Where Finance Belongs on the IT Agenda

Contents

Introduction

When the economy is stable, a company's IT organization may view Finance as just one of many internal customers competing for attention. Finance vies for IT resources alongside Operations, Sales, HR and other departments. And in stable, "normal" times, Finance may be content to wait its turn and simply get by, using whatever tools it has used in the past.

But in the current recession, "the longest and nastiest since the Great Depression,"[1] sudden shifts in revenue, costs, and the availability of credit can threaten even the most well capitalized companies. Their very survival may depend on the ability of Finance to anticipate and shape business outcomes, and drive transparency for better decision making.

IT and Finance, of course, share the goal of helping their businesses weather the storm and emerge from these difficult times poised for growth. Yet many expect the post-recession economy to be qualitatively different from what used to be considered "normal," leaving traditional growth strategies open to reassessment. So, to prosper in this new environment, Finance will need the very best that IT has to offer.

When asked to identify the priorities that help them … enhance the competitiveness of their enterprises, the top answer, selected by 83 percent of all CIOs, was "business intelligence and analytics."

What CIOs Are Saying

To consider where Finance belongs on the IT agenda, it's worthwhile to look at the needs of Finance in light of the goals and priorities of a typical IT organization. These organizations are as varied as the many companies and industries in which they work. However, the IBM Global Chief Information Officer Study provides a good description of goals and priorities common to most of them and offers a valuable look into the current thinking of IT professionals.

The IBM Global Chief Information Officer Study was conducted in 2009 and involved interviews with more than 2,500 Chief Information Officers (CIOs) from business and public sector organizations of different sizes in 78 countries and 19 industries.[1] To provide a context for how closely an IT organization's stated goals align with its company's success in the marketplace, the study classified the participants as High, Medium or Low growth, based on their profit before tax (PBT) from 2004-2007.

The study found that most IT organizations shared three broad goals, which it labeled "Making innovation real," "Raising the ROI of IT," and "Expanding the business impact of IT." Achieving each of these goals in turn requires the CIO to act in two separate, but complementary roles.

Making innovation real

To make innovation "real," the CIO needs to embrace innovative ideas and have the knowledge to "bring innovative plans to life" within the enterprise. This involves the CIO simultaneously taking on the roles of "Insightful Visionary" and "Able Pragmatist."

An Insightful Visionary recognizes the benefits of leading-edge technology and offers solutions for business problems, explaining to others in the organization how new processes and technologies can deliver more value to both internal and external customers.

The Able Pragmatist, on the other hand, concentrates on core competencies and increasing the flexibility and efficiency of existing infrastructure and applications. To support ongoing strategy as well as changing business needs, the Able Pragmatist "deals with the realities of the business," said the study. He or she also "facilitates the productivity of current IT solutions to allow more time and budget for innovation."

CIOs in high-growth organizations spend the largest portion of their time and budget on new technology and business initiatives, devoting 87 percent more time to enabling the business and corporate vision than CIOs in low-growth organizations.

When asked to identify the priorities that help them make innovation real and enhance the competitiveness of their enterprises, the top answer, selected by 83 percent of all CIOs, was "business intelligence and analytics."

Raising the ROI of IT

Increasing an organization's return on investment (ROI) is high on the agenda of executives in almost any department. Gaining a higher return on investments in IT requires the CIO to act as a "Savvy Value Creator" and a "Relentless Cost Cutter."

The Savvy Value Creator squeezes the maximum value from in-place systems, as well as from the data that the company already collects, turning it into actionable information. The Savvy Value Creator also addresses growing end-user demands by proposing leading-edge technologies that help deliver "one version of the truth."

In the Relentless Cost Cutter role, the CIO focuses on efficiency and cost, looking for solutions that can readily scale to more users, and be managed by the business users themselves, without the need for frequent intervention and support from the IT staff.

Expanding business impact

Finally, in order for IT to make the greatest possible contribution to the business, the CIO needs to be a "Collaborative Business Leader" and an "Inspiring IT Manager."

The Collaborative Business Leader works with executives outside of IT, seeking ways to contribute to their success. This involves strengthening ties throughout the business, learning what the problems are, and finding ways that IT can help solve those problems.

To make sure that IT has the means to deliver on its promises, the CIO needs to be an Inspiring IT Manager, one who possesses the technical competence that will earn the respect of his or her peers and subordinates, and a commitment to the IT organization as demonstrated by providing opportunities for professional development such as IT centers of excellence.

The goals outlined above summarize, in broad strokes, the agenda of IT at the majority of large companies. Now we will consider how the goals of IT align with those of Finance.

What CFOs Are Saying

If there is one corporate job that is toughest during a recession—or even during a recovery—it may be that of the CFO. The CFO is the one who is forced to deliver bad news about profits and, if necessary, demand cuts in staff levels and spending to address shortfalls in revenue. A prudent CFO also needs the business insight to support new initiatives when the economy is on the mend.

The current goals and priorities of CFOs were examined recently in a survey by CFO magazine. Reflecting on the enormous challenges that finance executives have faced during the recession, CFO concluded that "no CFO is likely to forget the hard lessons he or she has learned in areas like cash management, forecasting, risk, and human capital." [2]

Just as CIOs have had to fill a variety of roles to help their businesses through this difficult time, the role of the CFO has been "reshaped in new and sometimes unnerving ways." One multi-billion-dollar conglomerate, for example, found itself needing to pay much closer attention to monthly cash receipts and disbursements than it was accustomed to, observing that "in the past, such attention to detail wasn't a priority."

Looking forward, the survey found that 85 percent of finance executives believe that when the economy does recover, there will be no return to "business as usual." Variously described as "the reset economy" or "the new normal," the future shape of this altered economy is uncertain, to say the least. In fact only half of these executives "expect their current business model to serve the company well going forward."

Most important, the companies that have improved their insight capabilities by investing in automated processes … have also outperformed their peers financially.

Shifting Priorities—CFOs Look Beyond Finance

These fundamental economic uncertainties have, of course, affected the priorities of CFOs. But rather than focusing ever more closely on the financial details, most CFOs have responded, perhaps surprisingly, by taking a broader view of their organizations' business performance.

The IBM 2010 Global CFO Study, based on conversations with more than 1,900 CFOs and senior finance leaders, found that "providing inputs into enterprise strategy" was the CFOs' number one priority.[3] In addition, 85 percent of CFOs ranked the measuring and monitoring of business performance—not just financial performance—as a "very important" or "critically important" activity, up from just 69 percent in 2005. And "driving integration of information across the enterprise" was their fastest growing concern, being cited more than twice as often in 2010 as in 2005 (up from 35 to 73 percent).

As to how CFOs can monitor performance effectively and gain the insight needed to guide strategy, the study found that the automation of both financial and operational metrics was the key. Organizations that possessed "strong insight capabilities" were found to have deployed automated financial metrics 73 percent of the time, compared to only 57 percent deployment among organizations that lacked strong insight. As to operational metrics, 61 percent of organizations with automated operational metrics had strong insight capabilities compared to just 43 percent among those without automated operational metrics.

Most important, the companies that have improved their insight capabilities by investing in automated processes and in standardizing data and metric definitions have also outperformed their peers financially.[4]

Tools for an Uncertain Future

What are the implications for IT of these shifting priorities and the new, uncertain Finance environment? To begin with, the ability of IT to provide Finance with the aforementioned "one version of the truth" will be more important than ever before.

Technology-dependent capabilities such as forecasting, "what-if" scenario modeling, reporting and analysis, which have been valuable to Finance in the past, will be even more valuable in the future. "This turbulent period has upped the frequency of forecasts to the point where they should probably be called 'now-casts,'" said CFO magazine.

Finance also needs IT capabilities to:

- Identify business drivers and align finance and operations for driver-based planning, analysis, and reporting.
- Gain greater visibility into finance metrics.
- Ensure data integrity.
- Analyze profitability by customer, product, and sales channel.
- Perform frequent ad hoc analysis and create rolling forecasts.

In addition, it's important to note that forecasting and scenario modeling is needed not only for internal purposes, but also to help Finance manage risk by examining the financial health of partners, suppliers, and even customers. As one CFO put it, "We've become much more conservative in providing credit to our customer base, even to the point of losing sales because of our recently restricted credit-policy adjustments." [5]

Spreadsheets are inadequate for deep, multidimensional analysis and frequent forecasting… Moreover, they lack central data management, metadata management, security and workflow…

Better Numbers for Better Decisions

In-depth analysis, accurate numbers, and fast, flexible forecasting all demand powerful, modern financial performance management solutions. Yet many Finance organizations still rely on spreadsheets as their primary tool. While spreadsheets are useful for many tasks, the cut-and-paste practices common with spreadsheets carry a significant danger of keying error and serious version control problems.

The resulting errors and inaccuracies, even if they are caught and corrected later on, can compromise the ability of managers to make fast, fact-based decisions. Spreadsheets are also inadequate for deep, multidimensional analysis and frequent forecasting and re-forecasting. Moreover, they lack the central data management, metadata management, security and workflow required for finance-led performance management processes in Operations, Sales, Marketing, HR, and other areas of the business.

IT can help Finance automate many of their time-consuming spreadsheet-based processes, and through standardization, address the "one version of the truth" issue while helping the business see and connect interdependent business drivers. IT can also help Finance establish global data and process standards and improve the quality of performance data used in reporting and strategic decision making.

Choosing the IT Solutions that Will Do the Most for Finance

When IT and Finance collaborate to select financial performance management solutions, there are enormous advantages to their choosing solutions based on the IBM Cognos platform. Not the least of these advantages is the fact that IBM Cognos solutions can help CIOs and other IT leaders successfully fill the important roles outlined in the IBM Global CIO Study described above.

BI and analytics

With 83 percent of CIOs putting "business intelligence and analytics" at the top of their list for enhancing competitiveness, capabilities for reporting, modeling, analysis, dashboarding, and scorecarding are essential. The IBM Cognos platform provides all of these capabilities and helps CIOs function as Able Pragmatists and Savvy Value Creators by drawing timely, reliable data from disparate systems in the existing infrastructure, using a central metadata repository for modeling, business rules, dimensions and calculations.

Planning for insight

IBM Cognos solutions for planning, budgeting and forecasting support CIOs in the roles of Insightful Visionary and Collaborative Business Leader by enabling Finance to employ best practices such as driver-based planning and rolling forecasts—two activities that are difficult, if not impossible with spreadsheets.

In addition, because the IBM Cognos planning solution enables high participation and requires no arcane programming languages or scripting, the finance organization can own the development and management of its own planning models, reducing the burden on limited IT resources and helping the CIO to be effective as a Relentless Cost Cutter.

Strength in numbers

Accurate numbers lie at the core of any reporting process that seeks to provide "one version of the truth." That is why the IBM Cognos solution for financial consolidation belongs at the heart of the finance organization's close, consolidate and report process. It enables finance to guarantee the accuracy of its numbers, and thereby helps the CIO succeed as a Collaborative Business Leader by delivering trusted numbers that support a range of performance management processes.

Blueprints for success

Among the most valuable tools that the CIO can offer to Finance are IBM Cognos Performance Blueprints. Created by the IBM Cognos Innovation Center for Performance Management, Blueprints are pre-defined data, process, and policy models that help organizations speed their deployments and expand the business impact of their solutions.

Blueprints are available to address a variety of functional processes in enterprise planning and financial management and control. There are also industry-specific Blueprints for retailing, manufacturing, banking, pharmaceuticals and the public sector. All Blueprints incorporate proven best practices, enabling IT to fulfill the role of Insightful Visionary, and Savvy Value Creator by introducing a leading-edge solution and enabling the entire organization to realize the benefits of these solutions quickly, for a rapid ROI.

Helping IT help Finance

Equal to the strength of the solutions themselves, are the skills of the IBM Cognos consultants who are available to guide IT and Finance through the implementation. Using the IBM Cognos Solution Implementation Methodology, which is based on best practices developed over thousands of successful customer engagements, IBM Cognos professionals can help organizations through the entire project life cycle. And nothing suits the Able Pragmatist and Savvy Value Creator better than permitting his or her team to focus on their own core competencies while wisely making use of outside support to help a new solution deliver a return on its investment as quickly as possible.

Conclusion

When an unpredictable economy brings sudden shifts in revenues, costs, and profits, IBM Cognos solutions can give Finance the ability to anticipate and adapt. But Finance needs the help of IT. Specifically, Finance needs the help of Inspiring IT Managers who can lay out the roadmap that will take Finance from the automation of discrete processes to the broader task of transforming the business to compete successfully in a challenging global economy.

So, where does Finance belong on the IT agenda? We believe it belongs near the top.

About IBM Cognos BI and Performance Management:

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For more information

For further information or to reach a representative: www.ibm.com/cognos

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

IBM Canada
3755 Riverside Drive
Ottawa, ON, Canada K1G 4K9

Produced in Canada
March 2010

Endnotes

[1] IBM Institute for Business Value, The New Voice of the CIO, 2009

[2] Alix Stuart, "Hard Lessons: One year after the Wall Street meltdown, CFOs say business will never be the same", CFO Magazine, Sept. 1, 2009

[3] IBM Institute for Business Value, The New Value Integrator: Insights from the Global Chief Financial Officer Study, March 2010

[4] Ibid

[5] Ibid

Please Recycle

Cognos®
software

YTW03016-CAEN-00