



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

Questions and Answers

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This Q&A document has been designed in conjunction with the CIO Program white paper titled “Integrating the Finance organization for global business: important implications for CIOs.”

Why are clients likely to be interested in this white paper?

Clients recognize that the globalized business environment offers plenty of opportunity for companies that are agile and responsive enough to capitalize on it. As companies look to streamline their operations and tap new revenue sources, they are forming alliances and leveraging resources locally and around the world. Doing this successfully necessitates that the company be flexible enough to accommodate changes to what are often longstanding, sacrosanct business models.

Finance must also be able to adapt to these changes. As companies move into new sectors and leverage new global partners, skills and computing resources, capital is shifted. It becomes substantially more difficult to gather financial information and provide an enterprise-level view of the company’s financial performance or the insights needed for strategic investment decisions. Financial management and accounting systems have to be able to quickly absorb differences resulting from merger and acquisition activity locally and abroad. The economics of the global enterprise are inherently more complex, and greater complexity brings increased risk and more intense scrutiny from regulators.

This white paper examines how CFOs are handling these issues and what it means for IT. It identifies the critical implications for CIOs, the need for more ongoing, strategic collaboration between the Finance and IT, and the growing alignment between the financial and technology disciplines. It is based on the results of [IBM’s Global CFO Study 2008](#), which examined CFOs’ current priorities and the obstacles they face in helping the business succeed as a global enterprise.

What are the key messages for CIOs?

CIOs understand that the Finance organization depends on IT for technological know-how and to keep financial systems up and running. However, there is considerably more to be gained by converting this partnership of necessity into a platform for collaborative innovation and growth.

CIOs have an obligation to help Finance become more agile. But for geographically distributed Finance organizations, there can be significant cultural and logistic obstacles associated with breaking down and integrating current information silos and operating under common rules. CIOs can help their financial counterparts get past these obstacles. They have an intrinsic understanding of the strategic and productivity benefits of integration, data and process standards, and governance, and they are in the best position to champion those benefits. They can also provide the technologies and expertise needed to enable enterprisewide information integration.

CIOs can help remove the structural roadblocks that impede Finance's ability to simplify current systems and impede Finance's ability to integrate information and manage risk effectively. IT can help consolidate duplicate infrastructure elements and provide a platform for data standardization. IT can also deploy simpler delivery models, like shared service centers, data warehouses and outsourcing, to help Finance pare down current systems, eliminate redundancies and free up key personnel for strategic planning activities. Since the Global CFO Study found that many Finance organizations have not yet adopted these simpler models, there is a significant opportunity for CIOs to make a difference.

Perhaps the most important step CIOs can take, however, is to work in partnership with Finance to accomplish these goals. Regular interaction between IT and Finance ensures tighter alignment of priorities and better responsiveness to changing business demands. Financial systems are more likely to be implemented in a way that saves the company money. IT is more likely to influence investment decisions, deliver technologies and software that increase profit. IT is also better able to spot management and performance reporting delays and information bottlenecks that can impede the timeliness of a company's strategic decisions.



Can you provide some background on the Global CFO Study?

The IBM Global CFO Study 2008, developed by the IBM Institute for Business Value in cooperation with The Wharton School at the University of Pennsylvania and the Economist Intelligence Unit, surveyed more than 1,200 CFOs and senior Finance executives from five major sectors and 79 countries to learn how financial leaders are coping with business change and risk. It was designed to determine how Finance executives are affected by and deal with performance, risks, operational levers and governance.

This 2008 CFO Study research is the third in a series of CFO studies that began with the [IBM Global CFO Survey 2004](#) and continued with the [IBM 2005 Global CFO Study](#).



What were the major findings of the study?

According to the Global CFO Study 2008, a majority of CFOs are not satisfied with their organization's current level of flexibility or their ability to respond to changing business conditions. CFOs were asked to rate their organization's performance in numerous areas, and the majority indicated that their organizations were not effective at integrating information across the enterprise or supporting risk management. They also recognize the need for improvement in these areas.

CFOs understand that data integration is vital to accurate and timely financial reporting, analysis and forecasting, and that these capabilities, in turn, provide the critical insight needed to steer strategic decisions and effectively manage risk. However, nearly 70 percent of finance executives felt that greater integration would be difficult to achieve even though they believed it to be imperative to the future success of the enterprise.

The Global CFO Study found that Finance organizations that had successfully adopted standard data definitions, common processes and a standard Chart of Accounts enterprisewide, as well as the global process ownership to mandate and enforce those standards, were better able to provide their companies with the performance and risk insights needed for strategic decision-making. Having common standards enabled these organizations, dubbed Integrated Finance Organizations (IFOs), to integrate complex systems and data stores enterprisewide. They could quickly roll up and summarize information and provide a single version of the truth to auditors and top management. What's more, these companies performed better financially and operationally. Specifically, IFOs benefited from:

- Revenue growth rates nearly double that of non-IFOs over the five-year period studied
- Higher stock price growth than industry peers in high-growth markets
- Greater effectiveness in executing Finance activities, especially measuring and monitoring business performance, developing people, aligning Finance with the business, implementing continuous process improvements, identifying and executing growth strategies, and driving down costs
- Greater effectiveness supporting enterprise risk management, including better preparedness and responsiveness to address major risk events.

Q What else should CIOs know about Integrated Finance Organizations?

Integrated Finance Organizations' ability to provide a horizontal view of performance across the enterprise makes them better equipped to handle the strategic demands of the global enterprise. Not only can they view revenue, margin and profit in new ways, they are better able to analyze financial information along additional, highly valuable dimensions, including customer, channel and supplier dimensions. They can also take greater advantage of performance management tools that transform enterprise information into strategic insights and intelligence.

However, the most important takeaway for CIOs is that most companies are currently unable to function as Integrated Finance Organizations. The Global CFO Study found that fewer than one in seven companies met the criteria for an Integrated Finance Organization (Figure 1). Most found it a considerable challenge to implement the data and process standards and the global governance needed to effectively drive information integration enterprisewide.



Source: The Global CFO Study 2008

Figure 1: Attributes of an Integrated Finance Organization

It is clear that many CFOs need and want help in this area. CIOs have a major role to play helping Finance to simplify their environment to facilitate the integration of current systems and information.

What does the Global CFO Study have to say about risk management?

Risk management is a major issue for CFOs. The Global CFO Study found that companies are more likely to rely on the CFO for managing risk than any other executive. Moreover, the number of risks facing CFOs is increasing. In the Global CFO Study, nearly two-thirds (62 percent) of enterprises with revenues over US\$5 billion reported experiencing major risk events in the last three years. Of those, a sizeable 42 percent admit to being inadequately prepared.

According to the study, corporate risk management skills are underdeveloped and unable to keep pace with the globalized world. Only 52 percent of the CFOs surveyed acknowledged having a formalized risk management program in place, even though they are well aware of the positive impact that an enterprisewide risk strategy would have on their business in terms of better forecast accuracy and business planning. They understand that their ability to successfully manage threats is linked to their financial performance.

However, good risk management depends on the availability of good, high quality information. Having such information is vital to providing the insight needed to successfully monitor and manage risks. Again, CFOs in the study understood the importance of integrated data. They cited a lack of global data standards, poor data quality and lack of enabling technologies as top obstacles to integrating the data needed for risk management.

How can I help CIOs exploit their growing synergy with CFOs?

Both CFOs and CIOs recognize the challenges associated with winning control over and integrating multiple independent operating units scattered across the enterprise. Moreover, while both are responsible for overseeing their organization's tactical operation, they are also being given a more strategic role and greater span of influence to shape the direction of the company. Refer to the [2007 CIO Leadership Survey](#), conducted by the Center for CIO Leadership in collaboration with MIT Sloan Center for Information Systems Research and the Harvard Business School, to see how CIOs' strategic role in increasing.

With their role more central and significant to the business, collaborating with the business — and with CFOs — should be a high priority for CIOs. Discuss with CIOs the benefits of greater collaboration, including an improved financial perspective and greater influence over IT-related investment decisions. Regular interaction with CFOs can help CIOs have a better understanding of the business and become a stronger player in business decisions.

Q At what stage of the sales cycle should I share this white paper with clients?

This white paper should be of interest to CIOs at any stage of the sales cycle. It should be used to stimulate a discussion about the client's Finance organization and the impact IT can have on improving current operations and growth. It is particularly relevant for clients that have experienced considerable growth, since they are likely to be facing challenges in the area of information integration and risk management.

Q What opportunities does this white paper present for IBM?

The mission of IBM's CIO Program is to share meaningful insights that build relationships with CIOs as a means of generating sales opportunities. This paper points to some significant opportunities for CIOs who want to become a more strategic player in the business.

Clients interested in this white paper may be interested in learning about IBM's information integration, performance management and risk management solutions. They may also be interested in data warehousing, shared service centers and outsourcing.

Moreover, the white paper can provide IBM sellers with entrée into a company's Office of Finance. Presenting the CFO Study results to the CFO via the CIO not only helps IBM, it showcases the CIO as a strategic business partner.

Q Does IBM offer services tailored to the CFO?

IBM offers an array of services tailored to the financial and business needs of CFOs. GBS' Financial Management focuses on enabling enterprise innovation and performance through improved Finance organization efficiency and effectiveness. With more than 4,000 practitioners, Financial Management offers a full suite of capabilities to address a CFO's challenges, including finance transformation, finance operations improvement, business performance management, business risk management and finance enterprise applications.

For more information, link to the [IBM GBS' Financial Management home page](#) on ibm.com or contact an IBM GBS financial management expert.

Q Where can I find other sales collateral supporting this white paper?

Visit the [CIO Program portal on SalesOne](#) for the most up to date assets associated with this white paper. Aside from this Q&A, you will find a two-page Executive Summary that summarizes the highlights of the white paper and enables sellers to introduce the white paper to clients. The portal also contains general guidance about the CIO Program, current sales plays and the IBM messaging should be conveyed to clients.



Who can I contact for additional information on this topic?

To learn more about the Global CFO Study, contact [Stephen Rogers](#), Financial Management Lead, IBV, or [Edwina Jon](#), GBS Financial Management Americas Business Advisor. For additional insight on the CIO implications of the Global CFO Study, contact [Dave McGovern](#), GTS Sr. Marketing Manager, or [Julia McManus](#), GTS Sr. Marketing Manager, CIO Program.



Where can clients go to read about other top-of-mind issues — and IBM's recommended actions — for CIOs?

Clients should be directed to the CIO Interaction Channel on ibm.com. Many country-specific sites are available:

AG

Canada (English)	http://www.ibm.com/cio/ca
Canada (French)	http://www-935.ibm.com/services/ca/fr/cio/
United States	http://www.ibm.com/cio

AP

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