

Technology Issues for the CFO, and How IT Can Help

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This research collection focuses on technologies that will have an impact on the finance function and best practices for deploying finance systems to improve the efficiency of finance operations and to enable the finance function to add greater value to the business.

ANALYSIS

CFOs today face a challenging agenda. Compliance issues remain a priority, with many CFOs still struggling to effectively manage internal financial controls. At the same time, the role of the CFO is changing – according to Capgemini's CFO-Agenda 2008 report, the CEO considers the CFO the “company asset warden.” But the results of this survey show that in future the CFO will also be the “wealth creation navigator” for the board. So it is vital for the CFO to understand what drives corporate performance and value. However, increasing economic uncertainty means that the urgency to deliver this understanding is even greater, coupled with the need to reduce cost and optimize operating efficiency wherever possible.

Technology will play a key role in helping today's CFO to deliver on this agenda. Corporate performance management (CPM) applications will empower visionary CFOs to understand the drivers of performance and significantly improve the effectiveness of their planning systems. Financial governance technologies will offer new ways of reducing material weaknesses in internal controls. New technologies like Extensible Business Reporting Language (XBRL), service-oriented architectures (SOAs) and software as a service (SaaS) will impact the way finance systems are deployed and managed. Yet, few finance professionals have the knowledge they need to help them understand the impact of these technologies on their role and responsibilities – they need IT to help them. This collection of Gartner research will enable anyone in IT who supports the office of the CFO to deliver greater value by highlighting the technology priorities for the CFO. In addition, it will help IT leaders work with CFOs and senior finance personnel to develop strategies for improving the effectiveness of finance systems while clearly identifying the benefits that will help CFOs deliver increased operating efficiencies. It will also help CFOs and finance professionals define their finance system and technology investment priorities. The research focuses on four areas of interest to finance:

- Managing corporate performance
- Finance organization and processes
- Governance and compliance
- Technology for finance

Managing Corporate Performance

Applications that support CPM are a key investment for finance. These enable the CFO and finance function to understand the drivers of performance and deliver real strategic business value to the CEO and management team. In “Using Corporate Performance Management to Deliver the CEO’s Strategic Vision,” we analyze how CPM applications can link strategy management with financial budgeting and operational planning processes, making it more likely that the strategic vision of the CEO and management team will be implemented. This is also an opportunity for the CFO to truly become a strategic advisor to the business. Strategy management is one of the areas of increased focus in CPM applications, and “Corporate Performance Management Trends That Will Affect CFOs” looks at this and other areas, such as profitability modeling and optimization, where CPM applications are becoming increasingly sophisticated. IT and finance personnel involved in CPM projects need to understand these trends so they can maximize the potential benefits in CPM implementations. However, “The Skills Gap Will Limit Success With Corporate Performance Management” shows that lack of knowledge and understanding on the part of IT and finance will lead to underdelivery of these potential benefits unless corrective action is taken.

Finance Organization and Processes

CFOs are looking to optimize operating efficiency and realize cost savings in the finance function while delivering a higher quality of service. This is the highest short-term priority for many finance functions in the face of an uncertain economy. “Implementing Finance Shared Services: Benefits and Best Practices” shows how significant cost savings and process improvements can be delivered by implementing shared services for the finance function. One of the best practices identified in this research is that standardizing finance systems should be part of any move to shared services, but achieving this may be challenging. In “When to Consider a Single-Instance Finance System Strategy,” we analyze the decision factors in assessing the likely success of any move to standardize and centralize finance systems. However, significantly restructuring finance operations can be challenging, and many organizations are considering outsourcing some or all of their finance processes. The market for outsourced finance and accounting services is starting to mature, but often buyers are not sufficiently organized internally prior to outsourcing to fully realize any potential savings. “What a CFO Needs to Know About Finance and Accounting BPO” defines the best practices to get any finance and accounting business process outsourcing (BPO) initiative off to a strong start.

However, CFOs should not just be looking for cost savings to increase operating efficiency. It is important that they look for ways in which the finance function can add value to the business. In “Aligning Finance Processes and Technology for Enterprise Value,” we analyze how technology and service providers can be leveraged to help the finance function shift its focus from transaction processing to value-added activities. This has long been a goal of most finance functions, but their ability to make the transition has been mixed at best. Nevertheless, technology to support finance must not be deployed on a tactical basis. Finance systems must be selected in line with the IT organization’s broader portfolio

management strategy, and “How the CFO Should Approach the Financial Application Portfolio” explains how CFOs must approach this decision-making process (and how IT can assist them).

Governance and Compliance

Mention governance and compliance to CFOs and they will most likely think of the U.S. Sarbanes-Oxley Act (SOX). However, SOX is no longer the hot issue it once was, although new compliance issues are emerging as U.S. attitudes to SOX are shifting. In “Sarbanes-Oxley Update: How to Best Support the CFO,” we explore where SOX went next, and what issues are currently priorities for CFOs as new audit standards for SOX emerge. It also considers the knock-on effect of SOX in other parts of the world and looks at the evolution of specialist SOX-related software into a broader set of solutions that Gartner calls “financial governance” (FG). Any IT professional involved in compliance projects must understand how FG solutions fit into an enterprisewide governance and compliance platform. The emerging FG space is analyzed and described in “Q&A on Financial Governance Market Trends.” Reconciliation management is one aspect of FG that is time-consuming and labor-intensive. In “Leveraging Technology to Improve Reconciliation Management,” we explore how new technology solutions can dramatically improve this process, helping to reduce the likelihood of material weaknesses and, at the same time, further reduce the cost of finance operations.

Technology for Finance

Despite the importance of understanding how finance systems should be deployed and best practices for improving finance operations, some underlying technology developments will impact the way companies manage and report financial and management information. Although the IT organization doesn’t often think of these explicitly in the context of finance systems, the impact of new deployment and delivery models like SOA and SaaS will vary across the application portfolio. In “The Impact of SOA and SaaS on Financial Systems,” we explore this explicitly and help finance users understand what these technologies mean to them. One technology that is unique to finance systems is XBRL, and in “XBRL Will Enhance Corporate Disclosure and Corporate Performance Management,” we analyze why this technology could revolutionize the way financial information is reported internally (to managers and employees) and externally (to regulators and shareholders).

Some emerging technologies do not appear to have a direct link with finance systems. Master data management (MDM) is a hot topic at the moment, yet most IT professionals are unaware that financial consolidation applications have possessed this capability for approximately 20 years (although they don’t call it “MDM”). “Q&A: Master Data Management and Finance Systems” describes this functionality and explains why IT professionals need to understand the similarities and differences between MDM and financial consolidation systems if they want to address one of the most problematic challenges in business intelligence at the moment – how to build consistency between financial and nonfinancial management information.