

# The New Value *Integrator*

*Insights from the  
Global Chief Financial  
Officer Study*



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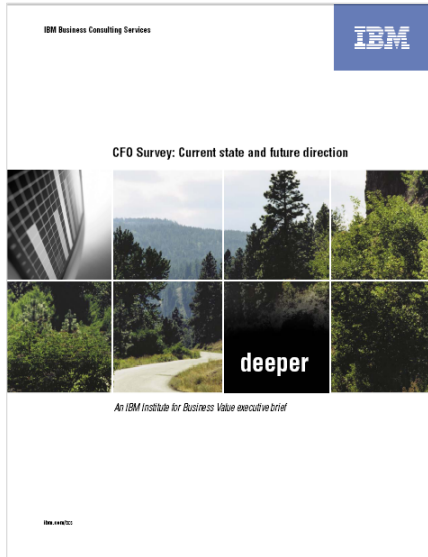
**IBM Finance Forum 2011**

Thursday May 26th, AA Dock's, Brussels

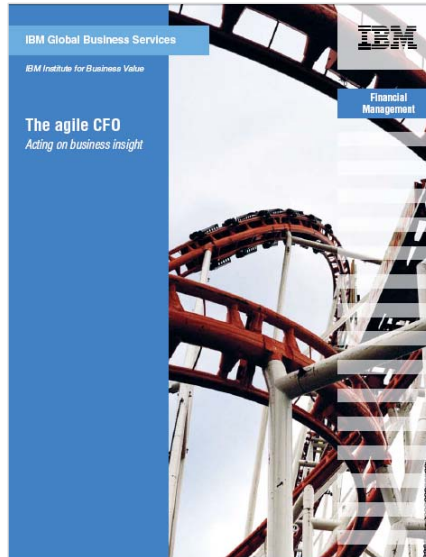


The 2010 IBM CFO Study is the fourth edition since 2003 and builds upon our primary research from 2005 and 2008

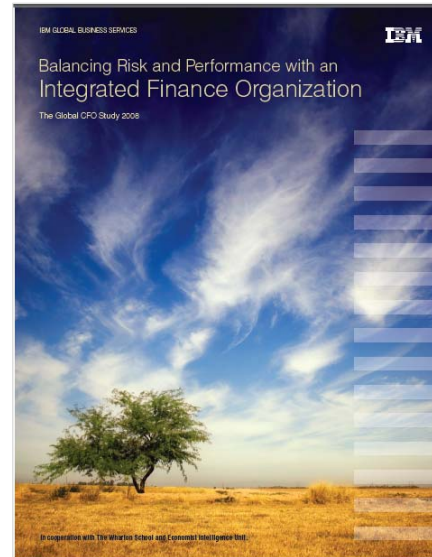
## CFO Studies



2003



2005



2008



2010

The study examines how the CFO can make the enterprise smarter in an era of increased uncertainty

## CFO Study 2010 Provocative Topics



The impact of the New Economic Environment on the **CFO's role**



What Finance model achieves the **optimal mix of capabilities** needed to outperform?



What can CFOs do to enable **timely and informed decision-making**?

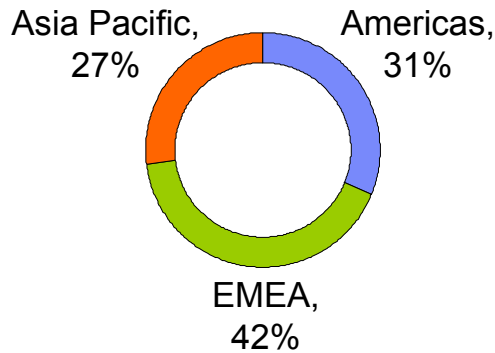


How can the CFO help the enterprise **anticipate and shape** its environment?

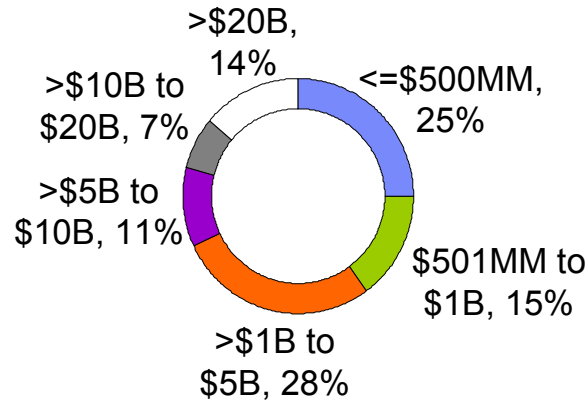
The Global CFO Study 2010 is the largest known CFO-level study of its kind with over 1,900 participants

### CFO Study 2010 Firmographics

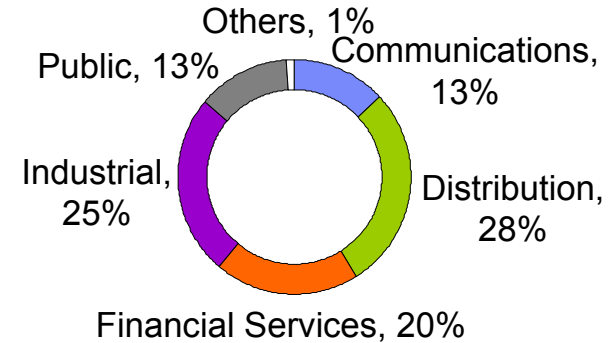
#### Geography



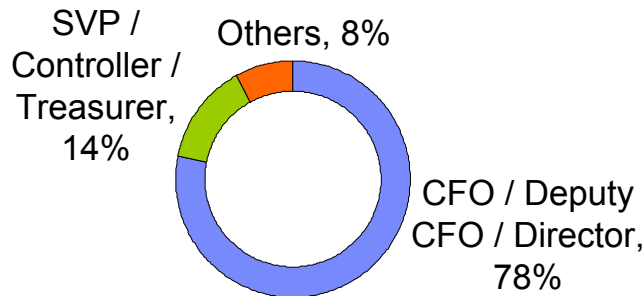
#### Enterprise Size (US\$)



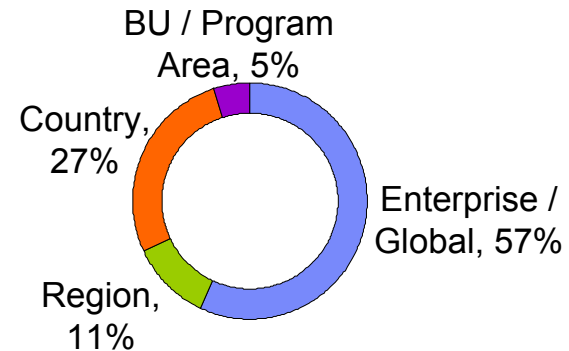
#### Sector



#### Title



#### Scope of Role



N = 1,910  
 Source: IBM Institute for Business Value, The Global CFO Study 2010  
 Geography = Country of Company Headquarters

## CFO Study 2010 key messages

**Leading Finance organizations are evolving to become Value Integrators.**

### Finance efficiency

- More successful at driving operational excellence.

### Business insight

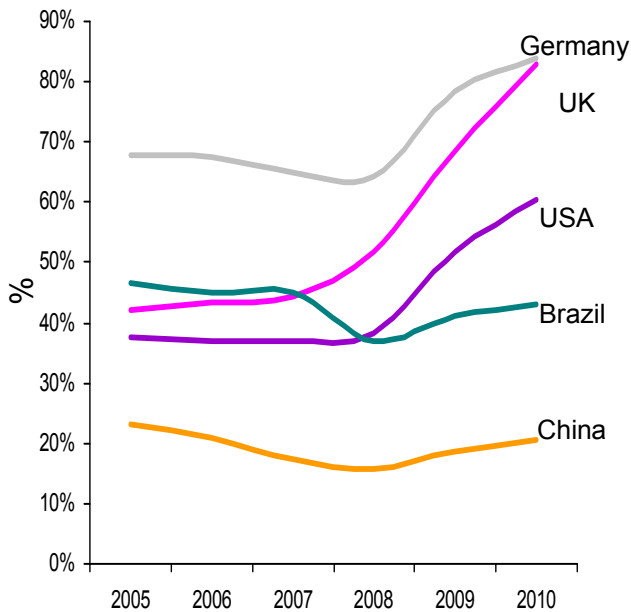
- Help drive greater value across their enterprises.



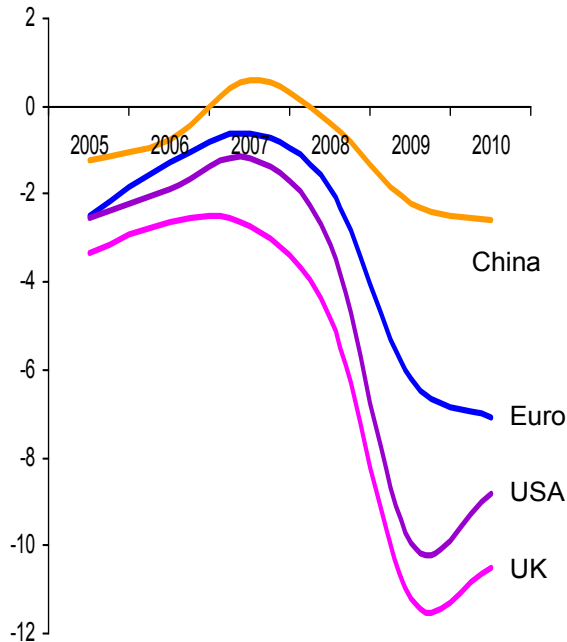
**BOTH:**  
Value Integrators are helping their enterprises make smarter decisions.

# Many western governments are faced with a fiscal crisis and an environment of debt, deficit and deleveraging

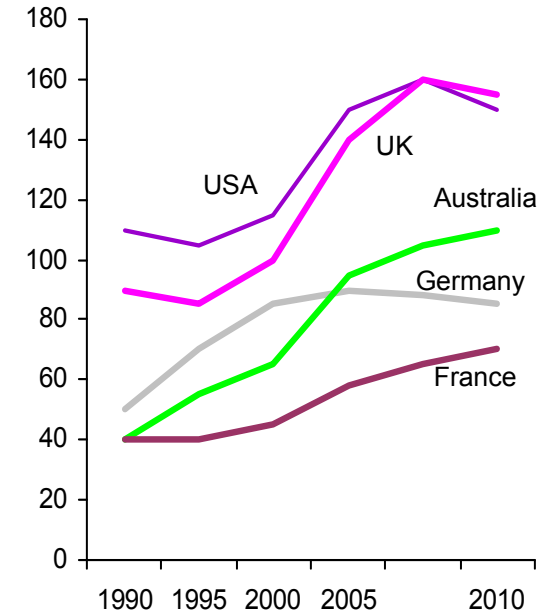
**Debt-GDP%, 2005-10<sup>1</sup>**  
Major Economies



**Deficits-GDP%, 2005-10<sup>2</sup>**  
Major Economies



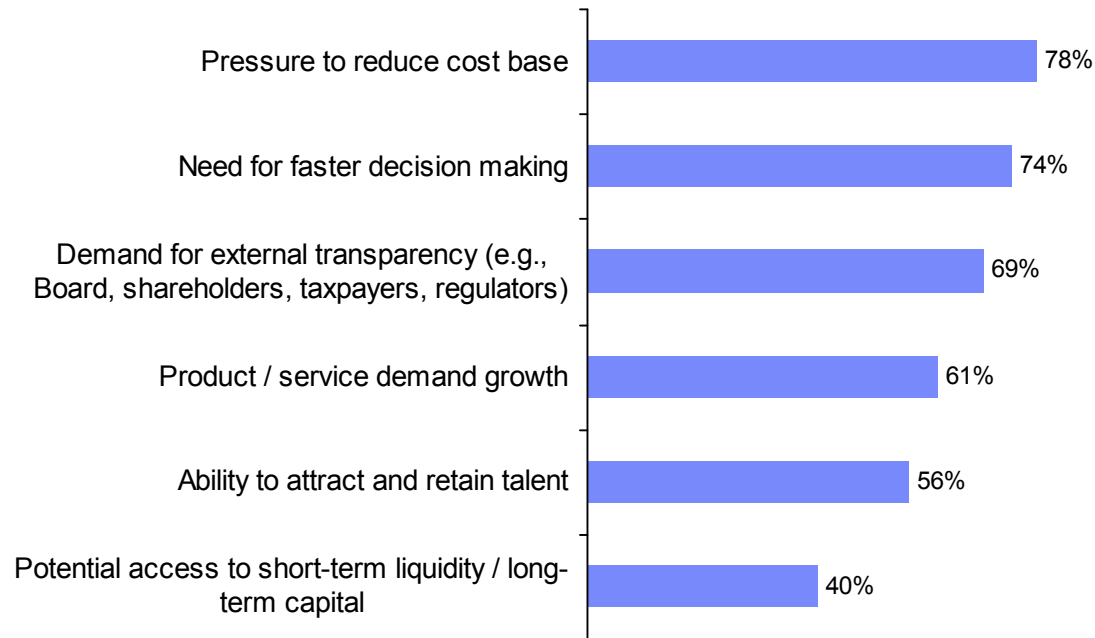
**H'hold debt%, 2000-10<sup>3</sup>**  
Major Economies



**We are in a period of subdued growth and industry restructuring and consolidation with continued uncertainty and elevated volatility and risk**

# CFOs believe that industry / sector pressures will increase challenges and opportunities over the next three years

## Industry / Sector Changes Over the Next Three Years

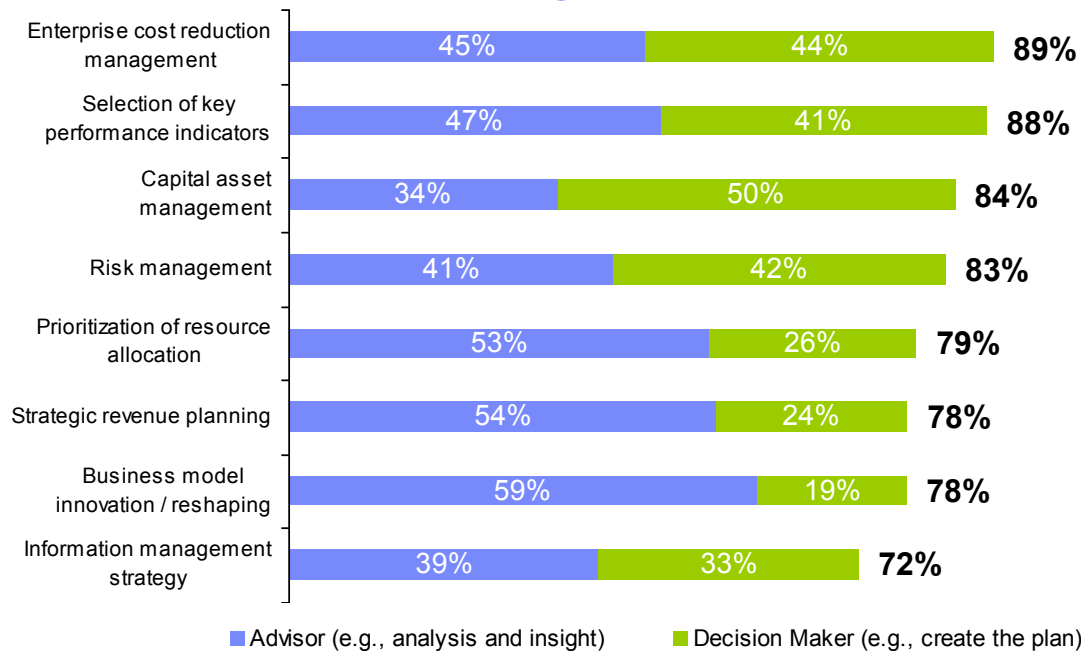


**As a result of these factors, ~60% of Finance organizations believe that they have to make major changes to respond.**

# CFOs are taking a more prominent role in enterprise decision making

## Elevated Role of Finance

### *Role of Finance in Driving Decisions Across the Enterprise*

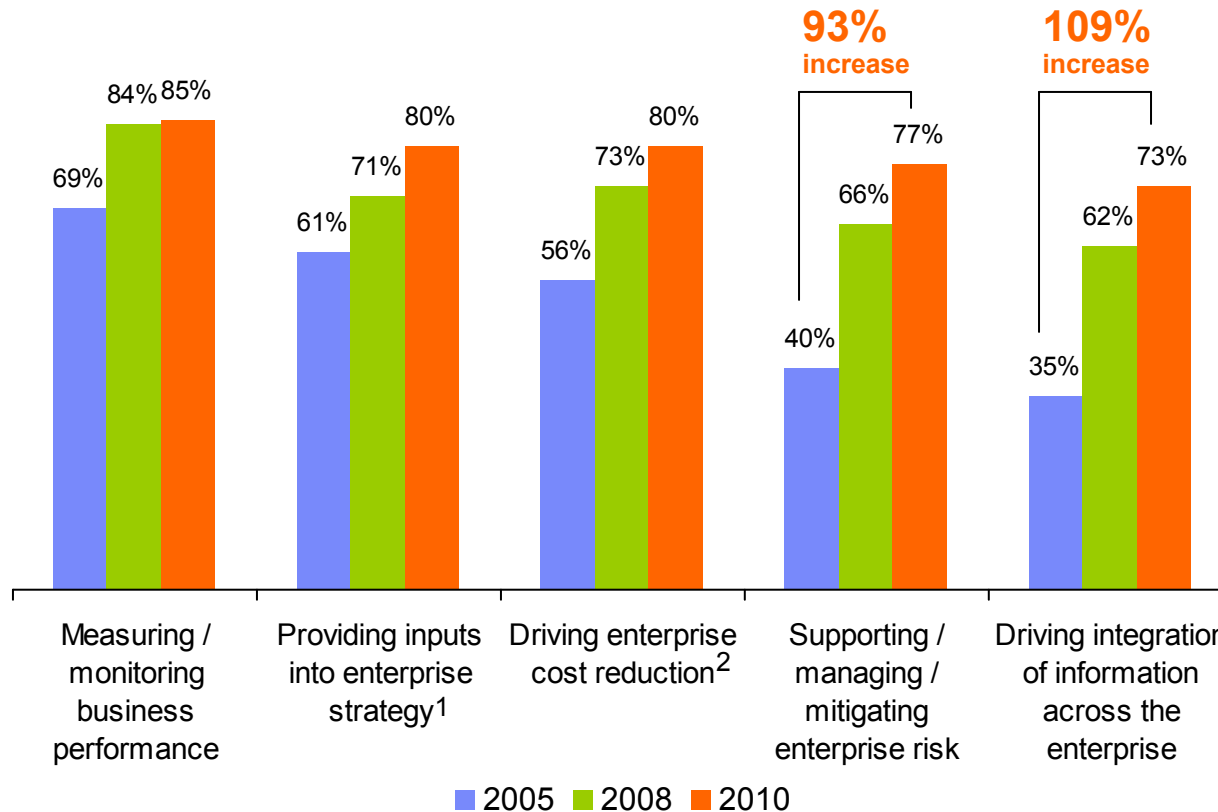


***Over 70% of CFOs believe they have an advisory or decision making role on the enterprise agenda.***



# Enterprise focused activities have accelerated in importance for CFOs over the past five years – some dramatically

## Importance of Enterprise Focused Activities Over Time

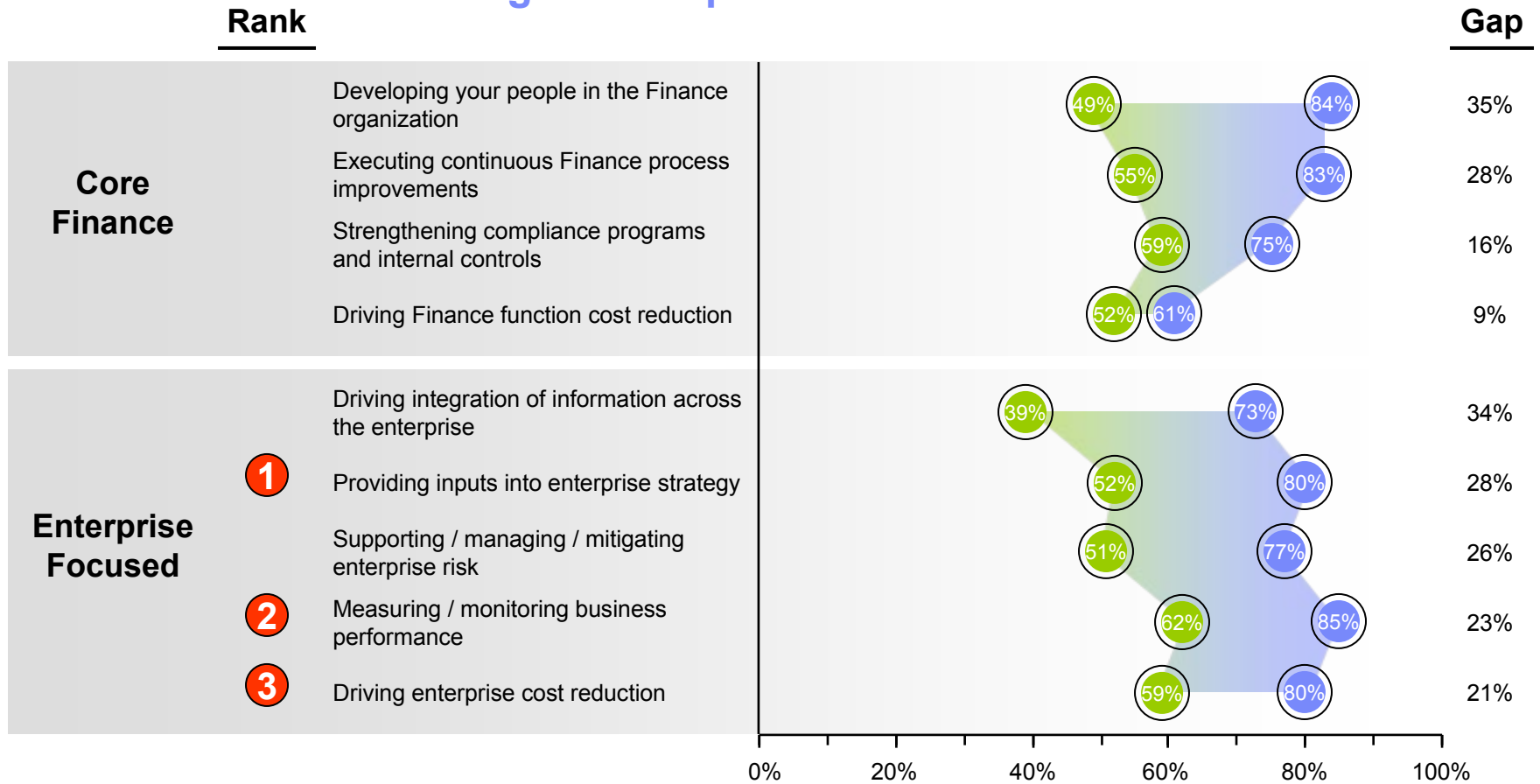


2005: N = 844, 2008: N = 1,195, 2010: N = 1,904, Note: 2005 uses "High" importance, 2008 uses [5] Critical and [4] Important and 2010 uses [5] Critical and [4] which indicates moderately critical, Note: Defined as enterprises selecting [5] Critical and [4] Increase on a 5-point scale where [5] Critical and [1] Unimportant, <sup>1</sup> 2005 defined as "Partnering with your organization to identify and execute growth strategies" and 2008 defined as "Inputs into identifying and executing growth strategies", <sup>2</sup> 2005 defined as "Driving cost reduction" and 2008 defined as "Driving cost reduction", Source: IBM Institute for Business Value, The Global CFO Study 2005, 2008, 2010

However, Finance needs to improve its effectiveness in order to deliver on the enterprise agenda

### CFO Agenda: Importance vs. Effectiveness

● Importance  
● Effectiveness



N = 1,834 Note: Executives asked: How important to your Finance organization are each of following areas of responsibility? and How effectively do you think your Finance organization is performing in each of those areas? And Please rank your top 3. Importance defined as enterprises selecting [5] Critical and [4] on a 5-point scale where [5] Critical and [1] Unimportant. Effectiveness defined as enterprises selecting [5] Very Effective and [4] on a 5-point scale where [5] Very Effective and [1] Ineffective, Source: IBM Institute for Business Value, The Global CFO Study 2010

A broader enterprise focused role requires core Finance efficiency be in place to reliably support business insight and decision making

## Addressing the Broader Enterprise Focused Role of Finance

### ***Demands on Finance***

Help drive enterprise cost reduction

Improve access *to* and reduce cost *of* capital

Support risk management

Provide performance insight and anticipate

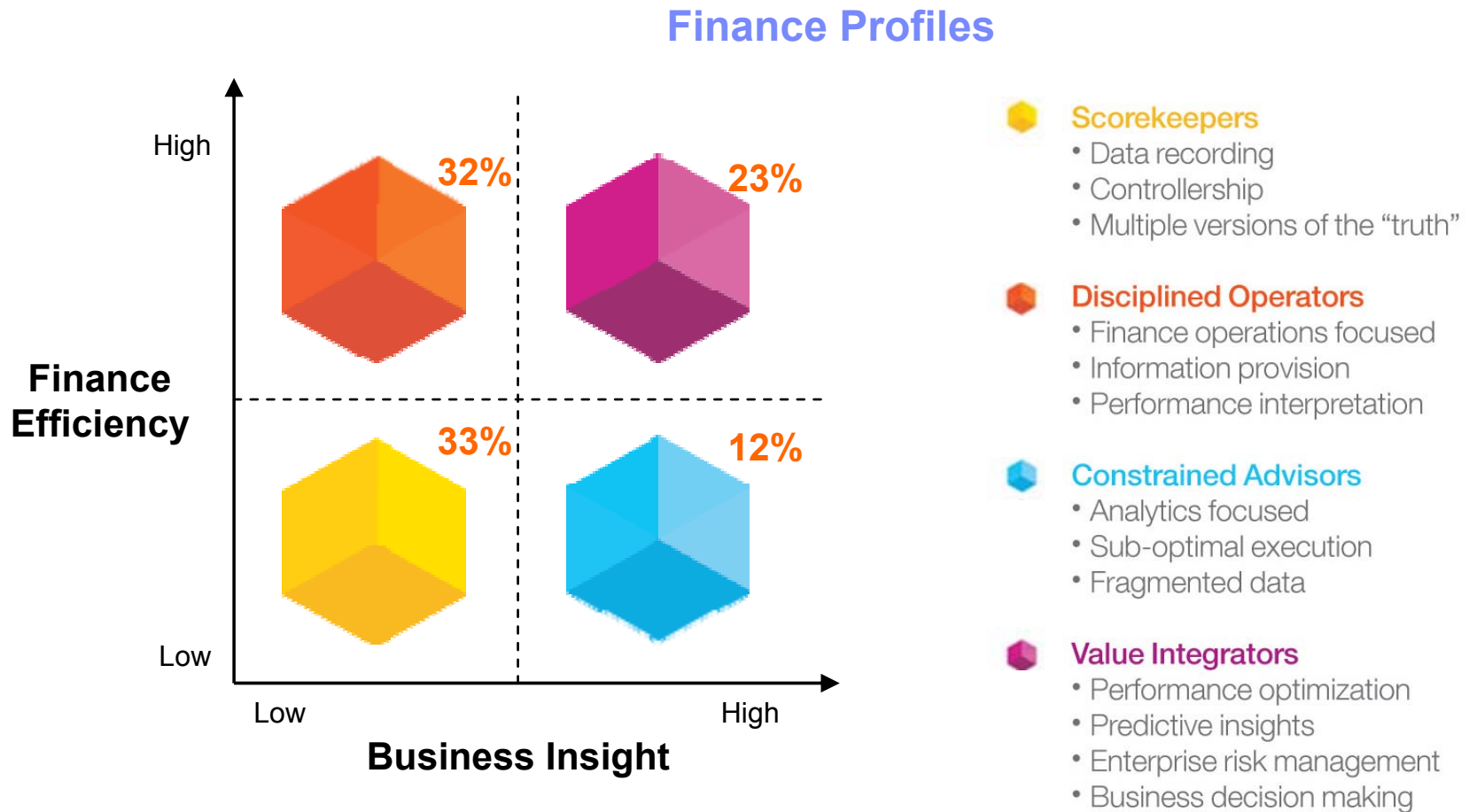
Partner in strategy and value creation

### ***Finance Capabilities Needed***

Finance Efficiency

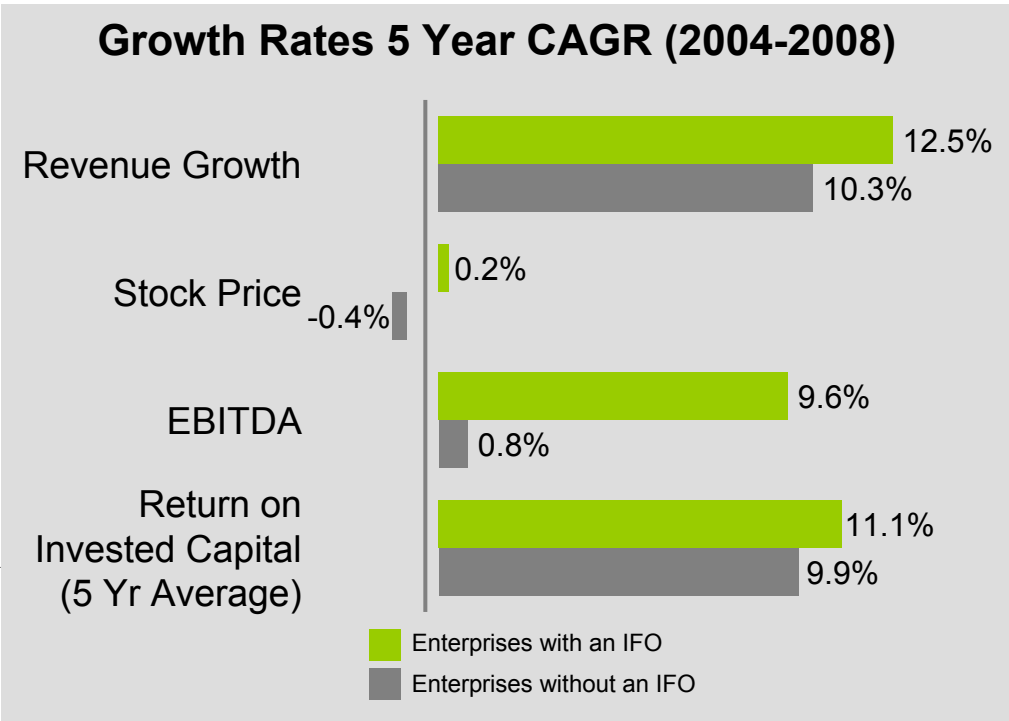
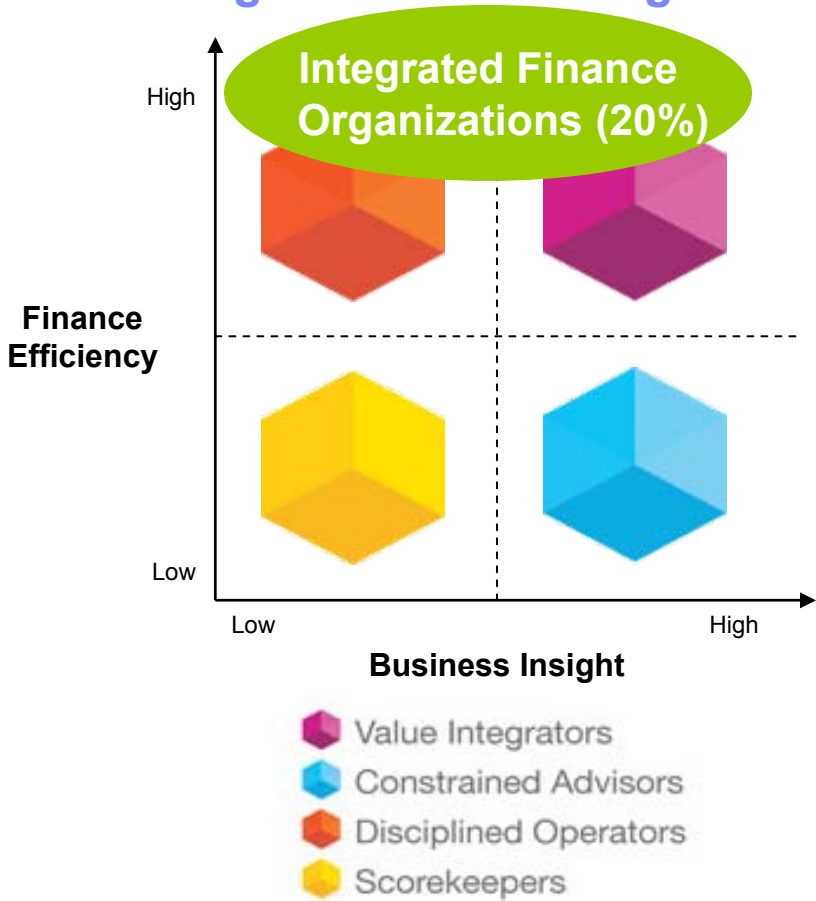
Business Insight

# Four Finance profiles become apparent when participants are segmented by efficiency and business insight



IBM's CFO Study 2008 revealed that enterprises with Integrated Finance Organizations are rewarded for their high "efficiency"

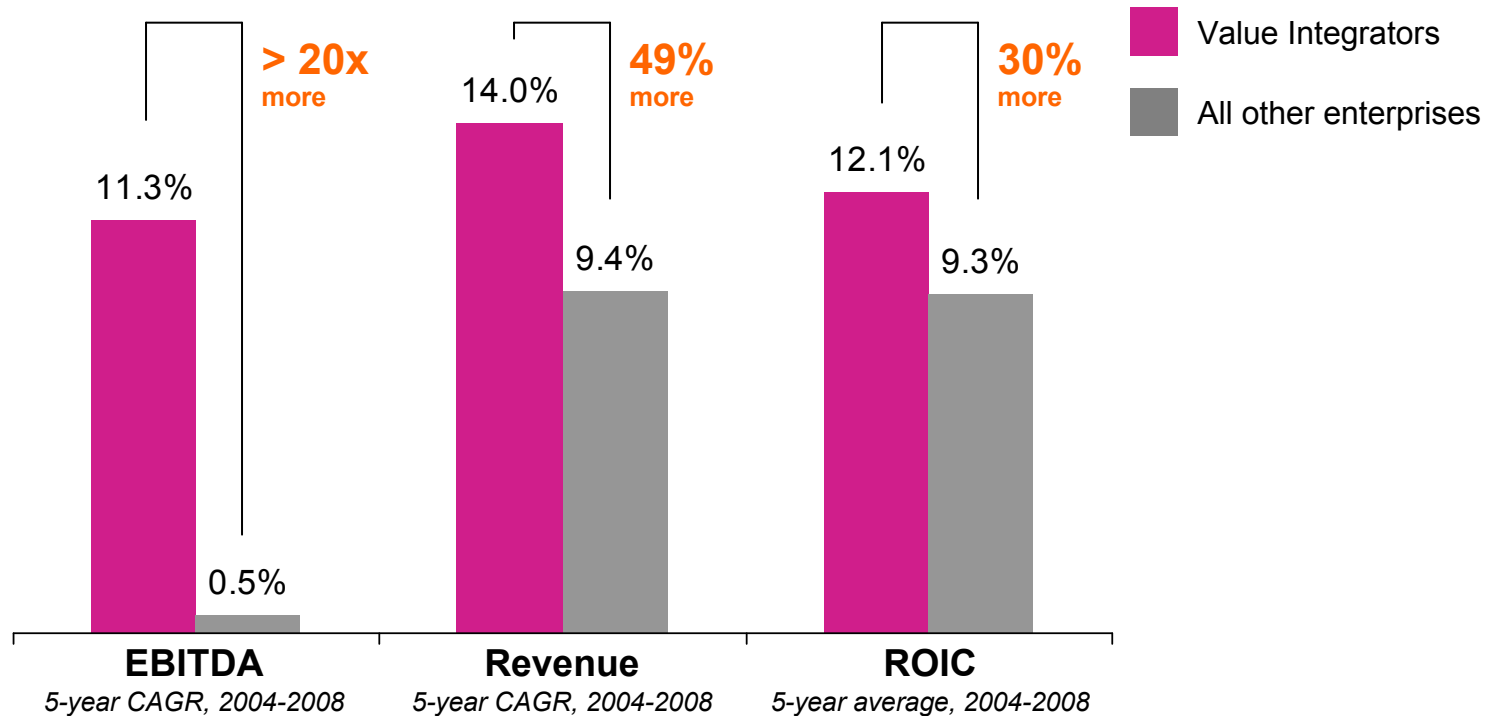
## Integrated Finance Organizations and the Finance Management Models



❖ **Our 2010 study affirms enterprises with an IFO continue to be rewarded financially.**

# Value Integrators excel in both efficiency and business insight, contributing to financial outperformance

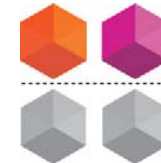
## Efficiency + Business Insight Contributes to Outperformance



Value Integrators also have an almost 20% better operating efficiency ratio than all other companies examined.

## Theme #1

- **Delivering efficiency through standards matters more than ever**



- Providing business insight drives performance improvement beyond finance

- The greatest rewards come from doing both well

*“In the next three years, change will drive the criticality of decision support. Therefore, we must find better ways to do transaction support and control activities with improved processes and more automation.”*

*Bob Driessnack  
CFO, Intermec Inc.*

*“Finance has undertaken a number of initiatives to underpin growth, in particular the establishment of a shared service center. This has enabled us to respond much more quickly, close in days not weeks, undertake rapid process change and reduce costs.”*

*Richard Yu  
VP Finance, Aviva-Cofco Life Insurance, Co. Ltd*

Finance continues to struggle with structural complexity due to issues related to automation and standards

## Efficiency Challenges

**Nearly 40% of enterprises produce financial metrics manually**

**Finance continues to spend nearly 50% of time on transactional activities**

**Over 35% lack a common reporting platform**

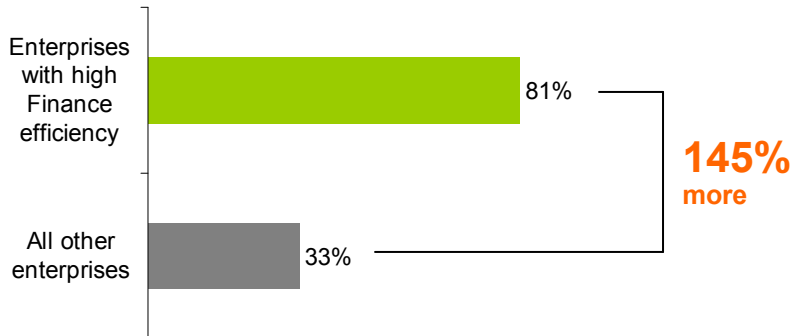
**Over 25% lack the necessary common data definitions and processes**



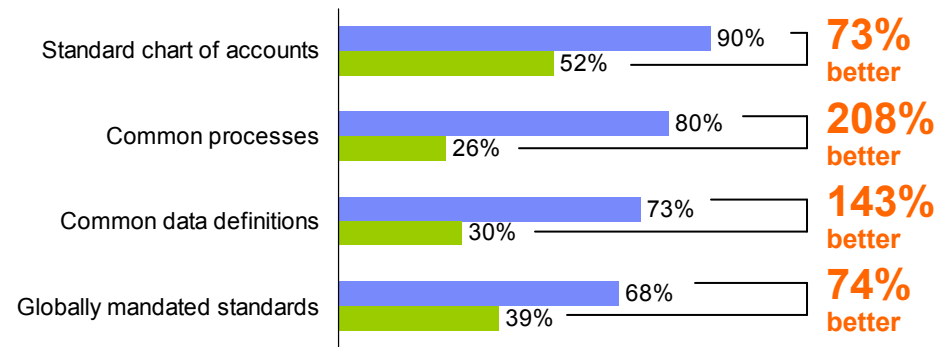
# Enterprises that establish process ownership are far more likely to achieve the standards that enable Finance efficiency

## Accelerator: Process Ownership

### Adoption of Process Ownership



### Impact on Standards *Percent adopted enterprise-wide > 75%*

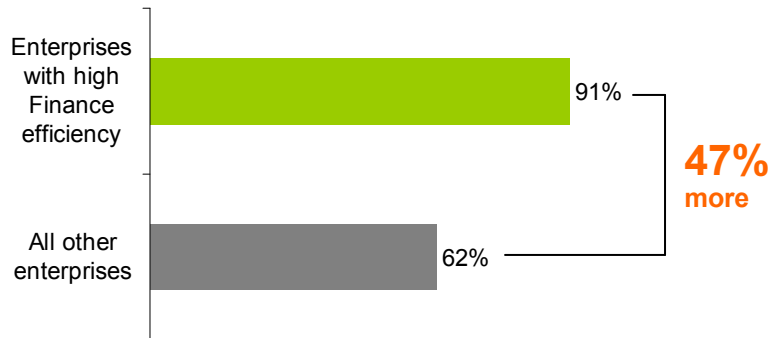


■ Enterprises that have implemented process ownership enterprise-wide  
 ■ All other organizations

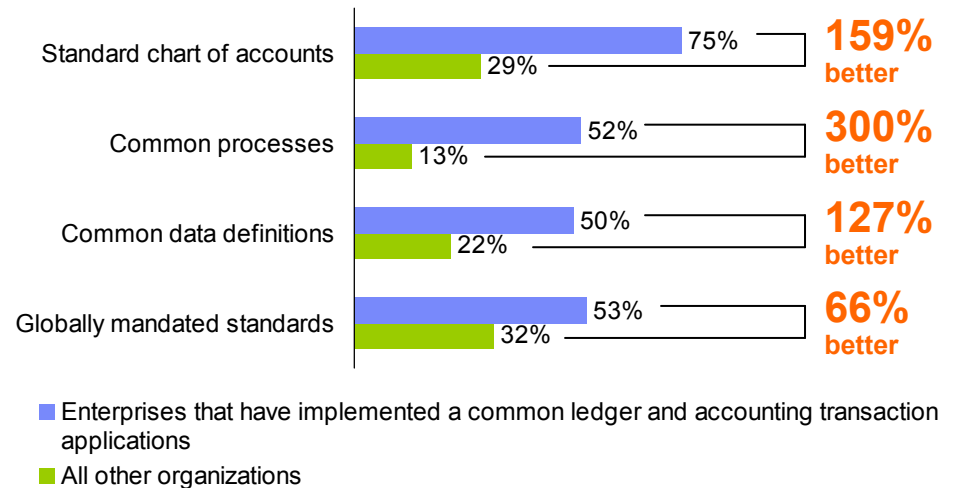
# A common technology platform drives a greater adoption of standards

## Accelerator: Common Ledger and Accounting Transaction Applications

### Implementation of a Common Ledger and Accounting Transaction Applications



### Impact on Standards Percent adopted Enterprise-wide > 75%



N = 1,875

Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all

Source: IBM Institute for Business Value, The Global CFO Study 2010

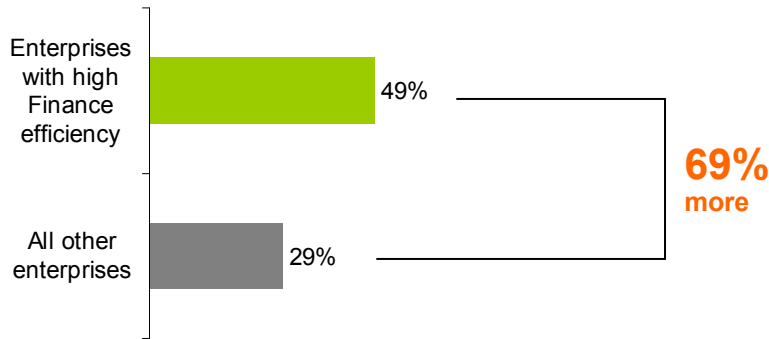
N = 1,852 to 1,880

Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all

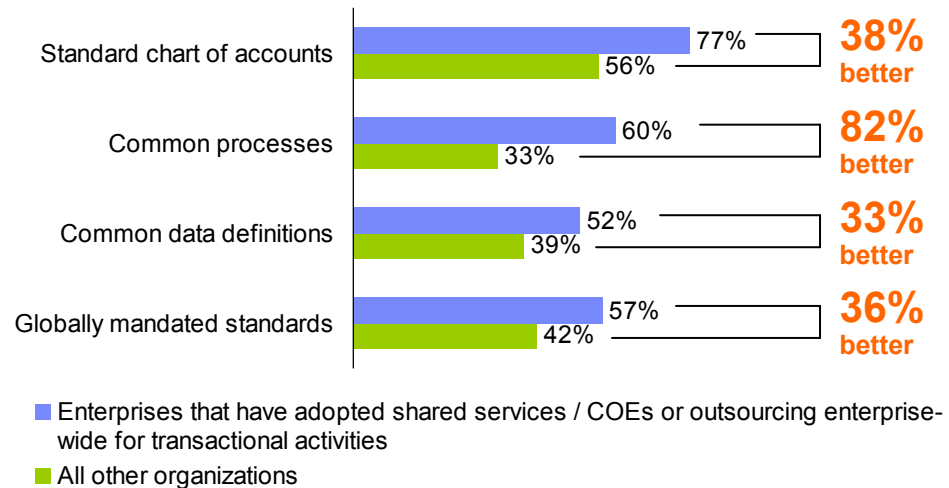
# Alternative delivery models enforce the adoption of standards

## Accelerator: Alternative Delivery Models for Transactional Activities

### Enterprise-wide Shared Services / Centers of Excellence or Outsourcing Adoption



### Impact on Standards Percent adopted enterprise-wide > 75%



N = 1,863 to 1,887

N = 1,892

Note: Defined as those enterprises selecting Enterprise-wide where choices included Enterprise-wide, Line of business consolidation, Country / regional-based, Not adopted  
Source: IBM Institute for Business Value, The Global CFO Study 2010

## Theme #2

- Delivering efficiency through standards matters more than ever
- **Providing business insight drives performance improvement beyond Finance**
- The greatest rewards come from doing both well



*“For multinational companies, regulatory and political changes can happen arbitrarily at any time, significantly impacting the execution of strategy. As a result, planning must be much more scenario-based with the ability to rapidly adapt.”*

*Markus Kistler  
CFO - North Asia and China, ABB*

*“Business analytics is one of our most critical Finance initiatives. We need to have the right people and tools and stay very close to the business.”*

*Mike Newman  
CFO, Office Depot*

The majority of enterprises are not able to effectively deliver business insights due, again, to structural complexity

## Business Insight Challenges

**Nearly 50% lack a common planning platform**

**55% not satisfied with their operational planning and forecasting analytical capability**

**Over 50% manually produce operational metrics**

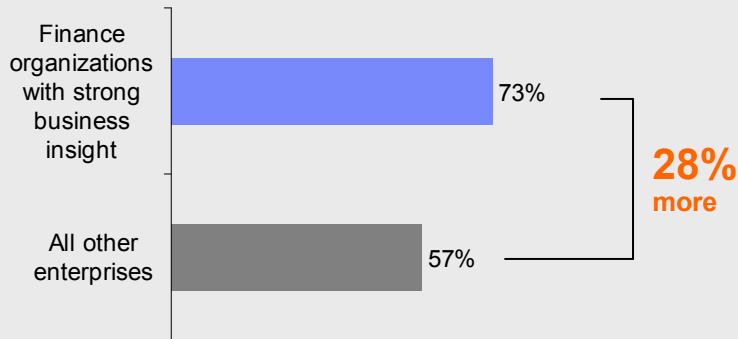
**44% are poor to average at anticipating external forces**

# Finance organizations with strong business insight have automated production, are more efficient, and facilitate speed of insight

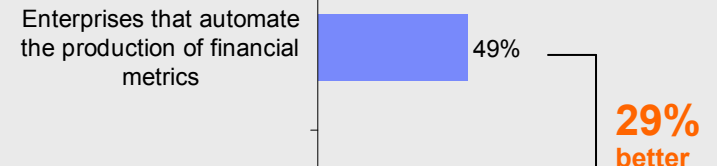
## Accelerator: Timely Metrics

### High Automation

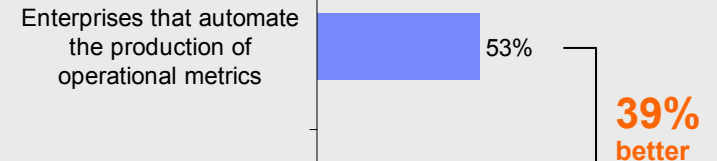
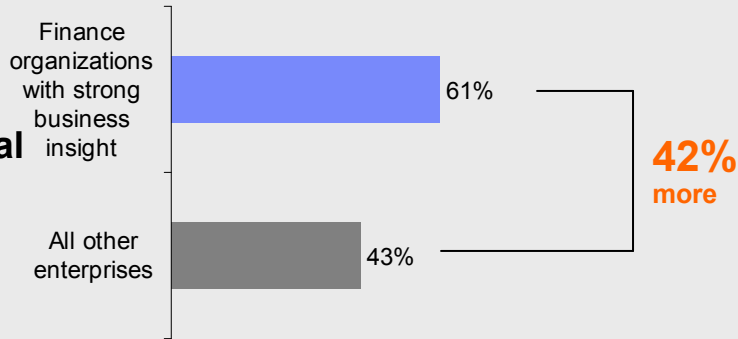
#### Financial Metrics



### Impact on Analytics Satisfaction



#### Operational Metrics

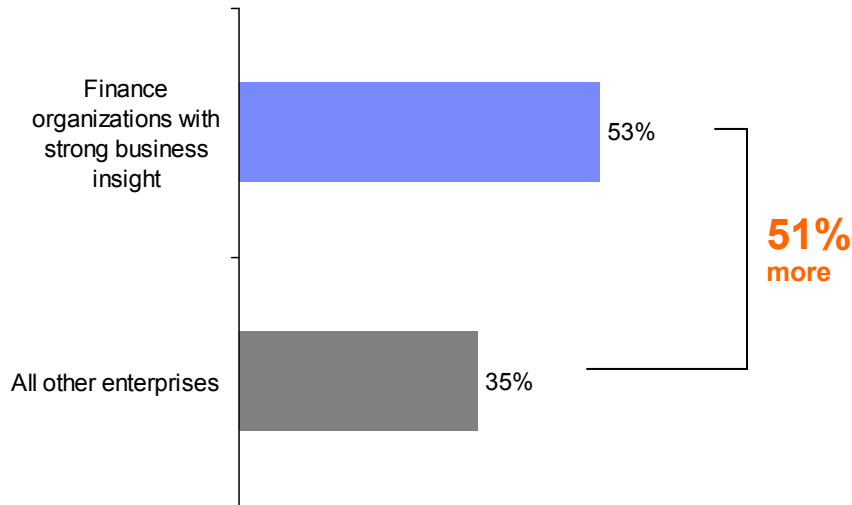


Financial: N = 1,454; Operational: N = 1,428

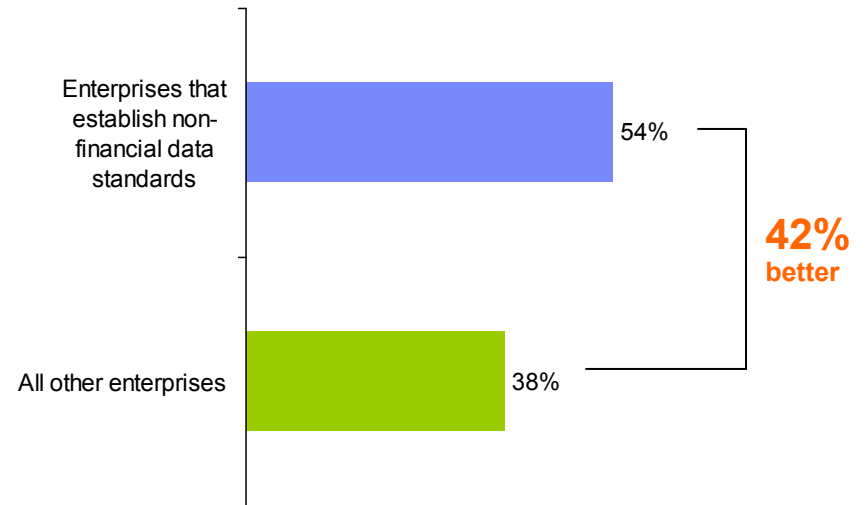
# Finance organizations with strong business insight establish operational data standards, providing common “truth”-based insight

## Accelerator: Establishment of Non-Financial Data Standards

### High Adoption



### Impact on Analytics Satisfaction



N = 1,449

Note: Defined as those enterprises selecting [5] To a very large extent or [4] on a 5-point scale where [5] To a very large extent and [1] Not at all  
 Source: IBM Institute for Business Value, The Global CFO Study 2010

N = 1,442

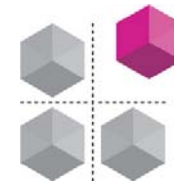
## Theme #3

- Delivering efficiency through standards matters more than ever
- Providing business insight drives performance improvement beyond Finance

- **The greatest rewards come from doing both well**

*“What makes companies stand out from one another is the ability to use analytics across the end-to-end business model. Greater transparency from one end of the business to the other is key.”*

*Dennis Hickey  
VP - Corporate Controller, Colgate Palmolive*



*“Our job is to focus the enterprise on making timely, risk-based decisions by providing access to the right business-relevant information and insight-driven analytics.”*

*Mark Buthman  
CFO, Kimberly Clark Corporation*



# Those that excel in both efficiency and business insight are more effective than those who excel in only one dimension

## Effectiveness Across the Full CFO Agenda

