



The New Value *Integrator*

*Insights from the
Global Chief Financial
Officer Study
Executive Summary*

IBM

Executive summary

This is a summary of the IBM Global CFO Study entitled The New Value Integrator.

The full report is available at: ibm.com/cfostudy

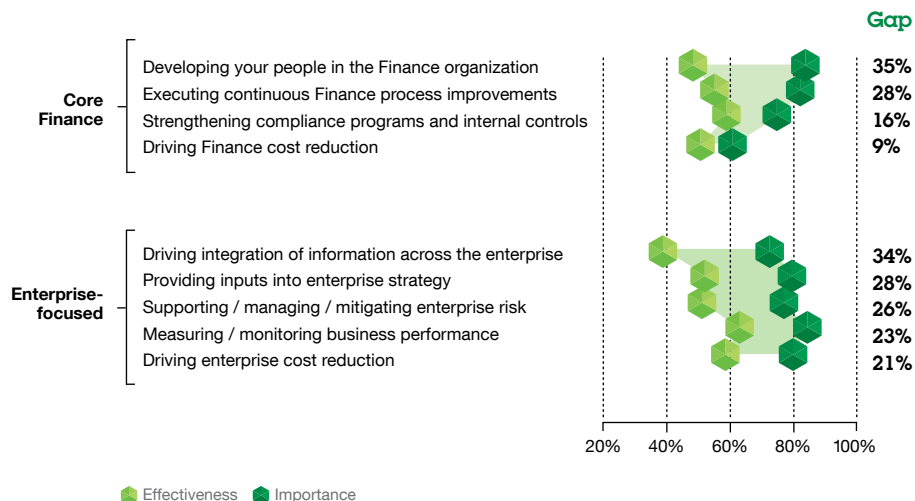
For Chief Financial Officers (CFOs), the recent global economic downturn has been a pivotal event – but perhaps not in expected ways. Under a glaring spotlight, CFOs and their Finance organizations had to address urgent capital acquisition, cash flow and revenue challenges. But volatility and uncertainty also drew them into more frequent boardroom conversations about forecasts, profitability, risk management and strategic decisions related to supply chains, pricing and production.

As a result, CFOs are emerging with far more influence at the enterprise level. Our 2010 Global CFO Study – based on input from more than 1,900 CFOs and senior Finance leaders worldwide – attests to this shift. Unfortunately, our findings indicate that Finance’s effectiveness lags – particularly in broader areas of responsibility and impact, where company success often hinges on the CFO’s advice.

Expectations versus execution – The growing gap

While the importance of core Finance responsibilities has not diminished in any way, CFOs’ focus on company-wide concerns has increased sharply. For example, since 2005, the importance of integrating information has more than doubled; likewise, the priority of enterprise risk management has risen 93 percent. Yet more than 45 percent of CFOs indicate that their Finance organizations are not effective in the areas of strategy, information integration, and risk and opportunity management. With expectations rising faster than effectiveness, Finance faces a widening execution gap.

Figure 1 Effectiveness falls short of importance.
Finance faces substantial gaps across the board – but especially in critical cross-enterprise activities.



The multiplier effect – Efficiency and Insight

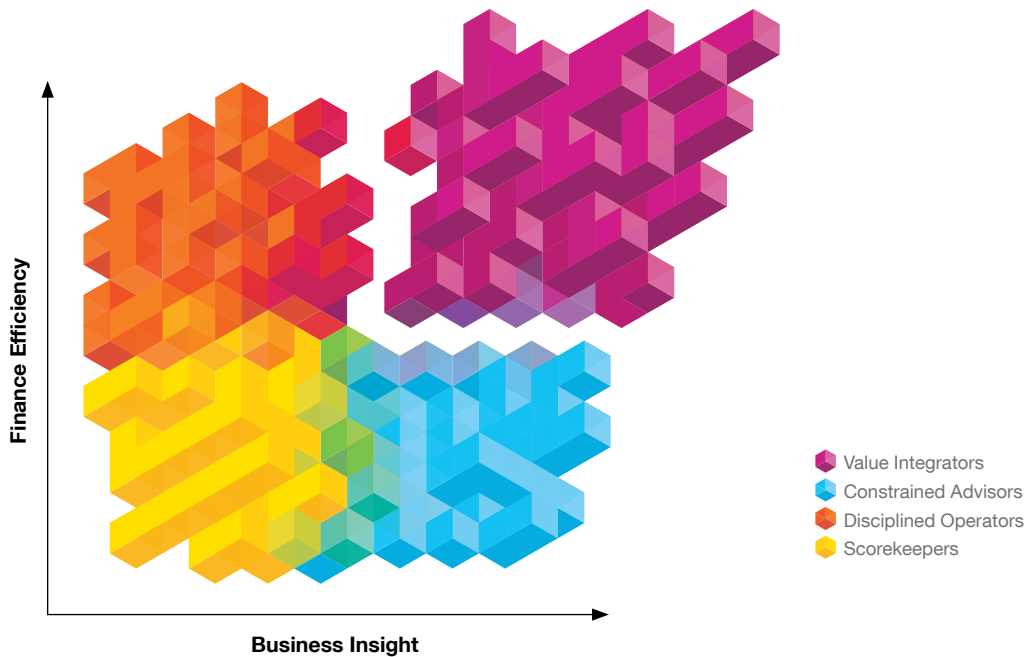
However, one group of Finance organizations with a particular combination of capabilities stands out from its peers. These organizations – which we call Value Integrators – excel at two primary capabilities that are strongly associated with outperformance:

Finance efficiency – The degree of process and data commonality across Finance¹

Business insight – The maturity level of Finance talent, technology and analytical capabilities dedicated to providing optimization, planning and forward-looking insights.²

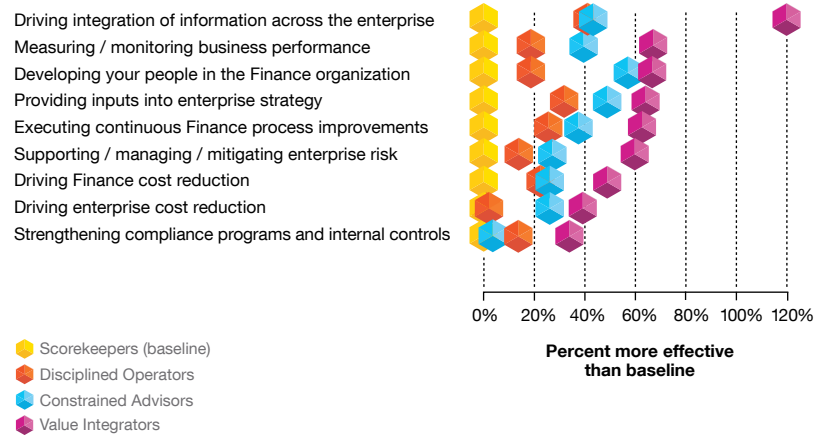
“The world the CFO now lives in is different – technical accounting skills are not as important. Finance must get closer to the business and partner with them to achieve objectives. Finance must also be confident enough to challenge the decision-making process.”

Paul Whelan, CFO, Telefonica O2 Ireland



Not coincidentally, Value Integrators are more effective across all nine dimensions of the Finance agenda, with significant advantages in managing enterprise risk, measuring and monitoring business performance and driving insight from information integrated across their companies and governments.

Figure 2 Value Integrators outperform across the entire Finance agenda.
They report substantial leads in information integration and risk management.



They are also better at navigating uncertainty, with 75 percent indicating their firms anticipate and respond well to external factors as compared to 62 percent of Constrained Advisors and 56 percent of Disciplined Operators. And against each financial measure we examined – balance sheet, profit and loss, and cash flow – their enterprises outperform.

Insight drives value

With the appropriate analytical capabilities spanning process, technology and talent, Finance can turn today's wealth of financial and operational information into business insights and contribute to significant enterprise value creation. In our research, three primary factors demonstrated the greatest impact on enabling business insight:

Nonfinancial data standards – To build reliable insights, source data, both financial and nonfinancial, needs to be defined and captured consistently across business units.

Automated production of key metrics – Automation provides key information to decision makers faster, allowing more time for them to analyze, investigate and act. In addition, it enforces standards and consistency through systematic application of business rules to data and calculations, enabling a single version of the "truth."

Business analysis skills – Finance needs employees with business and analytical knowledge to interpret findings and develop relevant advice but also with strong interpersonal skills to convincingly communicate recommendations and effectively influence business decisions.

“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

How accurate are your crucial forecasts such as customer demand and unit costs? How much time is spent debating the validity of the analysis as opposed to discussing its implications and taking action?

How confident are you that your firm is focused on the right business metrics – the ones that truly drive business performance?

Does your organization have sufficient analytical skills? Where should this talent come from? Which decision support processes should be centralized, and which should be placed within business units?

“We can anticipate and respond effectively because we have the foundation in place. Finance is embedded in the business and is a broad-scope function, which enables end-to-end process improvement and strong process integrity and controls.”

Iain Macdonald, Group Deputy CFO, BP

Efficiency as foundation

Intuitively, Finance leaders agree that standards can increase efficiency. But few have implemented them throughout the enterprise. Our findings reveal three practices that accelerate standards adoption:

Process ownership – Assigning company-wide responsibility for specific processes drives global integration and consistency, thereby simplifying and standardizing activities, eliminating duplication and reducing errors.

Common ledger and standard accounting transaction applications – Moving to common systems provides a window of opportunity to unify processes and data standards across the Finance organization.

Alternative delivery models – Using shared services centers or outsourcing for financial transaction processing allows companies to drive standards.

Since 2003, Finance organizations have been stuck, consistently spending half their time on transaction processing. What can Finance do to break through this barrier?

How can Finance standardize processes and data across an enterprise that has multiple – sometimes very different – businesses?

How can CFOs build a winning business case for driving Finance efficiency?

“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

Becoming a Value Integrator

The responses of more than 1,900 CFOs worldwide make one message exceedingly clear: The organizations best positioned to integrate value at the enterprise level excel at both Finance efficiency and business insight.

For further information, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com, or to download the complete IBM Global Chief Financial Officer Study, visit our Web site:

ibm.com/cfostudy

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About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This Global Chief Financial Officer Study is part of our ongoing C-Suite Study Series.



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March 2010
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Notes

- 1 The criteria used to define the Finance efficiency axis were determined by statistical correlation of financial performance and survey responses. These include: standard financial chart of accounts, common Finance processes, common Finance data definitions and governance, and corporate philosophy on company-wide information standards. High efficiency was defined as adoption of enterprise-wide standards (for financial chart of accounts, processes and data) across more than 50 percent of the organization as well as recommended or mandated company-wide information standards.
- 2 The criteria used to define the business insight axis were determined by statistical correlation of financial performance and survey responses. These include: confidence in operational planning and forecasting analytical capability, effectiveness of people development within Finance and the degree of commonality in planning platforms. Strong business insight was defined as satisfactory operational planning and forecasting, high effectiveness at developing people in Finance and significant deployment of a common planning platform.