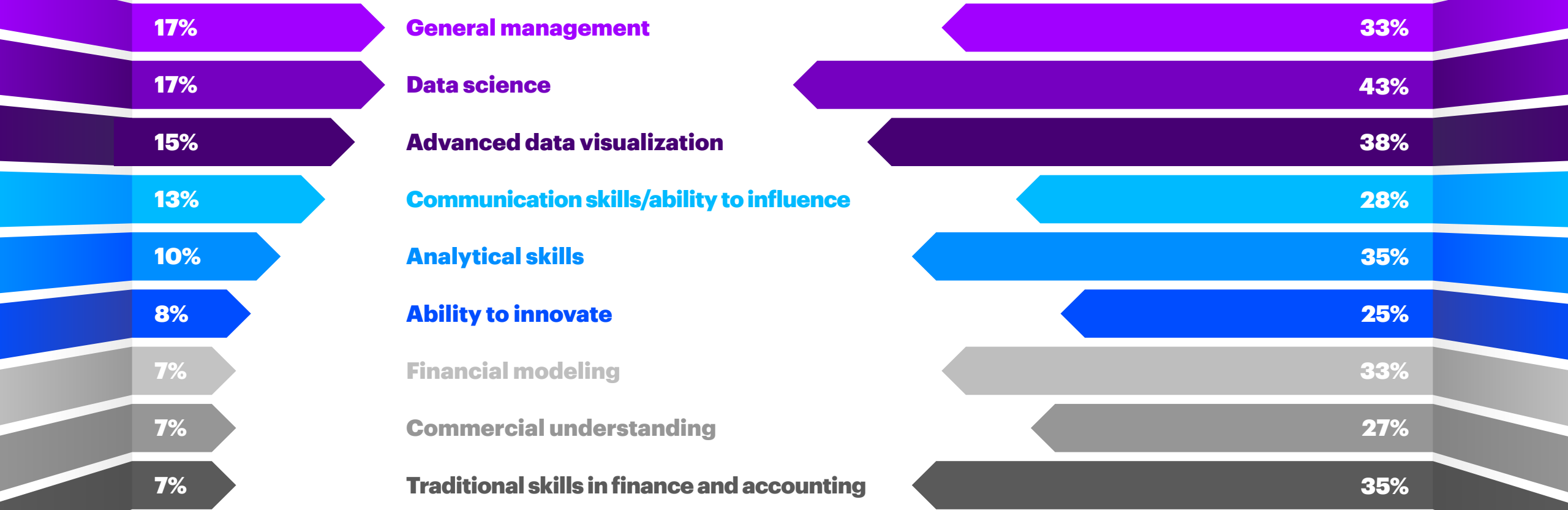
Study respondents believe that specific areas of traditional experience—including investor relations, treasury, operations and tax—will become obsolete in the future. In fact, 88 percent of utilities finance leaders agree that the traditional finance talent profile needs to change quickly and drastically (see Figure 2).

FIGURE 2

Critical skills and talents when recruiting future finance talent.

RANKED #1

RANKED #1-3



Mastering digital transformation

As utilities CFOs evolve to become strategic enablers, leading digital transformation has emerged as one of their most important goals.

Eighty five percent of respondents agreed that the CFO's remit is expanding to include stewardship of the digitalization of the entire utility enterprise. After all, digitalizing the entire enterprise solves a host of short and long-term challenges—allowing operations to be more consistent and efficient, streamlining data gathering and analysis, and positioning the organization to be more agile in responding to growing changes in their business and regulatory model changes. It also aids in understanding and meeting the new demands of energy consumers, an increasingly important determinant of utility growth and success in the age of deregulation, customer choice and increased transparency.

Conclusion

Utilities' challenges span functional areas. The CFO is in ideal position to provide structure to and make meaning of vast quantities of data and orchestrate necessary change across the C-suite.

To capitalize on these opportunities, CFOs need to eliminate traditional silos that have hampered their teams' ability to unlock business value.

By integrating finance with operations up-front, the finance function will have a partner to help it manage and use data, understand enterprise performance, and optimize business decision-making and regulatory outcomes.

As National Grid's Alan Foster puts it, ***"You can either choose to point out problems and give the CEO and other leaders another list of problems that they have to solve, or you take a more proactive stance and try to solve the problems. The most successful CFOs will provide the solutions."***

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