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Survey Analysis: CFOs' Top Imperatives From the 2013 Gartner FEI CFO Technology Study

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The 2013 Gartner Financial Executives International CFO Technology Study provides significant insight into CFOs' thinking about technology. Understanding how your IT organization compares with these important benchmarks provides an opportunity to improve your strategic IT plans.

Key Findings

- Responses to the 2013 Gartner Financial Executives International (FEI) CFO Technology Study are consistent with prior years, with the emphasis on business intelligence (BI)/analytics and business applications as the top areas for investment and focus.
- Senior financial executives consider cloud and mobile as technologies to exploit.
- The CFO continues to be a major technology influencer and the most likely supervisor of the CIO.
- Few respondents view IT as transformational; while 21% are advocates for IT, only 13% view their IT function as transformational (up from 8% in 2012).

Recommendations

- Become a key strategic partner with finance/CFO to steer the IT function. Build the mindset that there are no IT projects — only business projects.
- Determine where cloud and mobile can be leveraged for quick wins to propel these technologies forward in your organization.
- Implement or increase the use of processes that foster communication (e.g., relationship management, project management and advanced technology group).
- Target projects identified as deficiencies, as your competitors may be making significant investments in IT and could gain market advantage if you do not act.

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Survey Objective

The scope of the Gartner FEI CFO Technology Study encompasses the IT perspective of the senior financial executive (such as the CFO, controller, director of financial systems or business planning director/vice president) in the enterprise, as well as the finance organization. In this research, we refer to executive as the CFO. In this study, we gained CFOs' insights on:

- The economic environment — How the CFO views IT investment in the current economic environment.
- The CFO's role in technology — How the CFO is involved with and influences technology decisions, and what are the priorities and current constraints.
- The CFO's investment preferences — What processes need technology improvement and how CFOs prioritize technology investments.

Although there are many consistencies with the prior years' findings, there are just as many standouts this year, including CFOs' emphasis on BI and business applications, and the role of the CFO in IT decisions.

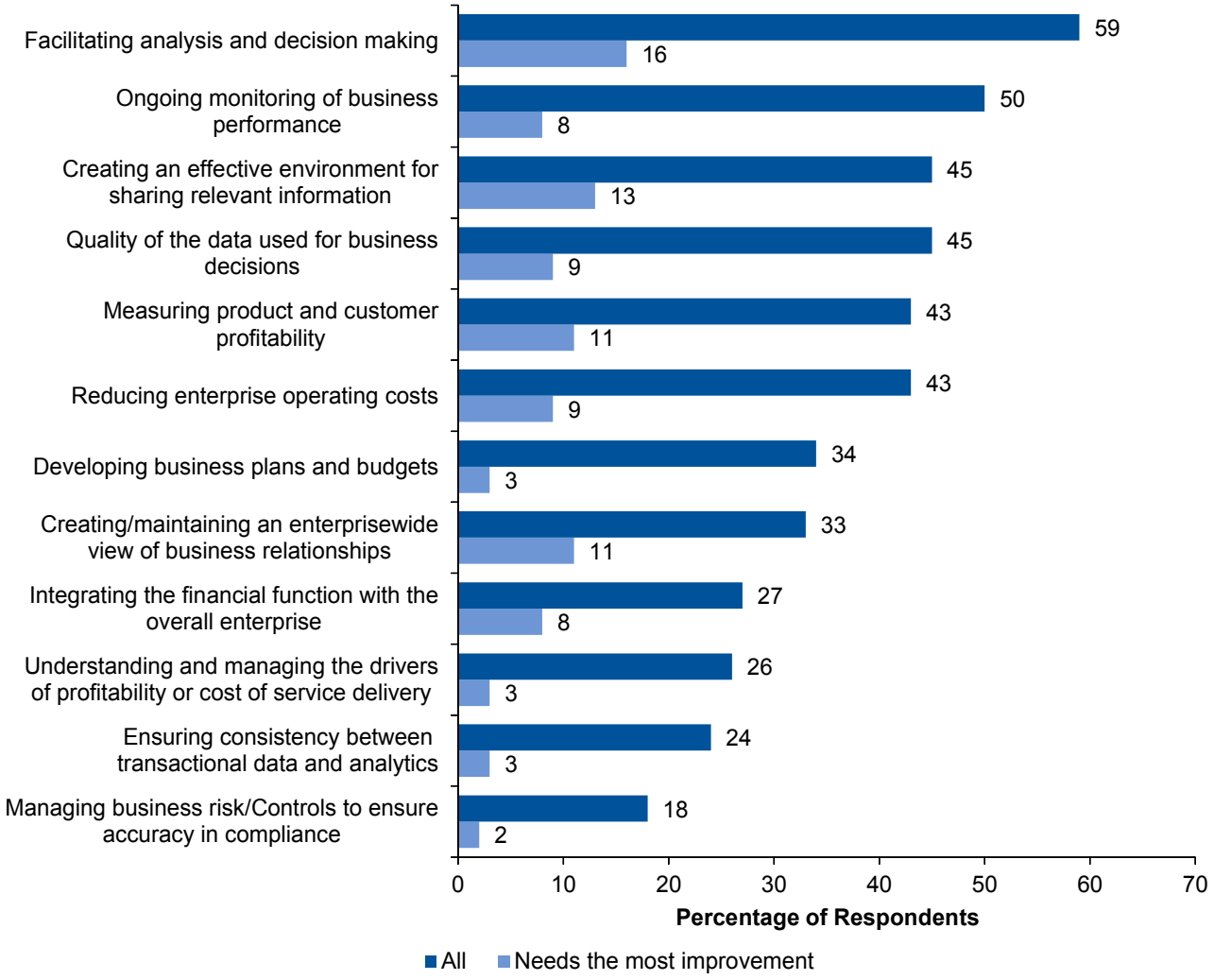
Data Insights

BI/Analytics Investment Will Address Many of the Technology Gaps/Deficiencies for the CFO

Finding: The majority of technology deficiencies identified in this study can be addressed by making improvements in BI and analytics.

We have asked CFOs the same question for the past five years: Identify where there is room for technology improvement, achieving very similar results (see Figure 1).

Figure 1. Need for Improved Technology Support



Source: Gartner (May 2013)

With over 20 areas of choices, all of the top 12 that were chosen can be addressed and/or improved with investments in BI and analytics. BI, analytics and performance management are the top areas for CFOs' IT interest. Most technology constraints concern the lack of business insight/BI availability, and the inability to leverage the IT platform for process efficiency. Fifteen of the top 19 business processes that require improved technology support are addressed largely by BI, analytics and performance management technologies. The top business process area that needs technology investment is to facilitate analysis and decision making (59%, up from 57% in 2012), followed by the ongoing monitoring of business performance (50%), and then collaboration and knowledge management (45%, down from 52% in 2012).

These results are consistent with those of the last five years, which show that organizations are still struggling to make progress with BI and analytics. Many IT organizations have made initial investments, but these tend to be tactically focused and don't address the more fundamental issues

of data quality and consistency, which require CFOs and finance teams to work closely with BI specialists in IT (see "How to Align Business and IT to Succeed With Business Analytics").

Recommendations:

- Identify the priorities for BI and analytics, and understand that there is no single technology solution for all your challenges (see "A Business Analytics Framework for Finance Business and Decision Processes").
- Ensure that the most experienced finance people are deployed to work with IT to build and implement a comprehensive BI, analytics and performance management strategy.

Plan for Improvements in BI and Business Applications

Finding: BI and business applications are the focus of current investments, while BI/analytics is lower than the findings in the 2012 study.

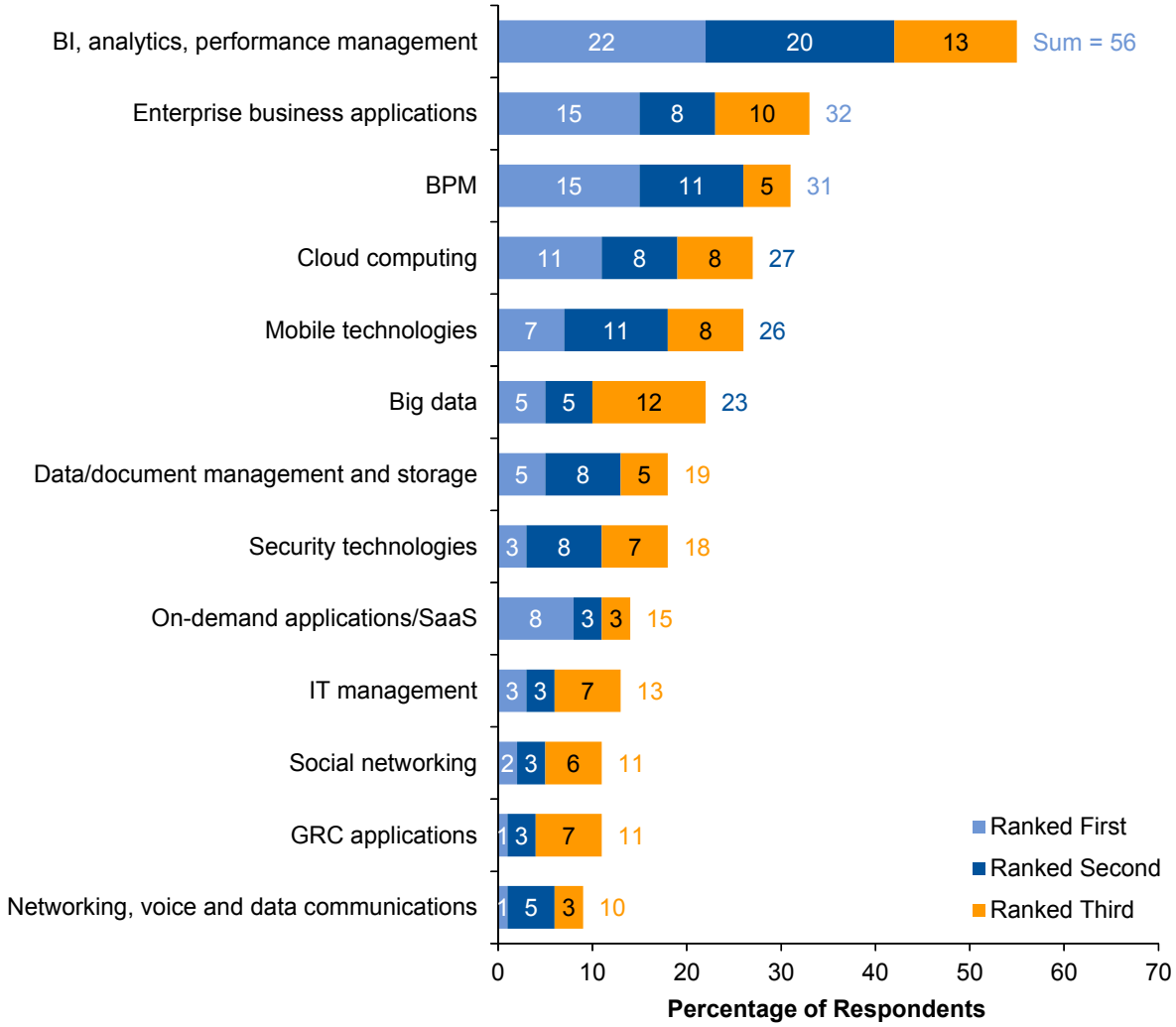
From an enterprise perspective, BI and business applications continue to dominate the CFO's IT investment desires, although they are somewhat behind where they were in 2012. For example, when considering the first three choices, BI dropped significantly from 64% to 55%, and business applications remained consistent at 43% (from last year's 42%). This is due to the increasing importance of nexus technologies, as those selections have increased significantly in 2013. While applications were the first-choice response for 2012, they dropped to second place this year, slightly behind BI. Consistent with the prior years' studies, CFOs place a stronger weighting on *how* the technology is being applied rather than the *platform* on which it is being applied (see Figure 2).

Figure 2. Top Initiatives Today: Enterprise

Source: Gartner (May 2013)

When looking out a year to 2014, BI maintains the lead at 56%, while business applications will fall 11%, from 43% to 32%. We expect that for larger organizations there is a lot of spending in business applications on consolidation, which will shift to BI once this is done. Many smaller organizations are still in their infancy with analytics, and have pushed more of those investments into the future (see Figure 3).

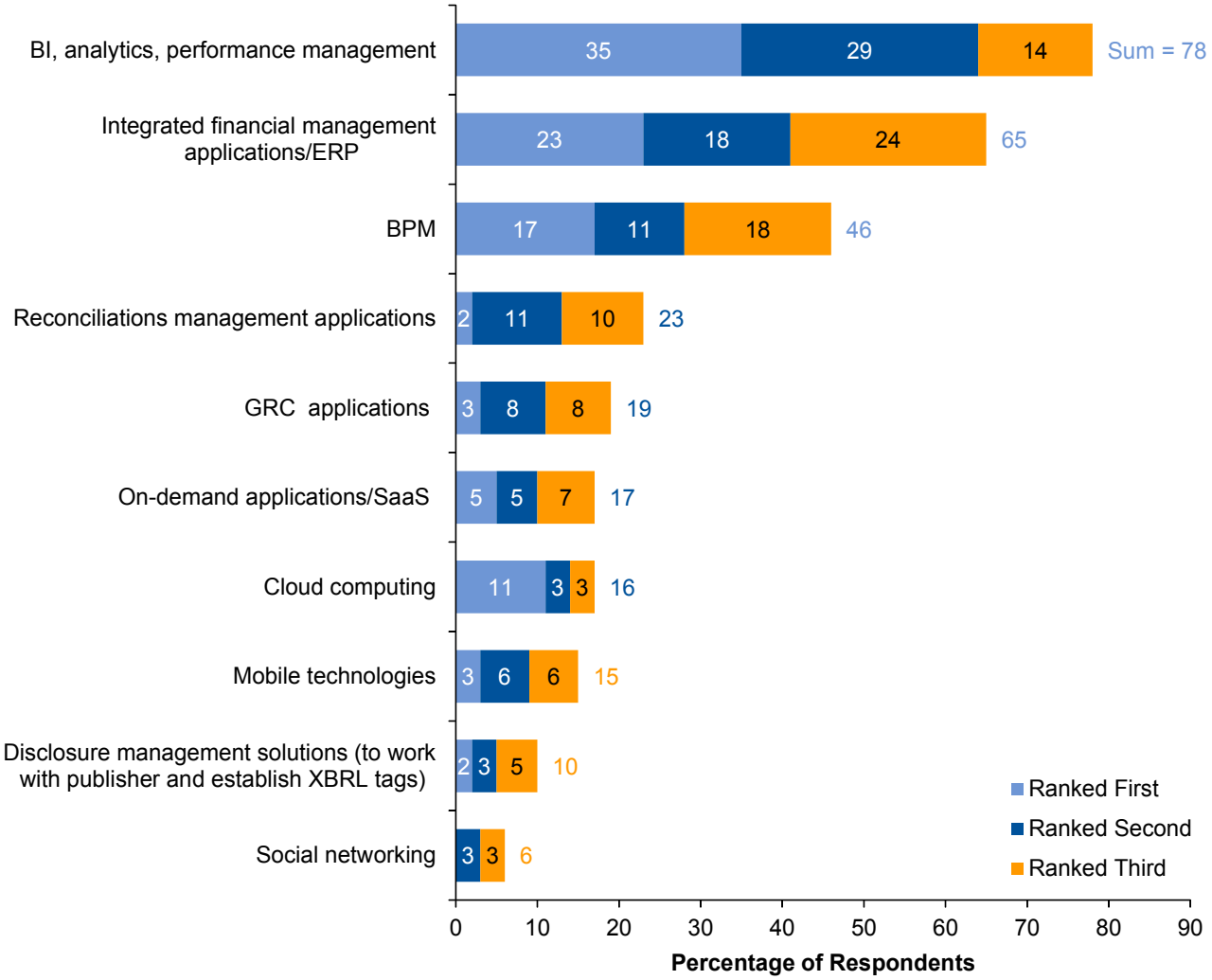
Figure 3. Top Initiatives 2014: Entire Enterprise



Source: Gartner (May 2013)

Technologies for finance, BI and business applications are of high importance. BI achieved 22% higher selection than the enterprise (65%) and integrated business (32%) applications at the enterprise level (see Figure 4). Many CFOs are seeking to leverage package business applications for integrated financial management suites and CPM. These tend to be prioritized over technologies, which may not have as much as an obvious benefit at this time.

Figure 4. Top Initiatives Today: Finance



Source: Gartner (May 2013)

We believe that many CFOs chose BI/analytics in an effort to provide better content, such as metrics, rather than technologies. In most cases, the technology is five years ahead of where most organizations are regarding BI competency and the skills to support these capabilities. This can be a real opportunity for IT organizations to develop and market their business skills — i.e., help their enterprises develop better BI and analytics content in support of better/quicker business decisions.

New applications in financial governance (reconciliations management, GRC and disclosure management) rank as business applications that can improve the finance organization. Financial governance is a newer business application market that is emerging and converging with corporate performance management (CPM), and extending technology to the office of finance. These solutions let CFOs and finance functions better manage financial processes and controls, and regulatory reporting.

Financial governance is an emerging market that combines elements of ERP; financial governance, risk and compliance management (GRCM); and CPM suites. It builds additional process controls around financial consolidation to support financial close processes and the production of periodic financial statements for regulators (see "IT Market Clock for Financial Management Applications, 2012").

Recommendations:

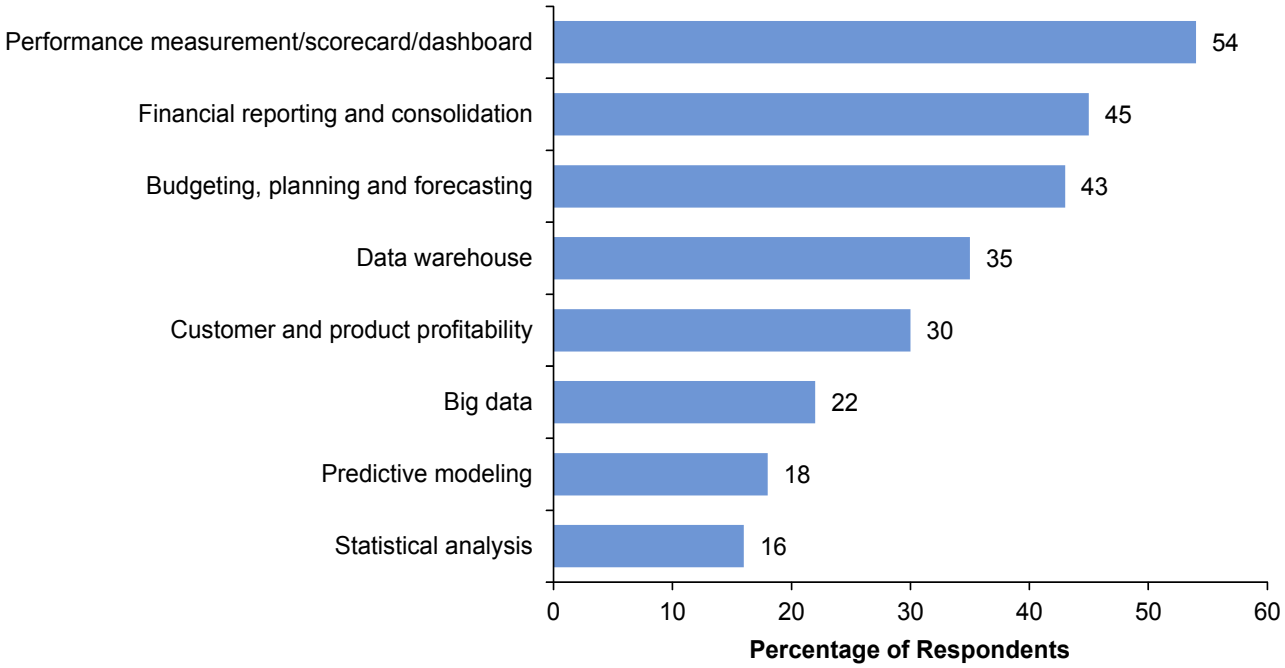
- The CFO prioritizes BI and business applications higher than the CIO does.
- Responses to questions in this study show that the CFO is focused on gaining insight into performance through BI, analytics and performance management, while the CIO is often more concerned about the deployment of newer technologies. If the CIO does not understand this, then there's a chance the CFO will sponsor his or her own initiatives, and not coordinate them with the IT organization. This demonstrates the trend that BI is becoming less of a CIO responsibility and more of a CFO and line-of-business responsibility.
- The good news is that, generally, the CFO is a better champion of BI than the CIO; however, there is also concern that metrics will be focused on financial measures, which tend to be lagging indicators and not balanced in other parts of the business. We often see Gartner clients using this CFO championship approach.

CPM Investments Must Continue to Be Emphasized, Despite Lower Forecast Demand

Finding: CFOs continue to emphasize CPM as their top initiative for BI and analytics, despite an apparent slip in demand noted in the study by several declines in the CPM pillars.

BI is ranked as the top technology initiative among senior financial executives in the 2013 study, and respondents forecast that this will continue in 2014. CPM projects are the highest on the CFO's BI initiatives list, according to the study. The top four priorities in this area are addressed by CPM suites, including performance scorecard; budgeting, planning and forecast; financial consolidation; and profitability management (see Figure 5).

Figure 5. Investment in Business Analytics



Source: Gartner (May 2013)

When comparing results for two years:

- Performance measurement/scorecard/dashboard reached 68% in 2012 and 54% in 2013.
- Financial reporting and consolidation moved into second place, but dropped from 57% in 2012 to 45% in 2013.
- Budgeting planning and forecasting dropped from second to third, with a corresponding drop of 62% to 43%, from 2012 to 2013.
- Customer profitability dropped to fifth place from fourth, with a 52% to 30% drop.

It appears that while it's a priority, CPM continues to dominate the business analytics investment, although we are seeing some reduced demand and many firms have already made such investments. Other notable drops in position include predictive modeling, down from 32% to 18%, and statistical analysis, down from 25% to 16%, despite intense vendor marketing and improved capabilities in BI and CPM platforms. This varies from Gartner research that forecast an increase in predictive analytics. Noted in "Predicts 2013: Information Innovation" is that "Through 2015, predictive and prescriptive analytics will be incorporated into less than 25% of business analytics projects, but will deliver at least 50% of the business value."

As expected, big data (22%) is receiving attention as firms are trying to leverage newer technologies to understand structured and unstructured data and their intersection. This is expected, given the buzz around big data that the vendors have created. Social computing is still a laggard, as it was in 2012, receiving only 6% of responses in 2013. When CFOs look at things like social, they see a

riskier investment, with benefits that will be difficult to measure and that could result in the business risk of having the CFO making IT decisions. The CIO needs to make sure the CFO is balancing his or her need for predictable financial returns with enough IT innovation that the company will not be left behind.

Recommendations:

- Understand the benefits of CPM and how CPM can be integrated into your BI platform and performance management business processes.
- Recognize that CPM is not just a series of technologies, however, and will have a major business process component.
- Access CPM product versions and road maps regularly to gauge the benefits of version upgrade or CPM product component expansion.
- Ensure that CPM purchases are strategic and complement other aspects of overall performance management and BI frameworks; however, consider point solutions that support last-mile-of-finance activities as part of a CPM suite or as an entry point to address specific CPM pain points.

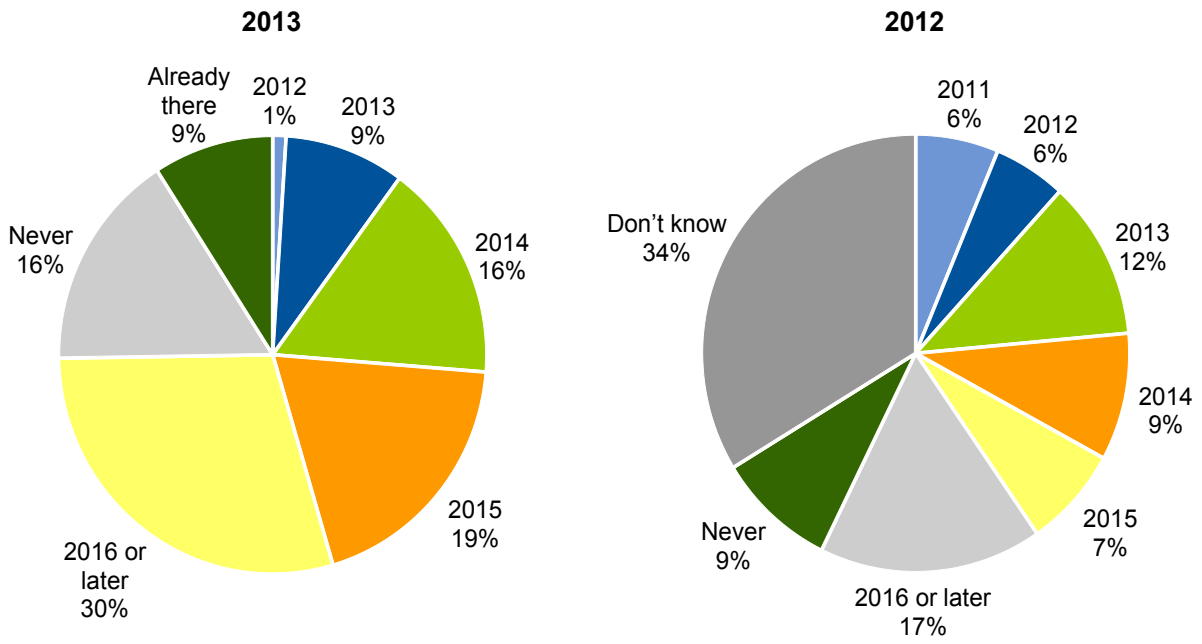
Leverage SaaS, Mobile, Big Data/Analytics and Social (the Nexus of Forces) as They Change the Technology Portfolio

Finding: The CFO's understanding of the Nexus of Forces is impacting CFO investment priorities.

Gartner has identified four major technology trends that will drive technology planning, investment and usage in 2013 and beyond: the nexus of social, mobile, cloud and information. Enterprise organizations are being challenged to adapt as these technologies, and the data that results from their adoption and deployment internally to the enterprise and externally with customers, expands exponentially. With the exception of social, which scored low in terms of technology initiatives, mobile, cloud (including SaaS) and information are priorities.

The Gartner FEI CFO Technology Study showed an increasing interest in the SaaS model, where only 16% (up from 9% in 2012) of firms said that they would never imagine half of their enterprise transactions being delivered by SaaS. Instead, during the next four or more years, 84% (up from 53% in 2012) believe that half of their transactions will be delivered through SaaS (see Figure 6). It appears that 34% in 2012 have made a SaaS directional decision, as there were no "Don't Know" responses in 2013.

Figure 6. Timing to Support More Than Half of the Transactions on a Cloud Infrastructure Using SaaS



Source: Gartner (May 2013)

When asked where they intend on using SaaS in the next two years, the first few selections — payroll, CRM, travel expense management, HR — come as no surprise, as they have been leveraging SaaS for many years. BI and CPM capabilities, however, have made major increases. Business analytics received 21% of the responses and integrated financial management applications also received 21%. CPM selections — budgeting, consolidations and reporting — showed a continued movement to cloud where almost one in five companies see themselves using SaaS (see Figure 7).

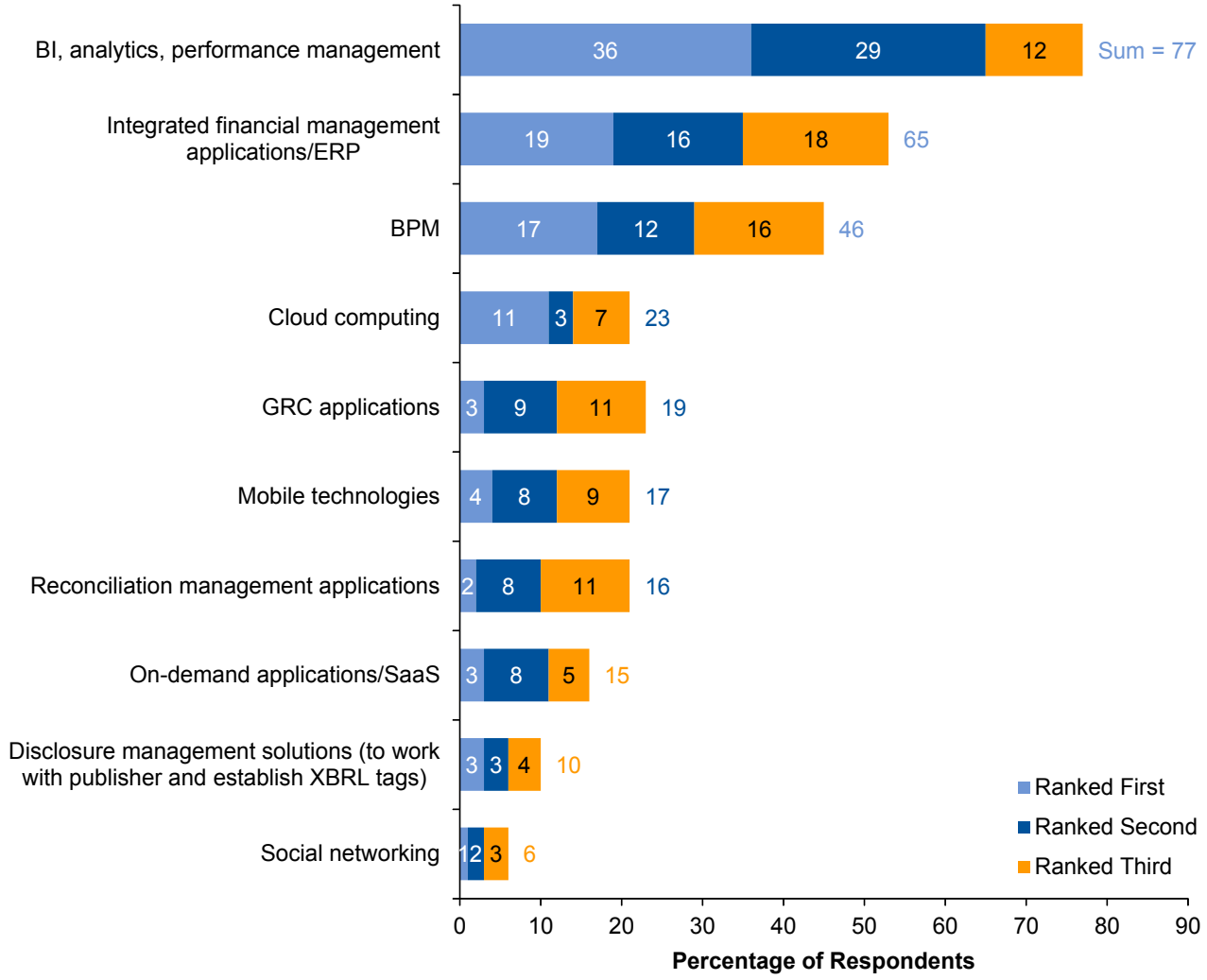
Figure 7. Projected Movement to the Cloud

Source: Gartner (May 2013)

The CFO sees a significant increase in SaaS as being a major technology initiative in the finance organization in 2014, where 41% (total of SaaS and on-demand) see it as gaining importance.

Figure 8 shows movement for mobile technologies, with 21% of organizations seeing this as a top initiative in 2014.

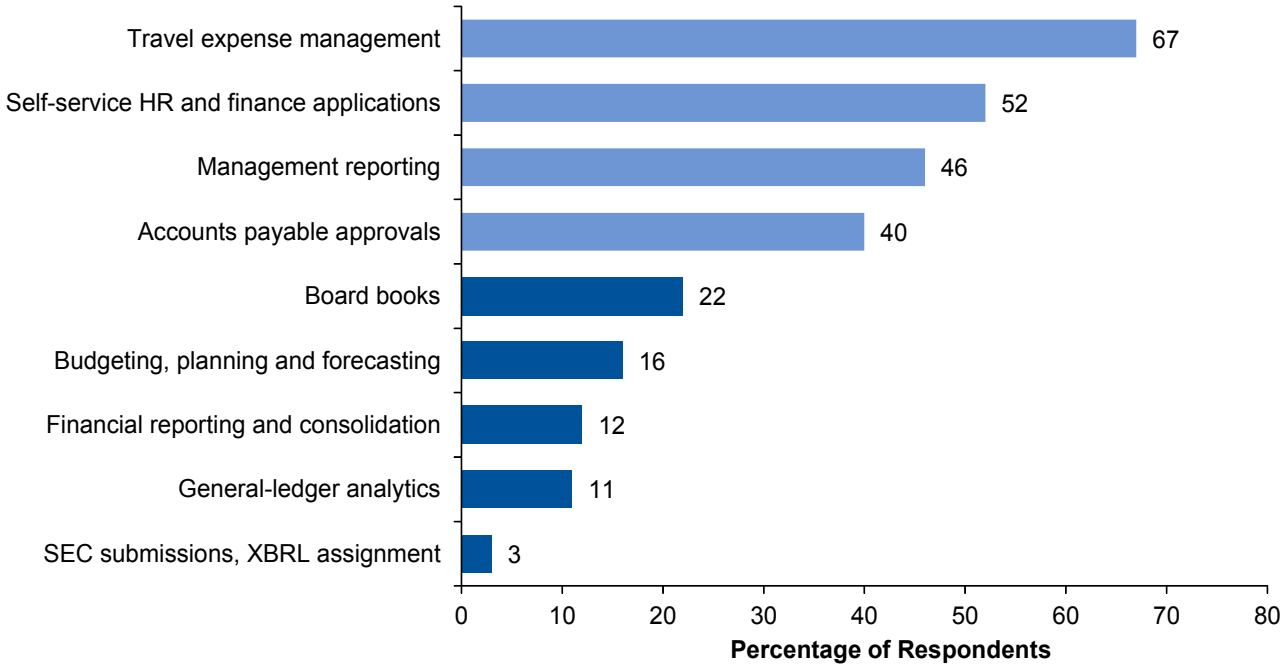
Figure 8. Top Initiatives for 2014: Finance



Source: Gartner (May 2013)

Figure 9 shows that travel expense management solutions will benefit from mobile connectivity, where 67% of firms project its usage, next to self-service finance and HR applications at 52%. Emerging for the first time this year is the ability to get management reporting from a mobile device (46%) along with other CPM capabilities — board books/disclosure management (22%); budgeting, planning and forecasting (16%); and financial reporting and consolidation (12%). Increasingly, we expect organizations that deploy accounts payable invoice automation (APIA) solutions to also deploy mobile approval capabilities (40%).

Figure 9. Projected Mobile Device Usage



Source: Gartner (May 2013)

Recommendations:

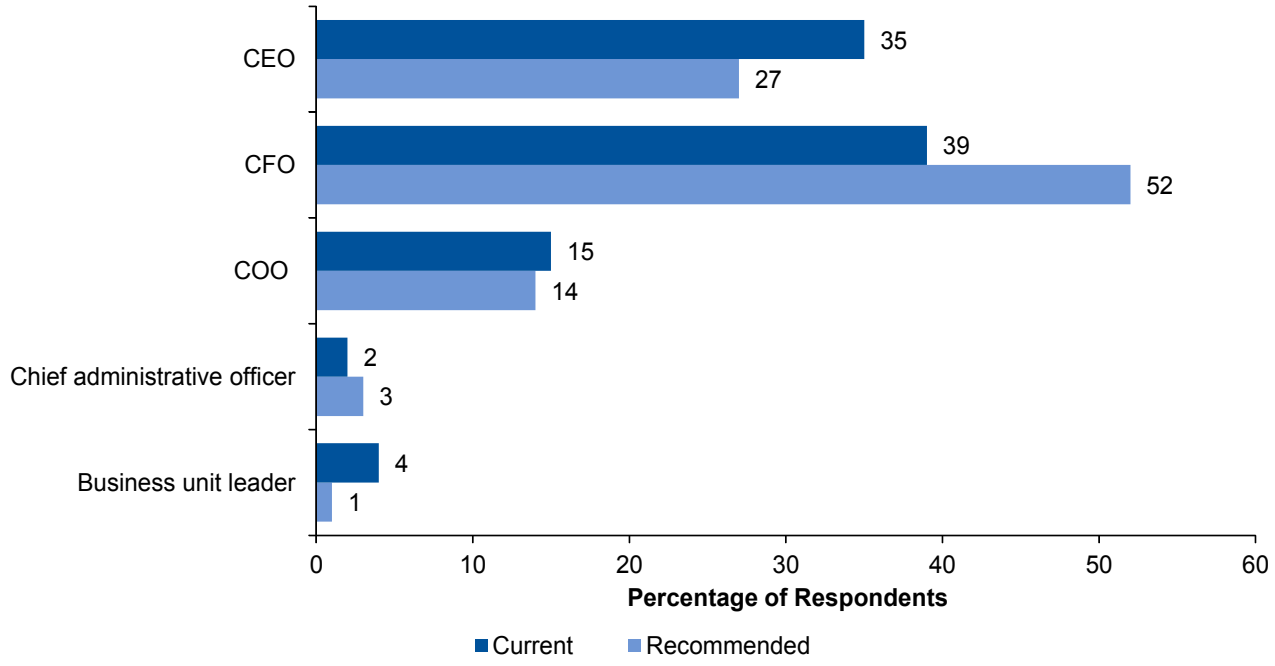
- CFOs have interest in cloud and mobile technologies. SaaS (and cloud-based delivery) is starting to affect business applications, and many CFOs use mobile devices and would be interested in getting access to key business information using these tools. Hence, CIOs should use this interest to show how wider investments in cloud and mobile technology could deliver benefits across the organization.
- Although these nexus capabilities will be a concern more in 2014 and beyond, IT organizations must communicate how more-effective business platforms can be leveraged to deliver better architectures for business applications that are "top of mind" for the CFO. For example, it would be a good move to include the CFO in mobile device deployment to allow him or her to access finance information and analytics.
- CFOs are clearly skeptical about the potential of social technologies, so any investments in this area must be clearly related to business strategies and realizable benefits.
- Organizations should consider getting projects going in the high priority areas (e.g., technology-enabled marketing [TEM]) if they have not, and use the lower priority areas to trial the technology and generate some interest from CFOs in wider mobile adoption (e.g., board books on mobile).

Partnering With the CFO on Technology Is Critical

Finding: The CFO's influence over IT is consistent and, in many organizations, is growing.

We have seen year over year in the study that a large percentage of CFOs own the IT function. This year's responses show that 39% of IT organizations report to the CFO (see Figure 10).

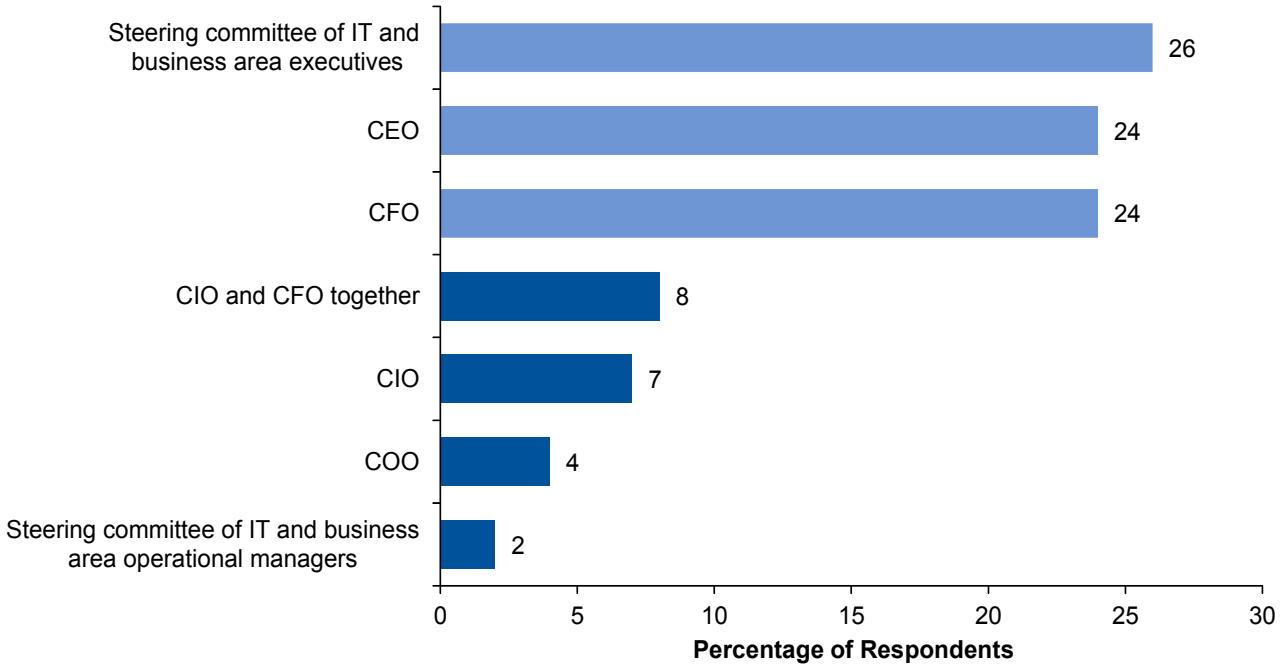
Figure 10. Where Does IT Report?



Source: Gartner (May 2013)

The CFO continues to have a significant influence over IT investments, more than any other executive (32%; see Figure 11).

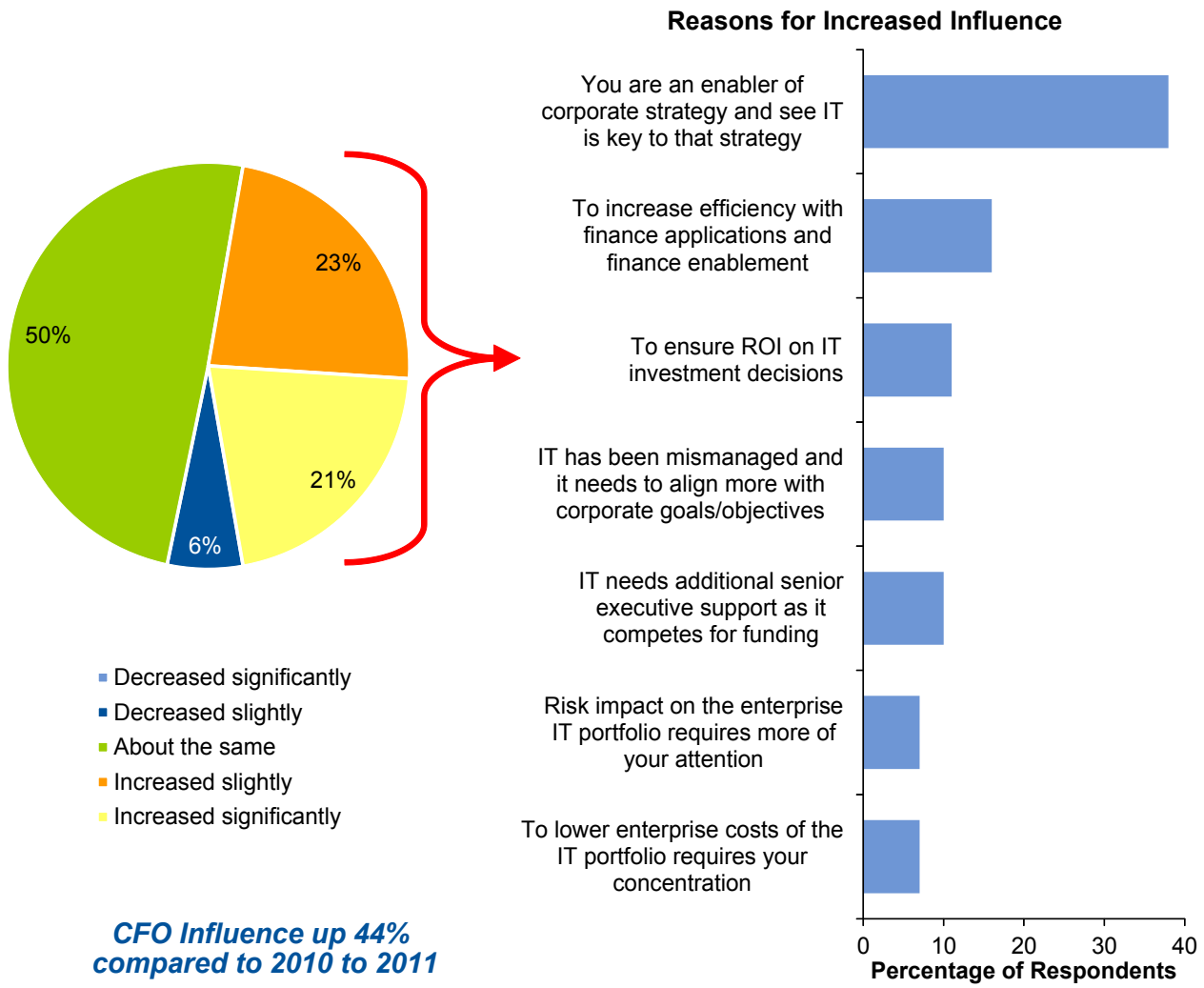
Figure 11. Role That Authorizes Technology Investment



Source: Gartner (May 2013)

The CFO's influence, in the sample of organizations that participated in this Gartner FEI CFO Technology Study, has increased since 2011 and 2012 (see Figure 12). Of the participants, 38% cite this increased influence due to the CFO being an enabler of corporate strategy, and IT is key to that strategy. Only 10% report to the CFO, because IT has been mismanaged.

Figure 12. Influence Over IT Investments Compared to Two Years Ago



Source: Gartner (May 2013)

The CFO plays a key role in many IT acquisition decisions. This high level of reporting to the CFO demonstrates the need for companies to ensure that their CFOs are educated in technology, and underscores just how critical it is that CIOs and CFOs have a common understanding of how to leverage enterprise technology. This study shows that a significant percentage of CFOs have direct responsibility for IT; therefore, the CFO will already be a key sponsoring executive and/or key stakeholder in many organizations. However, even in organizations in which they are not responsible for IT, CFOs are increasingly key decision makers for technology investments, because they generally control an organization's budget and are involved in scrutinizing the largest-value items.

Recommendations:

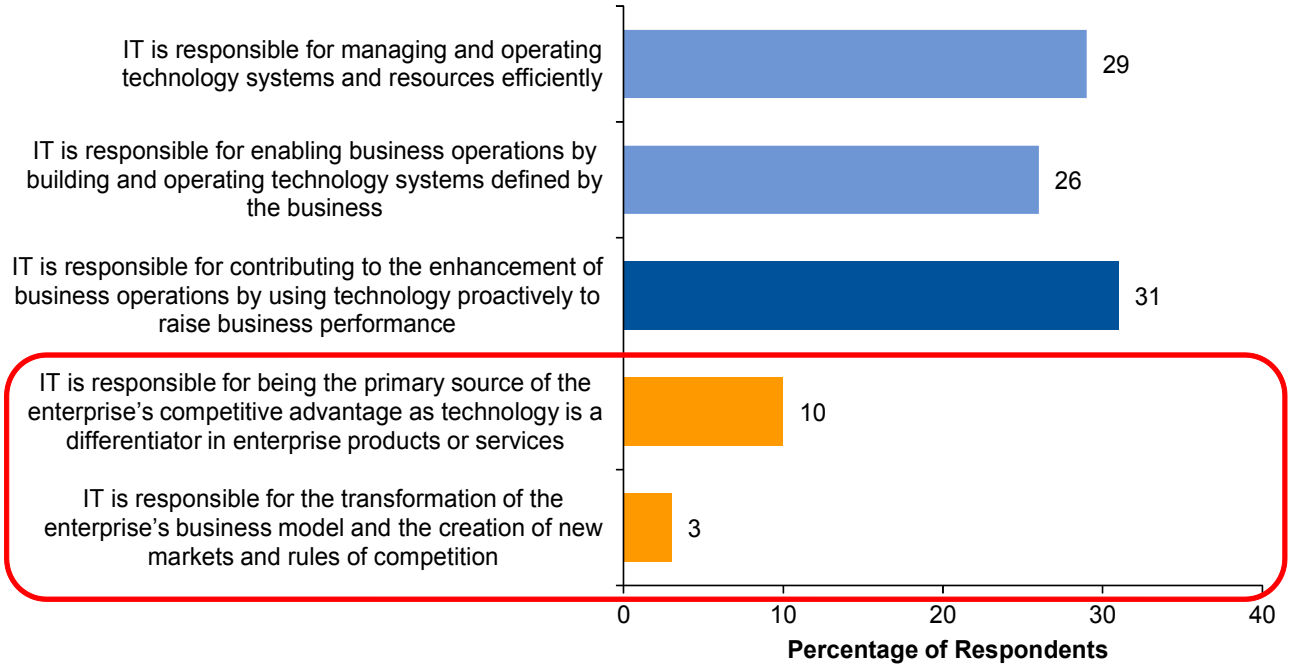
- CFOs need to be proactive in making technology decisions for all finance applications, ensuring that they have a financial system that supports the strategic objectives of their organizations.
- CFOs and IT professionals need to understand how the CFO should be involved, to ensure that the right investments are selected in IT that deliver the right benefits based on the organization's goals and strategies.

Take a Pace-Layered Approach to Your IT Portfolio

Findings: Few IT organizations are viewed as transformational. Providing a pace-layered analysis to your IT portfolio can help stakeholders understand new opportunities, as well as where your initiatives to date have led. Most organizations have enough IT champions to move these efforts forward.

Organizations must establish a new strategy for IT investment that responds to the desire of the business to use technology to establish sustainable differentiation and drive innovative new processes, while providing a secure and cost-effective environment to support core business processes. However, according to the study, 10% (up from 5% in 2012) view IT as a source of differentiation, and only 3% see it as a source of transformation. We have found that many see value in IT, with 31% (down from 38% in 2012) viewing it as enhancing operations. However, many see it as the organization that operates systems (29%), and 26% see it primarily as enabling business operations (see Figure 13).

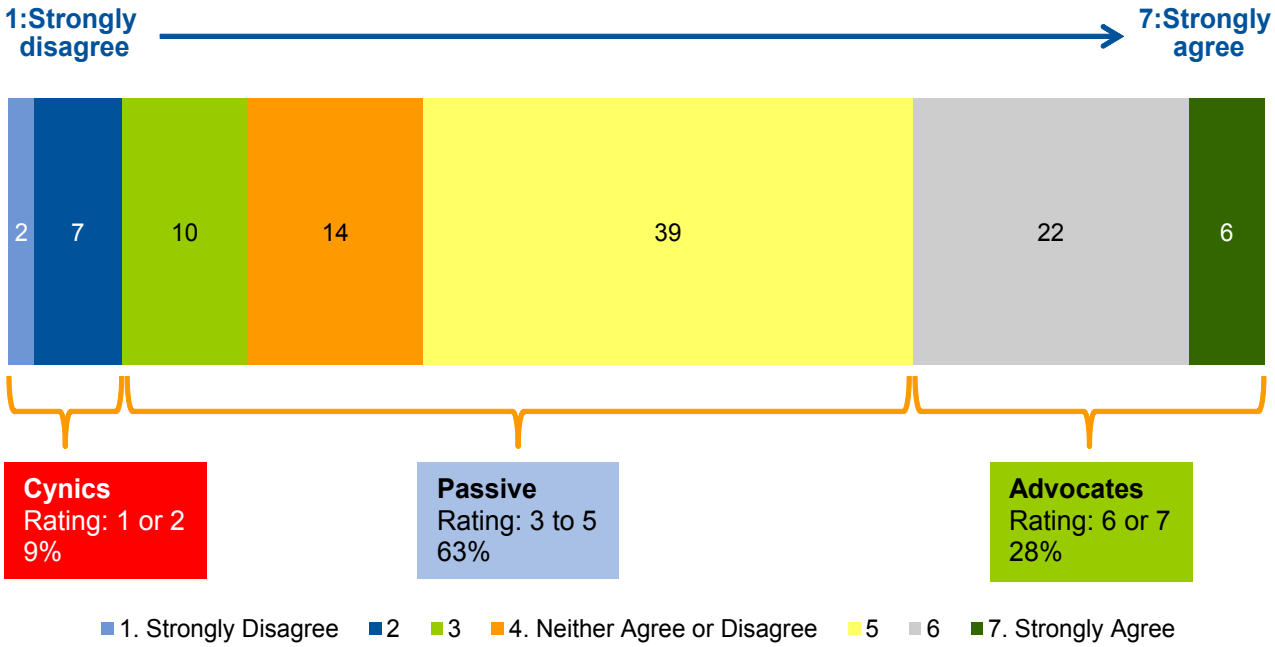
Figure 13. Expectation of IT



Source: Gartner (May 2013)

Despite the perception of IT being primarily the provider of systems and platforms, there appears to be a larger group (28%, down from 31%) that can be viewed as advocates of IT, so there is more support that can be leveraged to make better progress (see Figure 14).

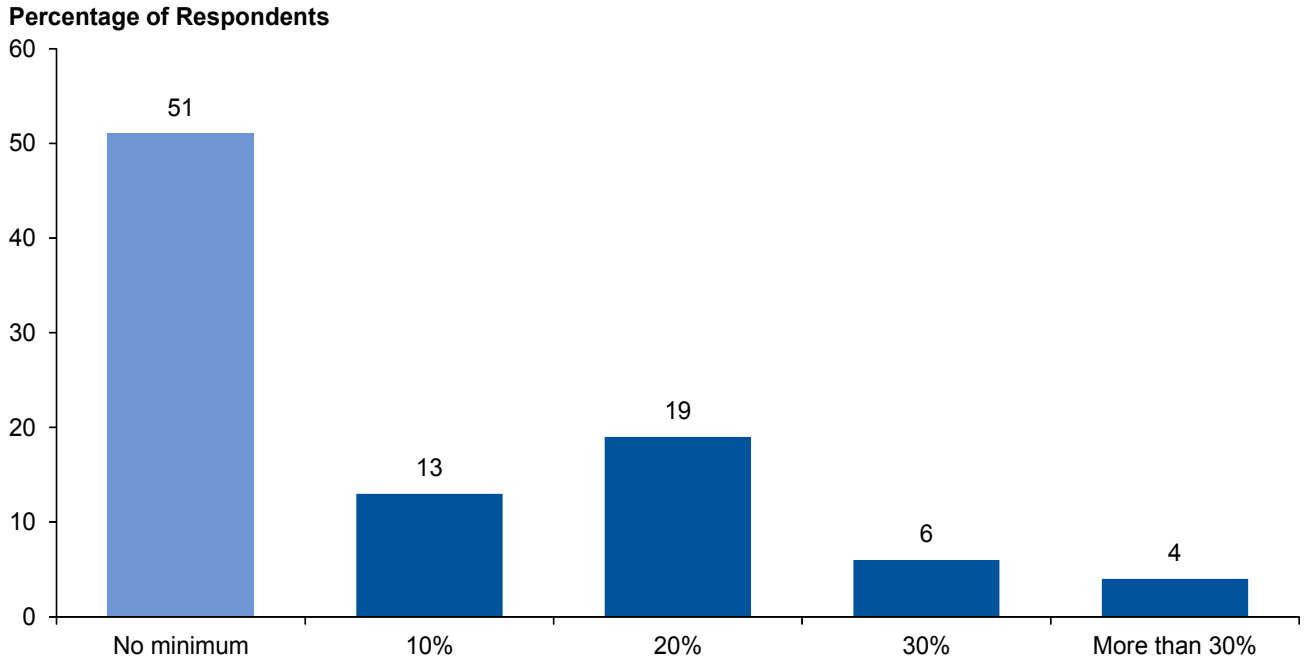
Figure 14. Routinely Realize the Business Benefits of IT



Source: Gartner (May 2013)

Part of the problem may be due to IT organizations not having a minimal ROI requirement for projects, which gives them the appearance of not meeting business-case requirements. From the study, we see that 51% of organizations do not have a minimum ROI requirement for IT projects (see Figure 15). The ROI hurdle rate should be set by a steering committee/governance board if there are no IT projects, but just business projects.

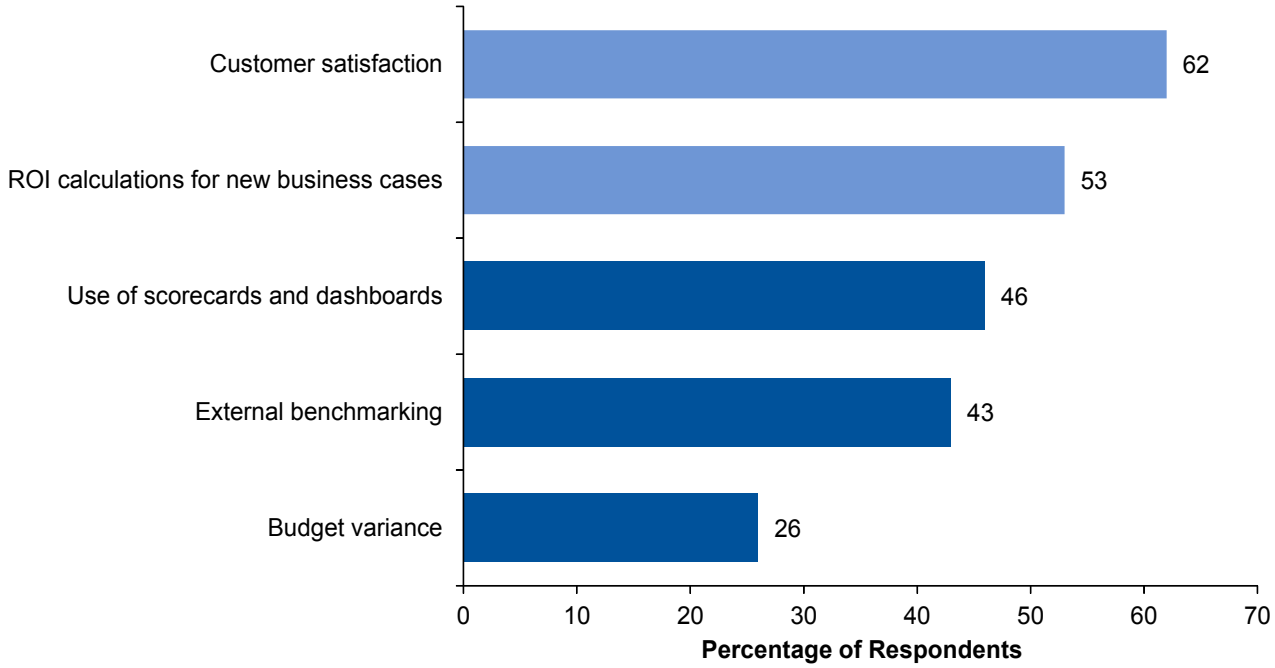
Figure 15. Organization's Minimum ROI Required for IT-Enabled Business Investments to Be Seen as Successful



Source: Gartner (May 2013)

Another reason that we do not see the transformation perception is that it is rarely measured. When asked how IT should be measured, CFOs responded that transformation was not a factor (see Figure 16).

Figure 16. How to Measure IT



Source: Gartner (May 2013)

There is a gap developing between the business users of enterprise applications and the IT professionals charged with providing these applications. The business leaders are looking for modern, easy-to-use applications that can be deployed quickly to solve a specific problem or respond to a market opportunity. Meanwhile, the IT organization is typically working toward a strategic goal of standardizing on a limited set of comprehensive application suites to minimize integration issues, maximize security and reduce IT costs. These competing goals often lead to strategic misalignment.

Business users often complain that, no matter what they ask for, IT tells them that they have to use the functionality in the existing application portfolio or that they have to wait until the current multiyear rollout is finished before the problem can be addressed. In today's dynamic business climate, with constantly changing business models and users who are fully aware of the power of technology, this is unacceptable.

Gartner has defined three application categories or layers — systems of record, systems of differentiation and systems of transformation — to distinguish these application types and help organizations develop more-appropriate strategies for each. In what Gartner calls the Pace-Layered Application Strategy, these layers correspond with the notion of business leaders having common ideas, different ideas and new ideas. The same application may be classified differently in one company than another based on its usage and relationship to that business model. We expect to see applications move among layers as they mature, or as the business process shifts from experimental to well-established to industry standard (see "How to Use Pace Layering to Develop a Modern Application Strategy" — Note: This document has been archived; some of its content may

not reflect current conditions). It is the CFO's responsibility to allocate finance systems to different pace layers to help IT deliver more innovation and differentiation. This approach should be applied across the application portfolio.

Recommendations:

- A pace-layered approach to applications can provide a foundation for working with the business to develop a strategy that can lead the enterprise to more differentiation and transformation.
- In the past, many companies have had a single strategy for selecting, deploying and managing applications. They may have had methodologies for classifying applications by value or technological viability, but they did not recognize that applications are fundamentally different based on how they are used by the organization.

Methodology

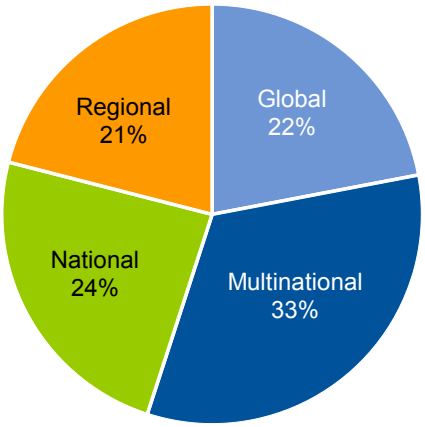
The 2013 Gartner FEI CFO Technology Study is in its 15th year, and 2013 is the fifth year that Gartner has provided the execution of the study and produced an analysis of the results. Gartner conducted 237 U.S. online surveys from October 2012 to January 2013. Online surveys were distributed to qualified financial executives who understand their organizations' business strategies and the role that IT plays in supporting the business. The survey was shorter this year in an effort to improve participation. The survey was reduced to approximately 20 questions, so most of the questions that probed into areas of business applications, analytics and regulations were not included, but will be rotated into the study in the future. We believe that the results uncovered in prior years' studies for these areas still hold and would be consistent, based upon other Gartner research.

Demographics

The survey was targeted at financial executives. Of these 237 executives, the median revenue of the respondents' companies was $175 million, with an array of small to larger companies represented. While the primary membership of FEI is North America, 55% of respondents were from global or multinational concerns (up from prior years). A wide array of vertical industries was represented, where manufacturing, technology and service providers were in the majority. Additionally, 27% of the respondents were from publicly traded firms, 62% were from private for-profit, and 11% were from not-for-profit organizations (see Figure 17).

Figure 17. Organization Profile

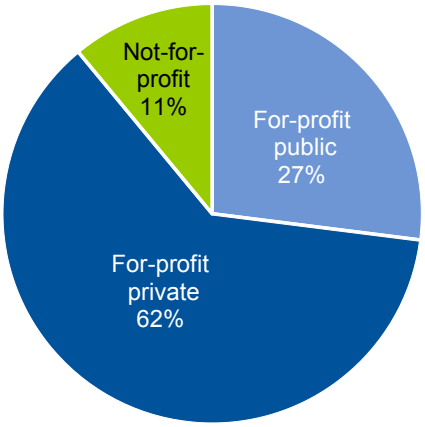
Geographic Reach



Primary Industry

Education/Government	6
Financial Services	18
Healthcare	20
Professional Services	34
Technology Providers	35
Manufacturing, Discrete	30
Manufacturing, Process	36
Retail	13
Wholesale Distribution/Transportation	14
Other	31

Type of Organization



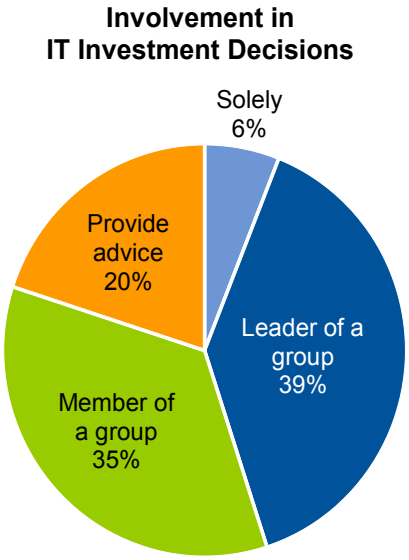
Annual Revenue

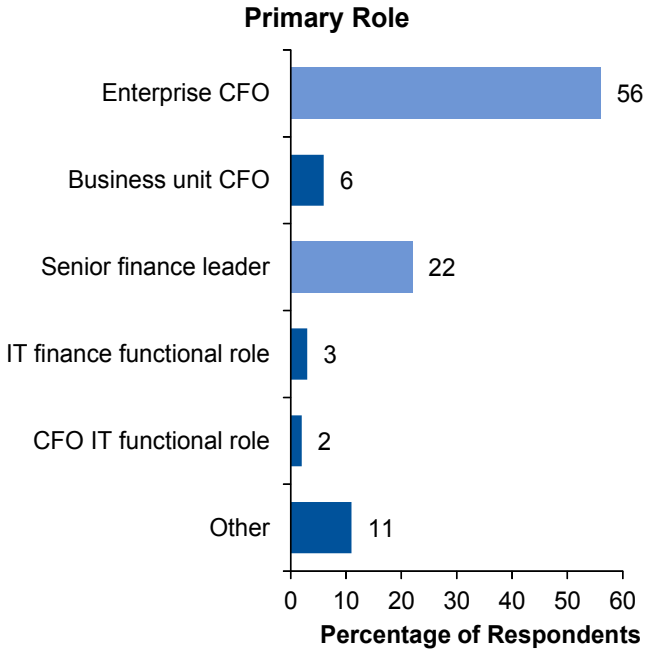
< $50 million	70
$50 million to <$250 million	53
$250 million to <$1 billion	36
>$1 billion	41
Median	**$175 million**

Source: Gartner (May 2013)

CFOs made up the majority of the respondents, with 62% being enterprise CFOs, and 22% identifying themselves as senior financial leaders. There is a recognized bias to this study, as only those who are involved in IT decisions would respond. Also, 6% were sole IT decision makers, and these were the smaller of the companies that responded; however, 39% identified themselves as technology leaders. Note, 35% were members of a group that made decisions, and the remaining 20% provided input (see Figure 18).

Figure 18. Respondent Profile





All respondents provide input to IT decisions.

Source: Gartner (May 2013)

Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Hints and Tips on Using Gartner Numbers When Reviewing IT Spending Plans"

Evidence

The 2013 Gartner FEI CFO Technology Study is in its 15th year, and 2013 is the fifth year that Gartner has provided the execution of the study and produced an analysis of the results. Gartner conducted 237 U.S. online surveys from October 2012 to January 2013.

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