

Integrating the Finance organization for global business: important implications for CIOs.

In a global business environment characterized by change and uncertainty, Finance organizations have to be extremely agile to adapt to changing corporate priorities and help their companies achieve aggressive earnings and performance objectives. The key is integration, and CIOs have a major role to play in partnering with CFOs to break down barriers that impede it and transforming once fragmented data into valuable business insights and intelligence essential for profitable growth.

Globalization has changed the way business gets done, and CFOs are under constant pressure to help their companies leverage the global marketplace and uncover new sources of revenue. The Global CFO Study 2008, conducted by IBM in cooperation with The Wharton School at the University of Pennsylvania and the Economist Intelligence Unit, found that the majority of Finance organizations lack the flexibility and enterprisewide integration necessary to mobilize information and resources quickly enough to capitalize on emerging opportunities. Moreover, nearly 70 percent of the CFOs studied felt that greater integration would be difficult to execute, but imperative to achieve.¹

Integration is essential to long-term growth

CFOs in the study understand that data integration is vital to their ability to provide accurate and timely performance insights, which, in turn, help steer strategic decisions and enable the company to effectively manage risk. The study found that Finance organizations that were able to integrate data enterprisewide were better able to provide their companies with valuable insights. These “Integrated Finance Organizations,” or IFOs, had adopted and enforced standard data definitions, common processes and a standard Chart of Accounts enterprisewide. They were also distinguished by a global ownership framework that enabled them to mandate those standards and maintain stricter control over the design and execution of their

financial processes. Business leaders in those companies didn’t have to deal with conflicting revenue numbers or multiple versions of a company’s financial performance. Instead, they were presented with a single, consolidated version of the truth—the basis for well-balanced, democratized business and investment decisions.

Not surprisingly, IFOs experienced higher revenue and stock price growth than non-IFOs, and they were more effective operationally as well. Still, fewer than one in seven companies met the criteria for an IFO. The fact is that most are simply unable to establish data and process standards and global process ownership to drive integration enterprisewide.

This lack of integration is also inhibiting risk management. Good risk management depends on the availability of good information. Without it, companies don’t have the insights needed to develop an effective risk strategy. In general, the study found corporate risk management skills to be insufficient for the globalized world. However, because IFOs do a better job



summarizing and sharing information enterprisewide, they were 1.4 times more effective at mitigating risks than non-IFOs. They were also twice as likely to be prepared for major risk events.

The opportunity for CIOs

CFOs in the study cited a lack of global data standards, poor data quality and lack of enabling technologies as leading obstacles to enterprisewide integration. Clearly, this puts CIOs in an ideal position to help.

Geographically distributed operations and years of acquisitive growth have left many Finance organizations with silos of data and a heterogeneous patchwork of accounting and ERP systems. CIOs can remove the logistic, technological and cultural roadblocks to simplifying this environment. By consolidating duplicate infrastructure elements and providing a platform for data standardization, IT can help turn countless collections of structured and unstructured data into usable information, and usable information into meaningful insights. By partnering with Finance to deploy information and application delivery alternatives, like shared service centers, outsourcing and virtual centers of excellence, IT can help Finance pare down current systems, eliminate

redundant processes, and streamline decision support and performance analysis. Financial personnel can spend less time reconciling and compiling data and more time analyzing results.

As CIOs and CFOs take on more strategic roles and exert a greater span of influence in shaping company direction, collaborating with the business—and each other—will become an increasing priority. Today, CIOs have an obligation to do more than keep financial systems up and running by helping Finance transform information assets into revenue-driving insights that propel the business forward. In return, CFOs can provide IT with a bridge to the business, tighter alignment of priorities and better responsiveness to changing business demands.

Conclusion

A collaborative partnership with CFOs is essential to improving the quality of financial information, increasing operational efficiency and mitigating risk. However, the real opportunity will come for those IT executives who can convert this partnership of necessity into a platform for innovation and financial growth.

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¹ IBM, *Balancing Risk and Performance with an Integrated Finance Organization: The Global CFO Study 2008*, October 2007.
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