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Survey Analysis: Gartner-FEI Study Helps You Understand the CFO's Technology View in 2016

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Analyst(s): John E. Van Decker, Christopher Iervolino

A new survey, conducted in collaboration with Financial Executives International, reveals the technology needs of CFOs and financial application strategists. CFOs who assess how their organization's finance and IT units compare with those surveyed will be better placed to improve their IT strategy.

Key Findings

- Organizations need improvements in business analytics.
- Business analytics and enterprise business applications remain top investment initiatives, followed by security and big data.
- Interest in the cloud has increased significantly for business applications.
- Over 80% of the organizations we surveyed plan to use a public could for most of their transaction processing.
- Postmodern approaches lead in the selection of business applications.
- CFOs still have a major influence on technology choices, but IT decision making continues to shift to business areas.

Recommendations

Finance application strategists:

- Use this study to understand how your peers view trends in finance technology.
- Understand that IT leaders supporting finance technologies should become key strategic partners with the CFO and other finance leaders in order to steer the IT function. Foster the belief that "there are no IT projects — only business projects."
- Determine where cloud, in-memory computing (IMC) and analytics can be used for quick wins to address persistent business problems.

- Identify how trends in finance technology can support your organization's digital business strategy.

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Survey Objective

The scope of Gartner's 2016 study of CFO technology, conducted in conjunction with Financial Executives International (FEI), encompasses the IT perspectives of senior financial executives (such as CFOs, financial controllers, and business planning directors and vice president) and financial application strategists (including financial system directors and other IT managers) in the organization.

This year's survey included 230 respondents from the FEI community and 712 respondents from the survey undertaken for Gartner's Magic Quadrants for financial corporate performance management (FCPM) solutions and strategic corporate performance management (SCPM) solutions. This new approach of including the Magic Quadrant survey respondents enables comparisons of IT and finance organizations' perspectives on the IT function and IT investments. In some cases, however, the very large changes to the sample size and respondents limit comparability with the previous year's survey.

This is the 18th year of the FEI study and the eighth year in which it has been conducted in partnership with Gartner.

The purpose of the present study is to understand trends in technology from the perspective of the finance organization and to compare them, where appropriate, with that of the IT organization. It also aims to measure the collective perspectives of offices of finance and IT strategists tasked with managing an organization's portfolio of financial applications.

There are many consistencies with prior years' findings, but there are just as many highlights.

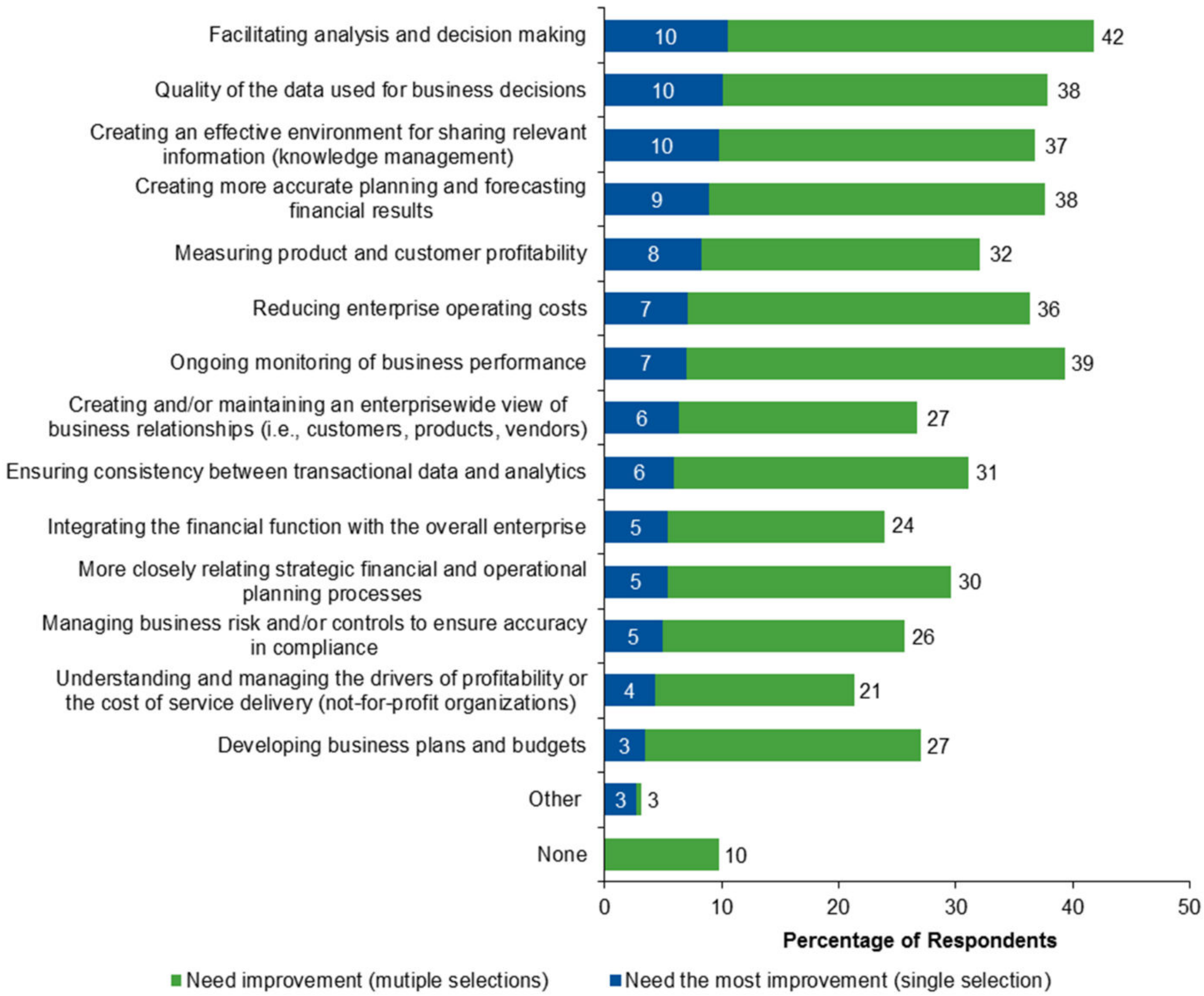
Data Insights

Organizations Need Improvements in Processes That Use Business Analytics

Finding: The majority of technological deficiencies identified in this study can be addressed by making strategic improvements to analytics, including FCPM and SCPM investments.

As in the previous six years, we asked survey participants to identify where there is room for technology improvement. We received very similar results (see Figure 1).

Figure 1. Organizations Need Improvements in Business Analytics *Of the following processes selected, which needs the most improvement in technology support? (n = 942)*
Which of the following processes in your organization currently need improved technology support? (n = 850)



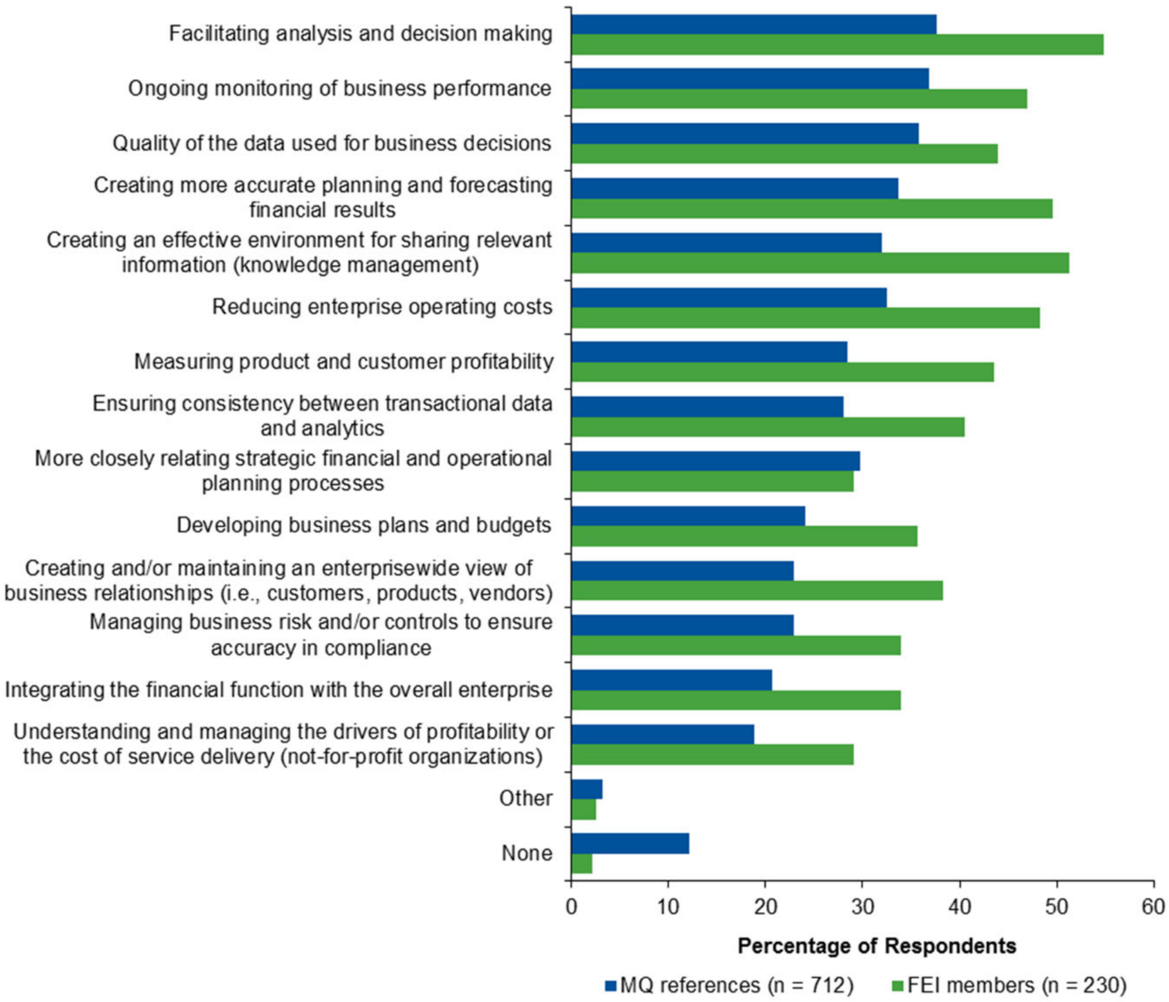
Source: Gartner (July 2016)

We presented the respondents with over 14 business process areas and asked them to select the top three that need improved technology support. We then asked them to select the one area that needs the most technology improvement. All areas except reducing enterprise operating costs are directly linked to FCPM and SCPM business analytics (although it can be argued that gaining a better view of the business by means of business intelligence [BI] provides a baseline and an opportunity to measure progress in cost reduction). BI, analytics and performance management are the top areas in terms of CFOs' requirements for IT investment. Most technology constraints concern a lack of business insight and BI availability, and the inability to use business applications for process efficiency. The survey found that the top business process that needs technology investment is that for facilitating analysis and decision making (42%). It is followed by the process for improving the quality of the data used for decision making (38%), the process for creating more accurate planning and forecasting of financial results 38%, and the process for creating an effective environment for sharing relevant information (37%). New selection options were added to the survey due to the increased number of Gartner client inquiries on these topics. These results represent the total number of survey respondents (942).

Finding: Executives surveyed by FEI see more need for improvements in business analytics than do Magic Quadrant survey respondents.

Figure 2 compares the results from respondents surveyed by FEI with those of the Magic Quadrant survey respondents. Most of the FEI respondent group were senior managers in finance organizations with a much greater need for improvements to business analytics applications than was seen in the Magic Quadrant group. The Magic Quadrant group was mostly composed of respondents whose organizations were in the midst of an SCPM or FCPM project or that had already achieved value and addressed these requirements.

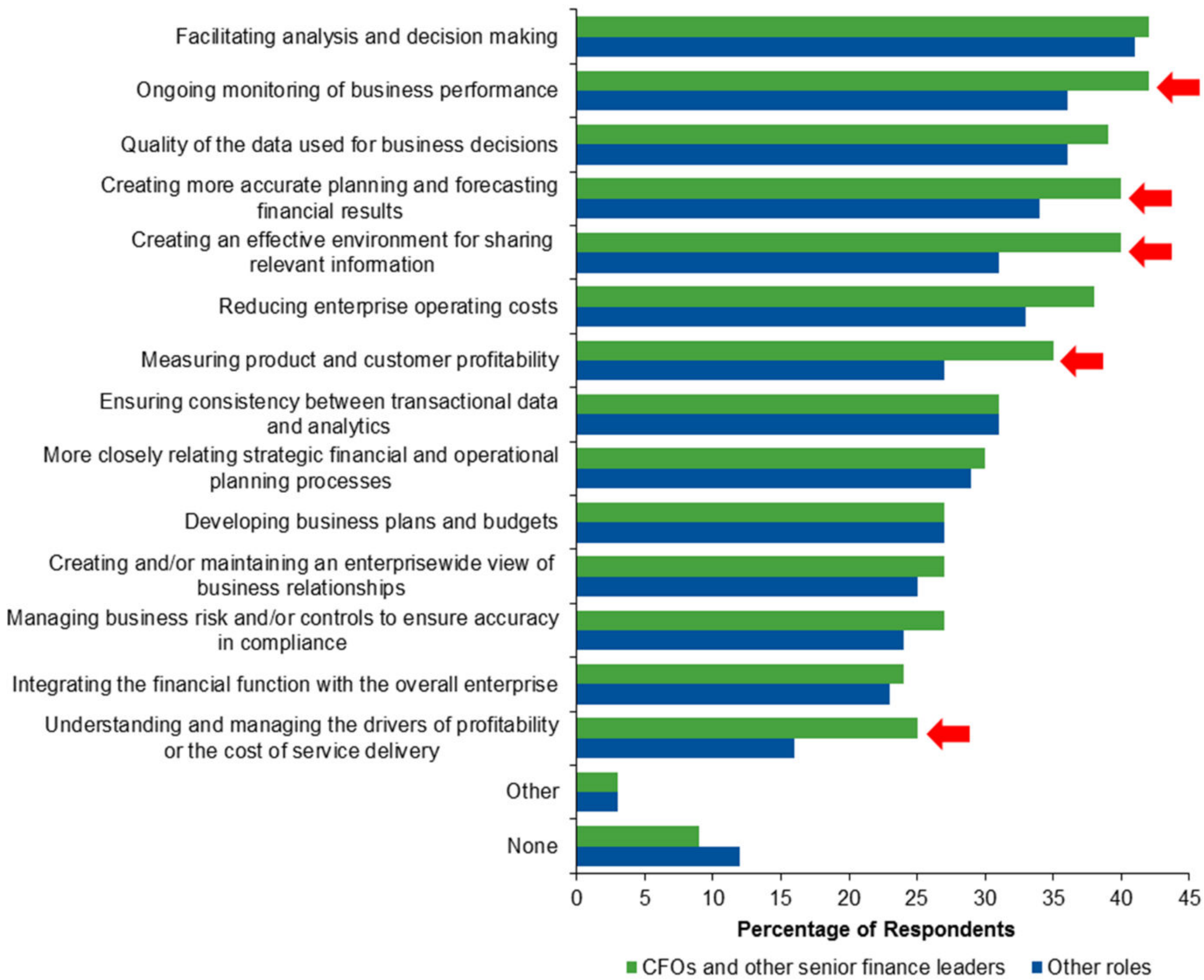
Figure 2. Processes That Need Improvements, Split by FEI and Magic Quadrant Respondents *Which of the following processes in your organization currently need improved technology support?*



Source: Gartner (July 2016)

Figure 3 shows the breakdown of respondents by office of finance role. Senior finance leaders see greater need for improvements in these business processes than others, including less senior finance roles. Respondents in IT roles and hybrid IT/finance roles suggested that, despite the improvements and investments in FCPM and SCPM business applications that have been made, they are not sufficient to meet the demands of the business, especially the demands of senior managers — in other words, they consider that these analytics lack strategic value. There is more to addressing these needs than implementing software. Process and attitude changes are also very important. These are primary reasons why we suggest that the finance department should lead these initiatives — why we do not favor IT-led FCPM/SCPM initiatives.

Figure 3. Processes That Need Improvements, by Office of Finance Role *Which of the following processes in your organization currently need improved technology support?*



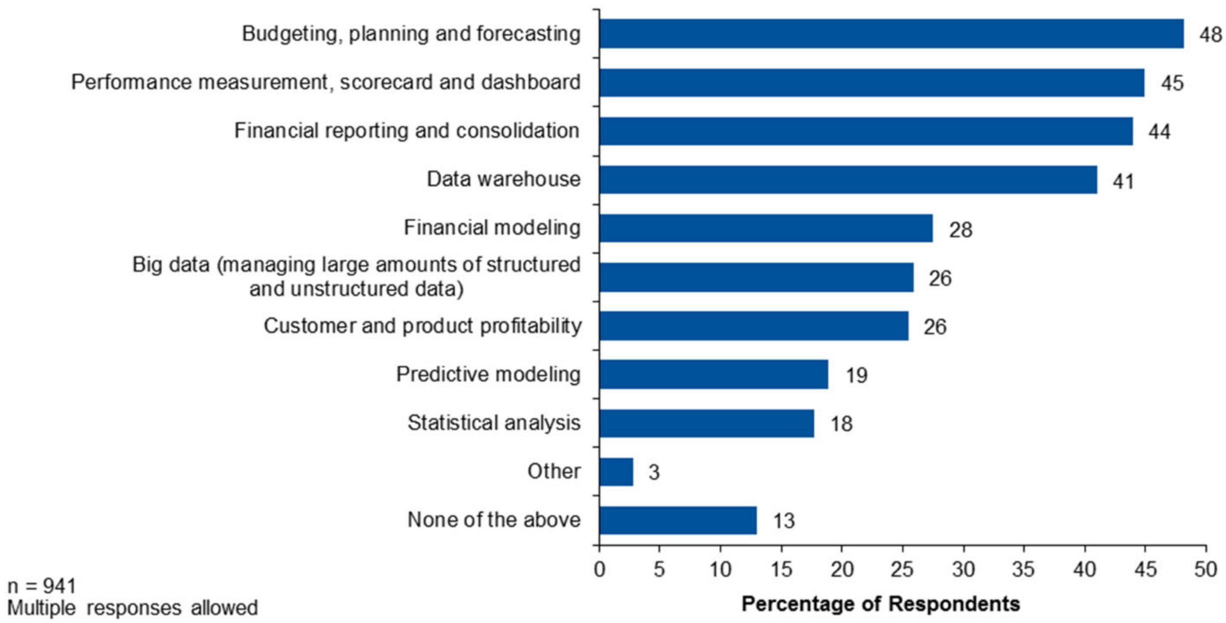
Note: Red arrows show where CFOs indicate a much greater need than other roles

Source: Gartner (July 2016)

Figure 3 shows the responses of CFOs and senior finance executives in dark blue, and of other office-of- finance respondents in light blue — it includes all responses from the FEI and Magic Quadrant surveys. These responses are consistent with those of the past six years, which show that organizations are still struggling to make progress with BI and analytics. CFOs have been dealing with aging systems, and there are new tools available to support enterprise processes like performance management. 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").

Figure 4 shows the demand for business analytics in the respondents' enterprises. However, the respondents are somewhat biased as they represent the office of finance and customers of FCPM and SCPM solutions that focus strongly on finance-targeted analytics and platforms. This is highly consistent with prior surveys, in which FCPM and SCPM applications were also the most important.

Figure 4. Business Analytics Upgrades *Which of the following business analytics technologies is your organization currently upgrading or enhancing?*



Source: Gartner (July 2016)

Finding: Although organizations have made significant investments in FCPM and SCPM solutions, they realize they are just addressing "the tip of the iceberg" and may need to reinvent FCPM and SCPM processes.

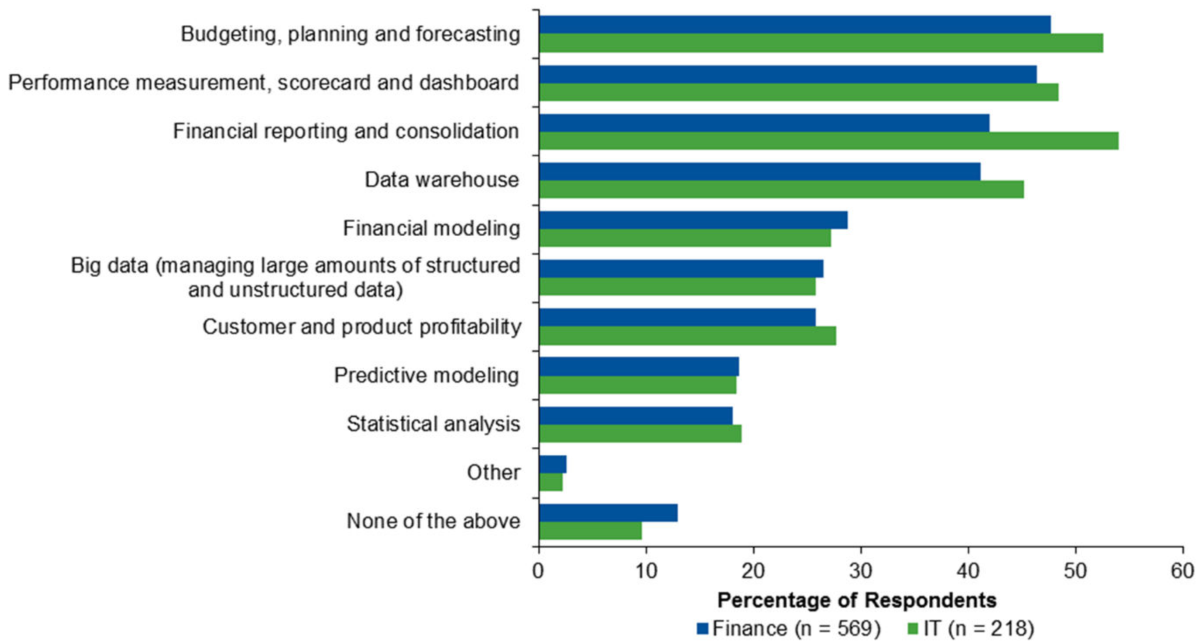
Organizations have invested billions of dollars in SCPM and FCPM applications over the past 10 years (Gartner estimates that the FCPM and SCPM markets together amount to over $2.6 billion in revenue per year). However, these projects are clearly not simply "make the investment and you're done" initiatives. We believe this is due to the following:

- Many firms start out with minimal functionality — they may, for example, replace Microsoft Excel in the first phase of their projects, and subsequently realize that there is much more opportunity to obtain value.
- Many firms did not define an appropriate scope for their original project, which therefore did not meet requirements, and so they still use adjacent spreadsheet processes.

- The notion of integrated financial planning (see "The Office of Finance Must Embrace New Planning Frameworks to Link Strategy and Execution") has caused many organizations to bring in operational planning linked to financial planning, to extend the value of the project.
- Some of the technologies deployed are "legacy" ones, which need updating or replacing.
- An increasing number of organizations want to move to cloud solutions of a different vendor or to a different cloud platform of their current vendor.

Figure 5 shows the breakdown by finance and IT respondents. The IT respondents were mainly from the Magic Quadrant study, who naturally are working on FCPM and SCPM projects and are continuing to build those platforms — hence, the higher percentage of IT respondents for most of the areas.

Figure 5. Business Analytics Upgrades, Split by Finance and IT Respondents *Which of the following business analytics technologies is your organization currently upgrading or enhancing?*



Source: Gartner (July 2016)

Recommendations:

Financial management application strategists should:

- Understand how new FCPM and SCPM technologies present opportunities to reinvent and transform finance processes, rather than just replace existing systems.
- Identify the priorities for BI and analytics, and understand that there is no single technology solution to all your challenges (see "A Business Analytics Framework for Finance Business and Decision Processes").

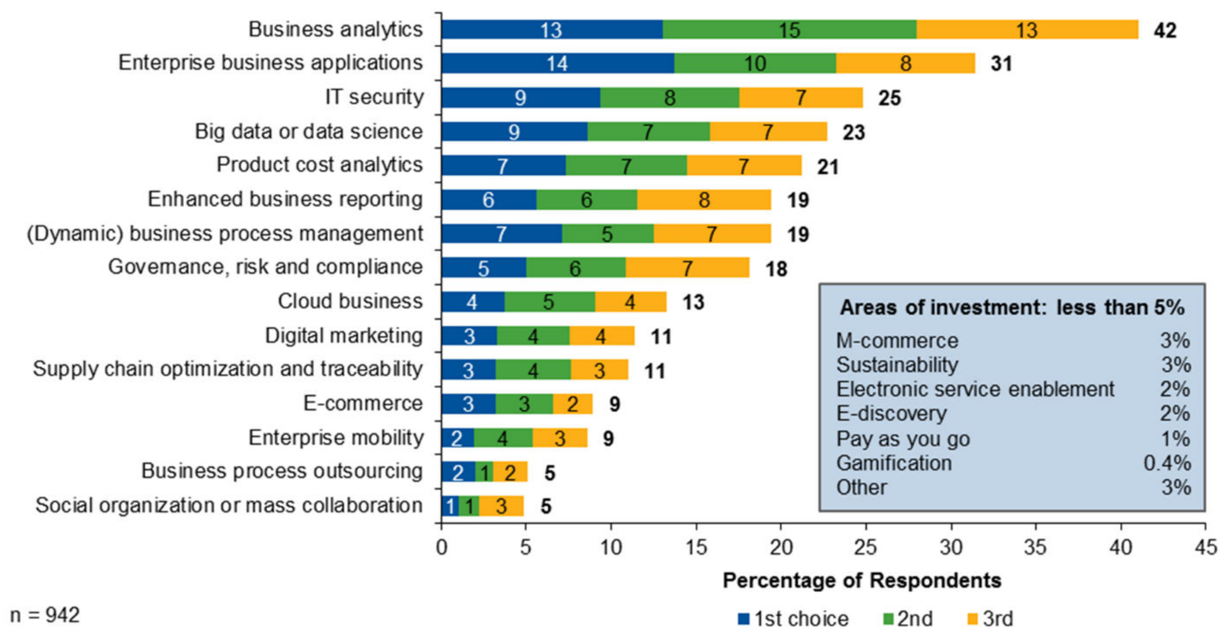
- Ensure that the most experienced finance people are deployed to work with IT staff to build and implement a comprehensive BI, analytics and performance management strategy. These are typically finance "superusers" with expertise in using spreadsheets and reporting tools to meet the needs of the CFO and other finance professionals.
- Evaluate new product offerings in self-service data preparation and smart data discovery to identify how these could empower finance users.
- Implement process, organizational and cultural changes to support the validation and promotion of BI and analytics content created by finance users.

Business Analytics and Business Applications Remain Top Investment Initiatives as Technologies Change

Finding: The cloud is impacting enterprise business applications, forcing a move to postmodern ERP strategies, while there is increasing demand for analytic capabilities. This is in line with our findings from the CIO survey in which "renovating the core," such as ERP, is highlighted as a key foundation for digital business.

As in 2015, financial management and financial application strategists are looking to invest in business analytics and business applications. This year, we again asked respondents to choose their top technology-related investment areas, in order of importance. Out of over 20 options, the top four were business analytics, enterprise business applications, IT security and big data/data science (see Figure 6). IT security has climbed from second place to third, and big data/data science has risen to fourth place from fifth in 2015. Security remains a top concern because finance managers are not always comfortable putting corporate data outside the firewall in a public cloud solution.

Figure 6. Most Important Investment Now *Which of the following technology-enabled capabilities are your organization's three most important areas of investment to improve its business today?*

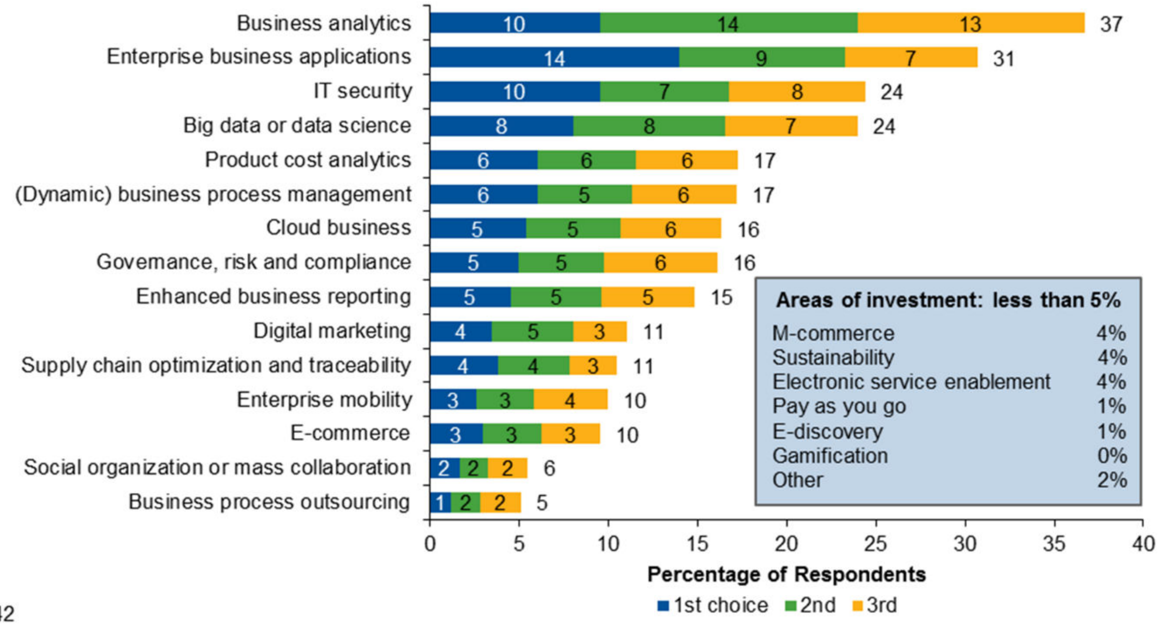


Source: Gartner (July 2016)

Enterprise business applications was the first choice for today's most important investment (14%), slightly ahead of business analytics (13%). Compared with last year's study, the percentage of respondents selecting business analytics as one of their top-three investment areas has increased from 39% to 42%, while the percentage selecting business applications has decreased from 34% to 31%. The increase in business analytics can be attributed to the Magic Quadrant survey respondents, who used applications that deal with business analytics capabilities.

Figure 7 shows how all 942 respondents view their most important investments over the next three years. Enterprise business applications remains the top first choice. Gartner believes that most organizations that have not yet developed a cloud strategy or moved to cloud applications will adopt more cloud components over the next three years. Minor movements have occurred in other categories. This implies that respondents are preparing for a shift to the next wave of applications from megavendors that are "replatforming" their applications, as well as for moving their applications to the cloud and taking advantage of more digital business capabilities. Gartner frequently speaks to customers who are waiting for newer technologies to gain more acceptance in the market before they will invest in them.

Figure 7. Most Important Investment in the Next Three Years *Which of the following technology-enabled capabilities are your organization's three most important areas of investment to improve its business over the next three years?*



n = 942

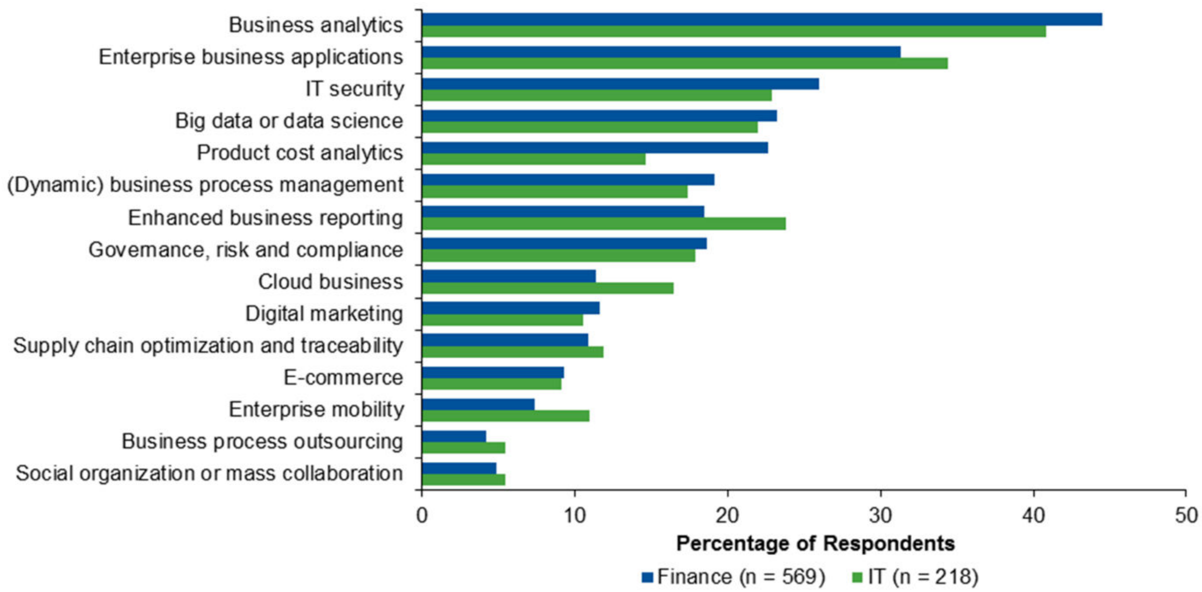
Source: Gartner (July 2016)

Figure 8 shows the most important investments from an office of finance perspective and an IT perspective. Noteworthy on this chart are the following points:

- Business analytics ranks four percentage points higher with finance respondents than with IT respondents, which shows that despite past investments, finance still sees a greater need for investment in business analytics. We believe that much of this difference is due to the desire for more niche cloud applications that are targeted at finance (for example, corporate planning plus modeling applications).
- Business applications ranks three percentage points higher with IT respondents than with finance respondents. IT will likely experience more of the day-to-day operational issues with current business application platforms, and will also be more aware that most business application vendors have new-generation products or upgrades that will need to be factored into short-term investments. By five percentage points, IT also sees a greater need for cloud business platforms, as they see more demand from other areas of the business for cloud platforms for supplier- and customer-facing business processes.
- IT respondents see a greater need for enhanced business reporting (by five percentage points) and enterprise mobility (by four percentage points) than do finance respondents because these are projects in which the IT organization plays a critical role.

- More finance respondents (by eight percentage points) than IT respondents see a need for improvements in product cost analytics as current investments have not provided the costing and profitability management capabilities that the office of finance needs.

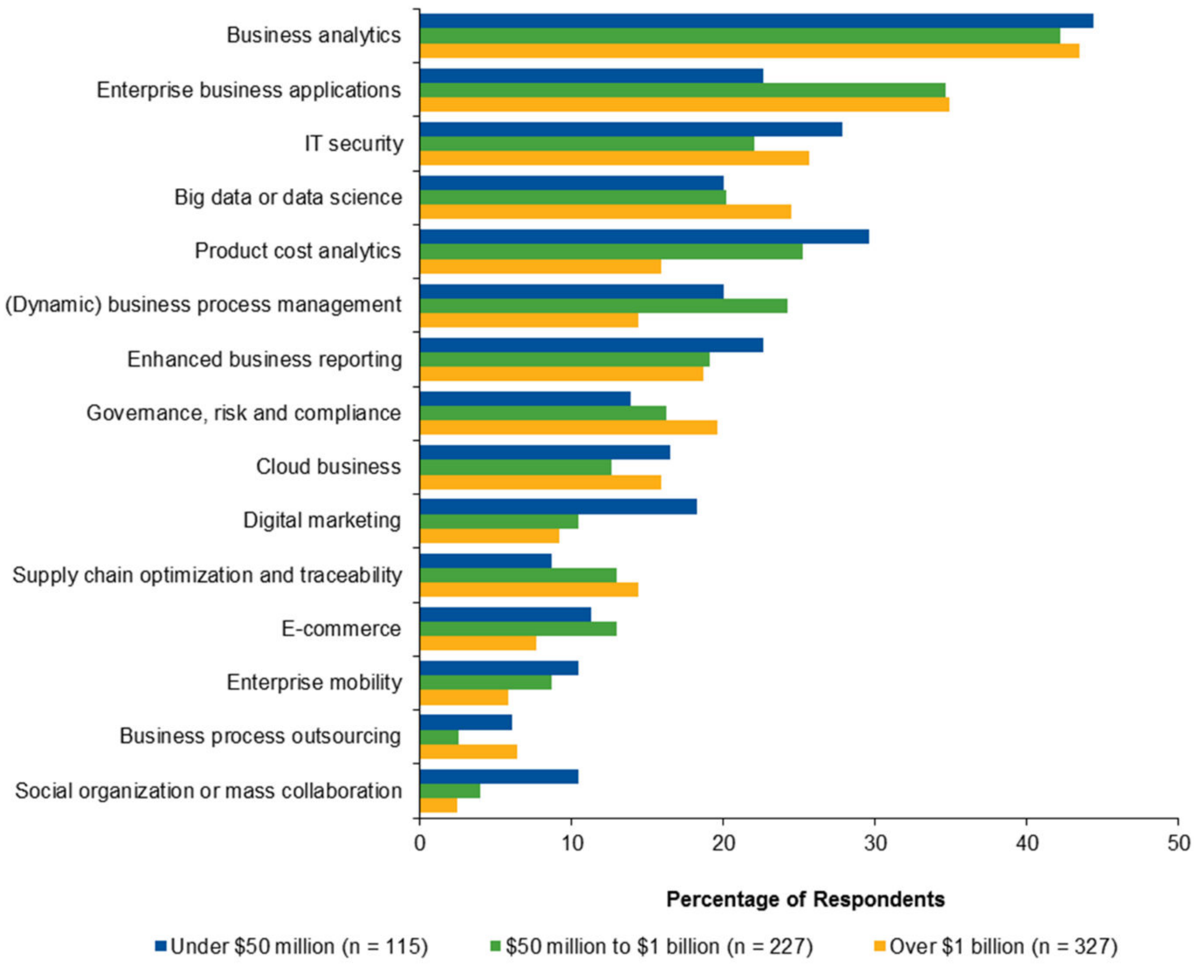
Figure 8. Most Important Investment Now, Split by Finance and IT Respondents *Which of the following technology-enabled capabilities are your organization's three most important areas of investment to improve its business today?*



Source: Gartner (July 2016)

Figure 9 breaks down the current investment importance by size of organization.

Figure 9. Most Important Investment Now, Split by Size of Organization *Which of the following technology-enabled capabilities are your organization's three most important areas of investment to improve its business today?*



Source: Gartner (July 2016)

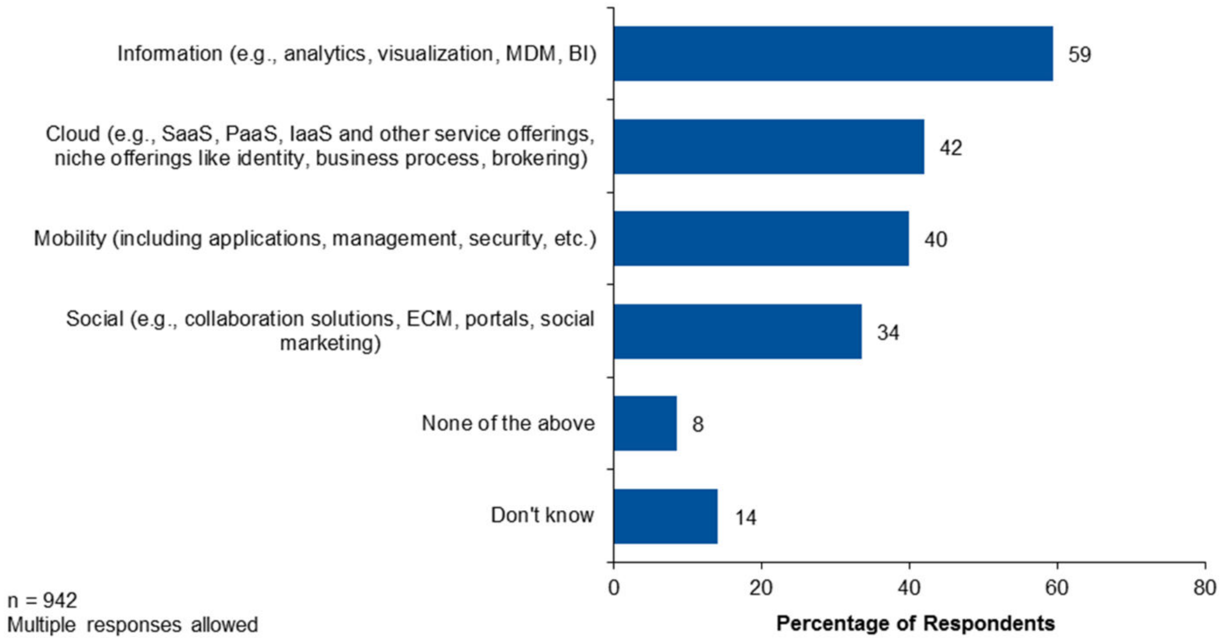
The following are important observations arising from a comparison of the responses from small organizations (those with less than $50 million in annual revenue), midsize organizations (those with $50 million to $1 billion in annual revenue) and large organizations (those with more than $1 billion in annual revenue):

- Business analytics are the top concern, with small and large organizations showing slightly greater demand than midsize ones. The smaller organizations have increasingly been targeted by vendors, enticing them to move away from Microsoft Excel for analysis. Also, small organizations have higher demands for product cost analysis, enhanced business reporting, cloud business, digital marketing, mobility, business process outsourcing and social collaboration.

- Larger organizations show higher demand for big data. Big data is typically within the domain of larger organizations which are trying to interpret external data to understand patterns that may affect performance both now and in the future. Demand for governance risk and compliance (GRC) is also higher in larger organizations, which typically have specific resources assigned to GRC, as it has been a priority for the past decade.
- There is greater demand from midsize and large organizations to replace business applications than in last year's study, as many are considering cloud and hybrid replacements for existing business applications. However, small organizations have already adopted cloud offerings at a much faster rate for some business applications than the other two groups.
- IT security is a bigger issue for the small organizations, as many do not currently have the appropriate resources in place to meet today's security demands.

Figure 10 shows how new technologies are influencing business analytics and business application investments.

Figure 10. New Technology Adoption (Nexus of Forces) *In which of the following categories does your organization currently use an offering or product?*



Source: Gartner (July 2016)

Finding: Enterprise adoption of cloud, mobile, analytics and social capabilities is increasing.

Gartner has identified four major technological trends that will drive technology planning, investment and usage. These will continue to drive business analytics and business application replacement.

We refer to them collectively as the Nexus of Forces — social, mobile, cloud and information. Enterprises are being challenged to adapt as these technological trends, and the data that results from their adoption and deployment, both internally from the enterprise and externally from customers, expands exponentially. With the exception of social technologies, which scored low in terms of technology initiatives, cloud (including SaaS) and information technologies are priorities.

Recommendations:

Financial management application strategists should:

- Ensure your ERP strategy takes account of the shift to postmodern ERP and the disruption caused by the cloud and other nexus forces (see "2015 Strategic Roadmap for Postmodern ERP").
- Establish a prioritization process that balances the workload for support resources responsible for maintenance and project work. Involve the business in prioritizing maintenance and project service requests.
- Align your postmodern ERP roadmap with your organization's digital business strategy and underpinning technologies, such as IMC, the Internet of Things (IoT), big data and cloud integration technologies, as well as with development strategies, such as for bimodal IT (see "Finance IT Leaders Must Use Bimodal to Improve Performance Management").
- Use Gartner's Pace-Layered Application Strategy to synchronize business needs, with the technical response categorized by systems of innovation, differentiation and record. Ensure that you discover and incorporate "shadow IT" projects into your strategy.

CIOs should:

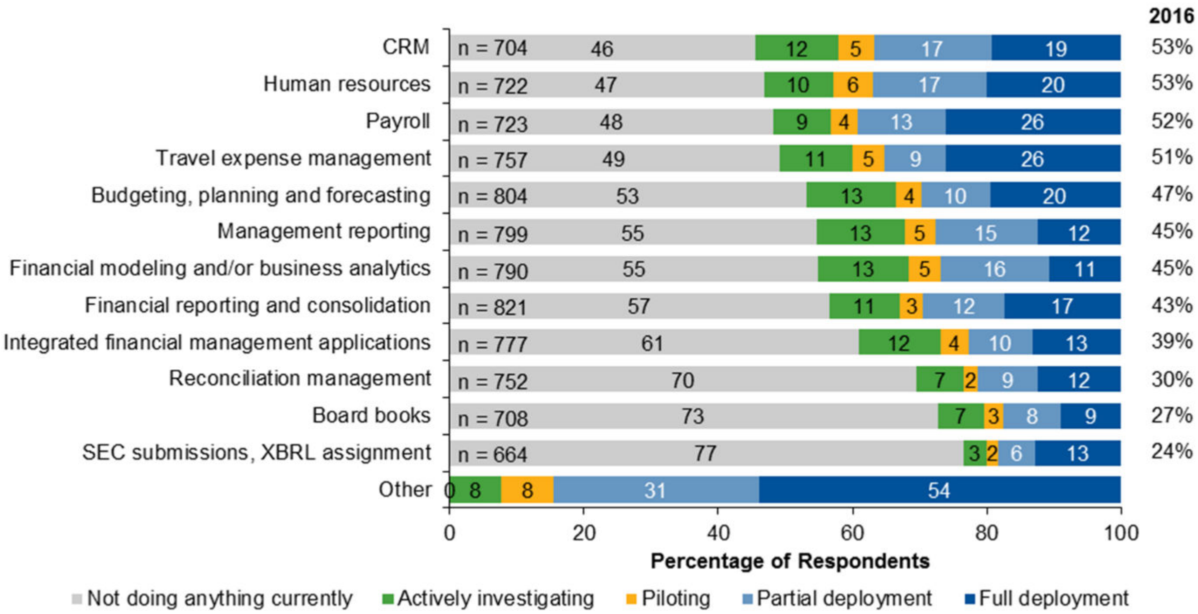
- Engage with CFOs to discuss IT security issues, especially those related to the move to the cloud. This may be an opportunity for IT leaders to get the CFO to support security initiatives (see "Budgeting for the SaaS Security Gap").

Cloud Interest Has Increased Significantly for Business Applications

Finding: The projected use of the cloud is consistent overall with the findings of the 2015 study.

Cloud interest has increased significantly for business applications. Figure 11 shows the respondents' responses regarding cloud deployment in their enterprises.

Figure 11. Business Applications: Cloud Adoption *What phase best describes the adoption of a cloud model, including SaaS, for each of the following business applications in your organization?*

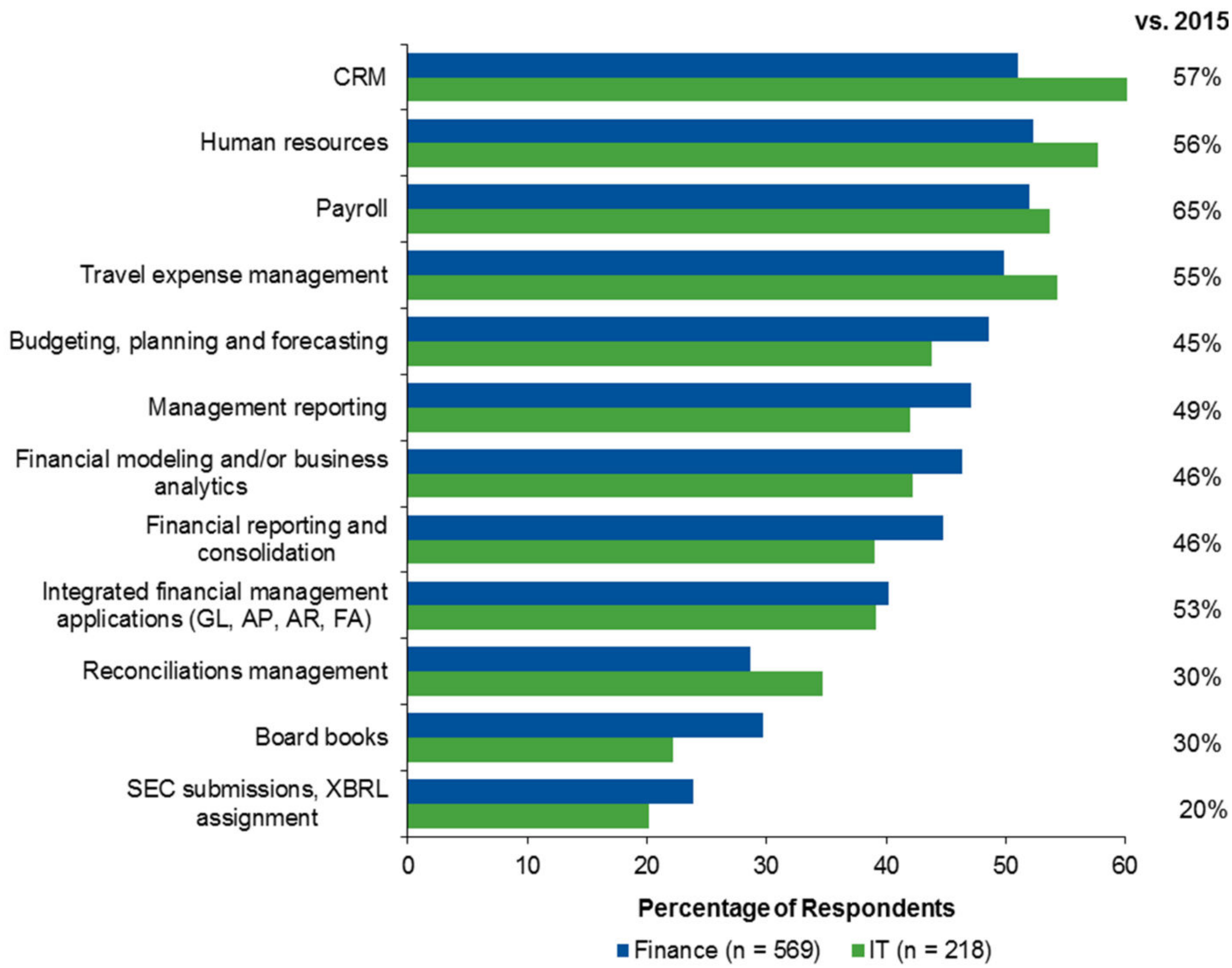


Source: Gartner (July 2016)

Finding: Cloud solutions dominate the demand for business analytics and business applications, but the finance department shows more demand for cloud than the IT department does.

Figure 12 shows the differences between the finance perspective and the IT perspective. When correlating the 2015 study with the 2016 study, it is best to compare the 569 "finance" responses. The 2015 results were based on a sample of 169 respondents, mainly sourced through FEI, representing the views of senior finance leaders.

Figure 12. Business Applications: Cloud Adoption, Split by Finance and IT Respondents *What phase best describes the adoption of a cloud model, including SaaS, for each of the following business applications in your organization?*



Source: Gartner (July 2016)

The following observations can be made:

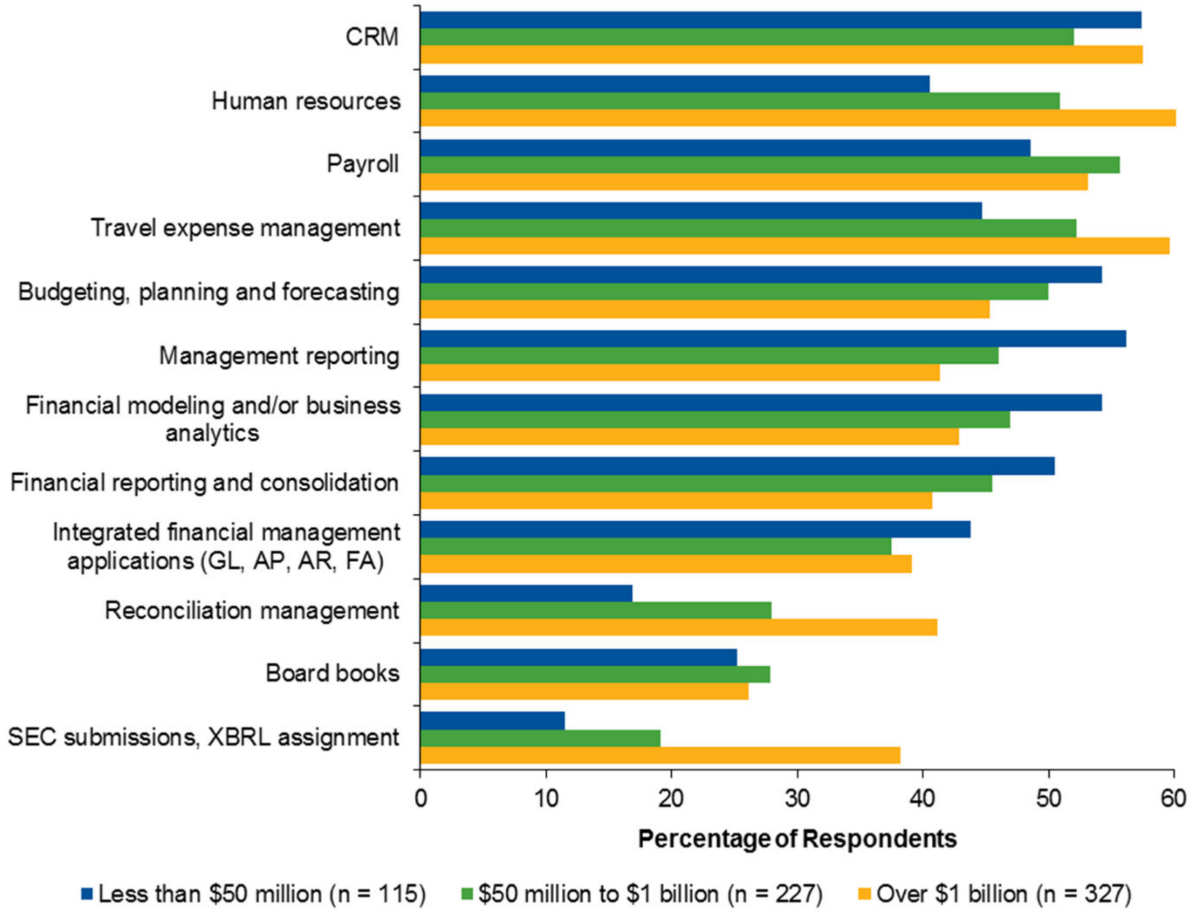
- CRM, HR, payroll and travel expense management received the highest scores, and the cloud deployment of these solutions has become commonplace.
- For finance applications, the office of finance shows greater demand for cloud applications than that apparent from IT organizations (except for reconciliation management, which IT has continuously been involved with as ERP numbers and reporting systems often do not tie up, so there is some familiarity with the need to improve reconciliation capabilities.)

- Finance organizations are continuously being targeted by emerging cloud financial business application vendors for cloud solutions that provide more financial management process support. This will clearly drive up demand for cloud solutions from the finance organization.
- Demand for cloud SCPM (budgeting, planning, forecasting, management reporting, financial modeling and business analysis) has remained fairly constant year over year.
- For most FCPM applications (financial reporting and consolidation, board books, XBRL and reconciliation management), the finance organization shows demand consistent with that of the 2015 study.
- Although it appears that the demand from finance organizations for integrated financial management applications has dropped from 53% to 40%, much of this drop can be attributed to the larger number of big companies in the 2016 study. Demand from smaller companies has dropped to 44% in 2016, but the figure for FEI members alone is 55% — an increase from last year. (This variation is due to sample differences between 2015 and 2016.)

Finding: Although cloud solutions dominate the demand for business analytics and business applications, among SMBs the demand for cloud solutions is more for financial management.

Figure 13 shows the demand for cloud by company size.

Figure 13. Business Applications: Cloud Adoption, Split by Size of Organization *What phase best describes the adoption of a cloud model, including SaaS, for each of the following business applications in your organization?*



Source: Gartner (July 2016)

The following observations can be made:

- CRM, HR, payroll and travel expense management received the highest scores, and cloud deployments of these cloud solutions have become commonplace.
- Demand for cloud budgeting, planning and forecasting and other SCPM functions is higher in SMBs.
- Demand for cloud FCPM management reporting and financial reporting is also higher among SMBs than larger organizations. Other FCPM functions, such as reconciliation management and Securities and Exchange Commission (SEC) submissions and eXtensible Business Reporting

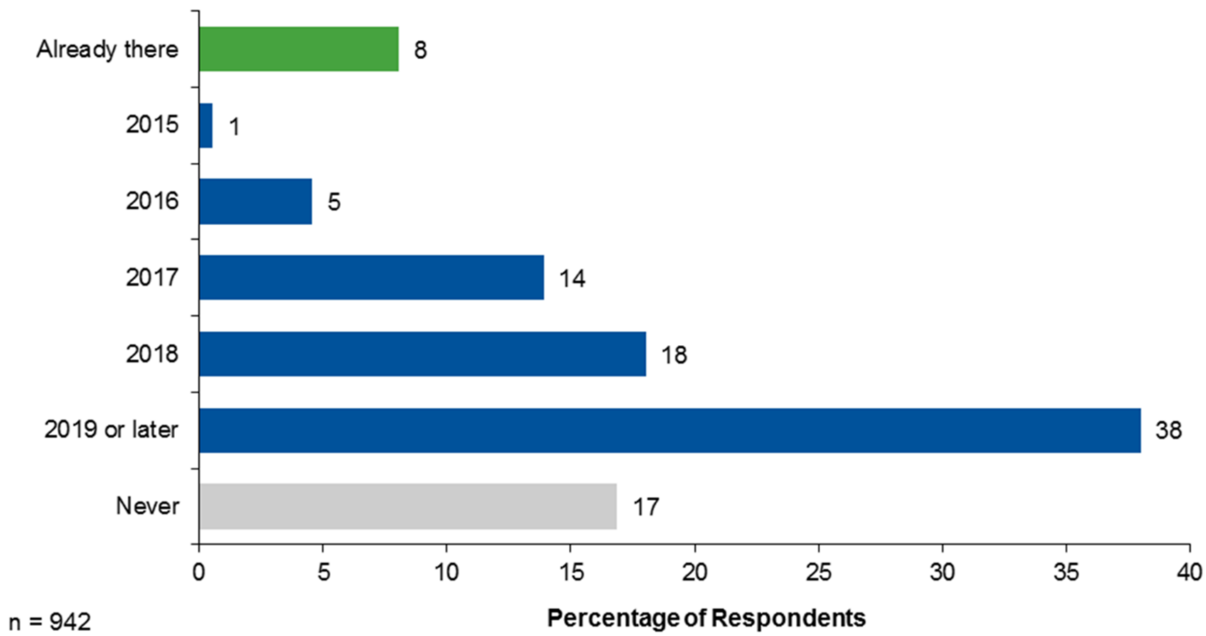
Language (XBRL) assignments, are typically requirements of larger organizations; 41% of organizations with annual revenue of more than $1 billion are looking for a cloud reconciliation management solution.

- Demand for cloud solutions for integrated financial management is higher in the small organizations. The demand from large organizations is higher than from midsize organizations — the opposite of what we would have expected.

Finding: Small organizations will move transaction processing to the cloud more rapidly than large organizations, but over 80% of large organizations have plans to move to the cloud.

Figure 14 shows when organizations envision at least 50% of their transactions will move to the cloud. These are the net results from all respondents.

Figure 14. Timing to Support More Than Half of Transactions in the Cloud *When do you estimate your finance organization will support more than half of its transactions (business events) on a cloud infrastructure using a SaaS model?*



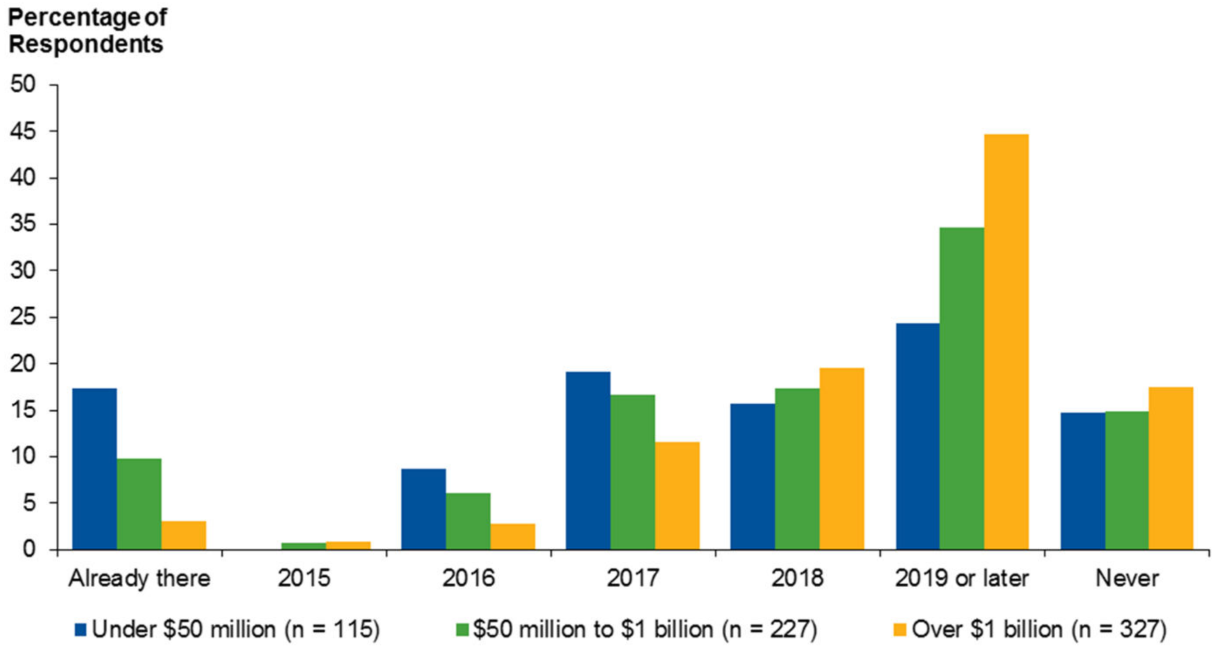
Source: Gartner (July 2016)

The following observations can be made:

- Eighty-three percent of the surveyed organizations plan to use public cloud for the majority of their transaction processing. This shows that public cloud SaaS will become the dominant deployment model for finance applications.
- This year's survey included more large organizations and confirmed that adoption of public cloud SaaS will not be limited to SMBs. However, large organizations will adopt SaaS less rapidly than smaller organizations.

Figure 15 shows the results by size of organization.

Figure 15. Timing to Support More Than Half of Transactions in the Cloud, Split by Size of Organization *When do you estimate your finance organization will support more than half of its transactions (business events) on a cloud infrastructure using a SaaS model?*



Source: Gartner (July 2016)

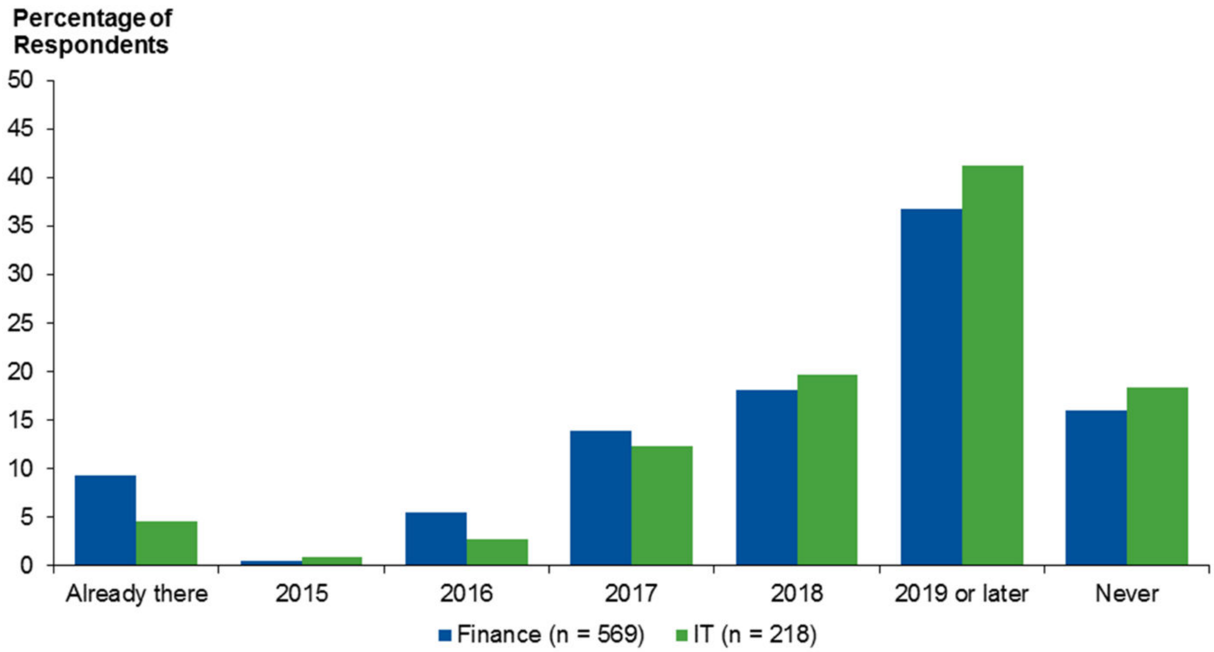
The following observations may be made:

- The big news is that over 80% of large organizations will move the majority of their transaction processing to public cloud. The 2016 survey includes more large organizations, so this finding has added credibility.
- Smaller organizations see themselves moving to the cloud sooner, whereas larger organizations tend toward later years.
- Forty-four percent of the larger organizations chose a date of 2019 or later. Gartner believes that many of the currently available ERP and integrated financial management suites are not yet ready for these organizations' size and complexity.
- Midsize organizations are consistently the middle group in terms of the survey results.
- Only 15% of the small and 15% of the midsize organizations foresee no movement to the cloud.
- Among the large organizations, about 17% foresee no movement to the cloud. (Respondents who did not categorize themselves in a company size category accounted for a larger percentage of those foreseeing no movement to the cloud.)

Finding: Finance organizations want cloud ERP and integrated financial management more than IT organizations do.

Figure 16 shows how finance and IT respondents answered the same question.

Figure 16. Timing to Support More Than Half of Transactions in the Cloud, Split by Finance and IT Respondents *When do you estimate your finance organization will support more than half of its transactions (business events) on a cloud infrastructure using a SaaS model?*



Source: Gartner (July 2016)

The following observations can be made:

- Finance organizations show more demand to move to the cloud in earlier years than do IT respondents. This shows wide acceptance of cloud solutions by finance organizations, which did not exist two years ago.
- Fewer finance organization respondents (15.5%) than IT respondents (18%) do not foresee see their transactional applications ever moving to the cloud.

Although the future for cloud transactional applications is quite bright, there remain many reasons why firms are reluctant to move to the cloud. In previous years, we asked respondents to give the reasons why they have deferred a movement to the cloud for more than half their transactions out to 2018 or later (or ruled it out entirely), and when we categorized their answers we found that security was the major area of concern. We did not ask this question in the 2016 study. We often hear of security concerns, but there are many examples of application requirements, like SEC/XBRL and reconciliation management, where the cloud is the preferred solution. Another major concern is the current investment in ERP and legacy solutions that are not cloud-based and which it would be costly to replace by cloud solutions. Still, fewer organizations answered that they would never move to the cloud.

Recommendations:

Financial management and ERP application strategists should:

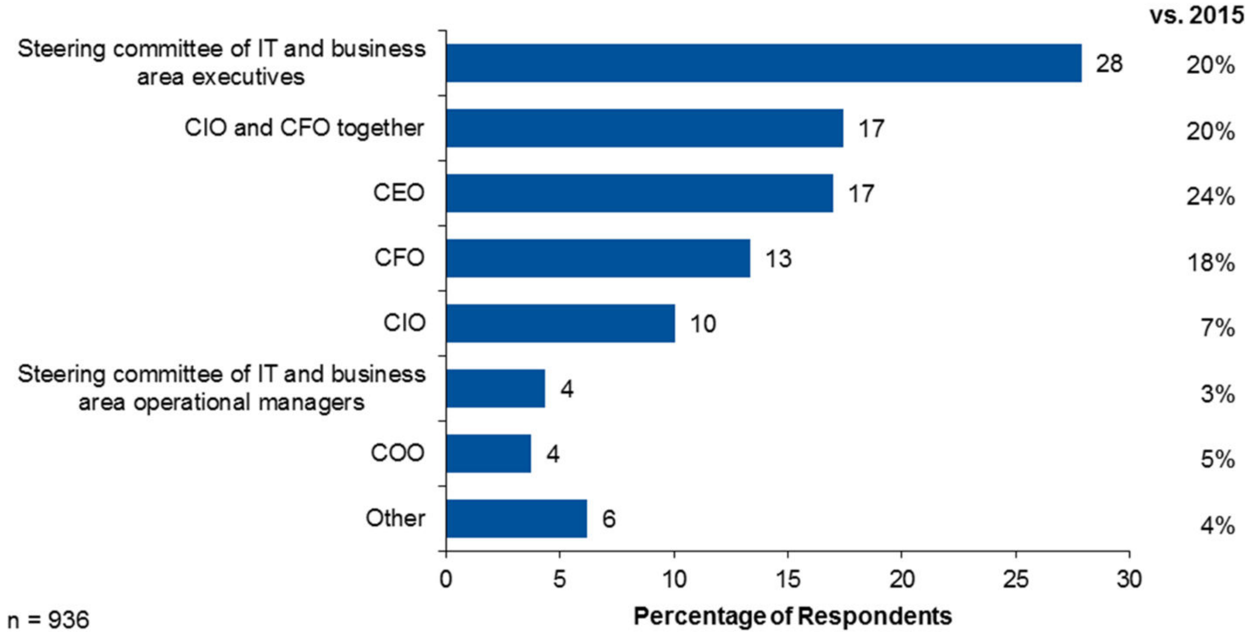
- Consider the cloud for new functionality. If your on-premises solutions have aged, and you want to improve specific areas, such as mobile expense reporting, cloud solutions may fill functional gaps.
- Consider a hybrid approach for specific functionality, departments or units when the incumbent on-premises solution is not cost-effective or is too complex to meet your business needs, and you want to improve usability.
- Analyze the cost structure associated with implementing a cloud approach to ERP and financial management solutions, and evaluate applications to ensure that a cloud solution can address the complexities of your business processes.
- Understand the different variants of cloud ERP (see "How to Select the Right Cloud ERP"), because a range of cloud-delivered options is available.
- Plan to meet the integration challenges of a hybrid cloud/on-premises ERP environment as users increasingly adopt cloud solutions for noncore processes, if you intend to keep core ERP systems on-premises (see "Address Integration for Hybrid Postmodern ERP and Business Application Scenarios").

CFOs Continue to Have a Major Influence on Technology, Though Many IT Decisions Are Shifting to Business Areas

Finding: The CFO's influence over IT is consistent. In large organizations, as expected, the influence is significantly less — IT decisions are more likely to be made jointly with the CIO. In large organizations, CIOs are less likely to report to the CFO. IT decisions, however, are becoming more collaborative at the C-level across organizations of all sizes.

Figure 17 shows responses from all survey respondents.

Figure 17. Role Authorizing Technology Decisions *What role or function in your organization authorizes technology investment decisions?*



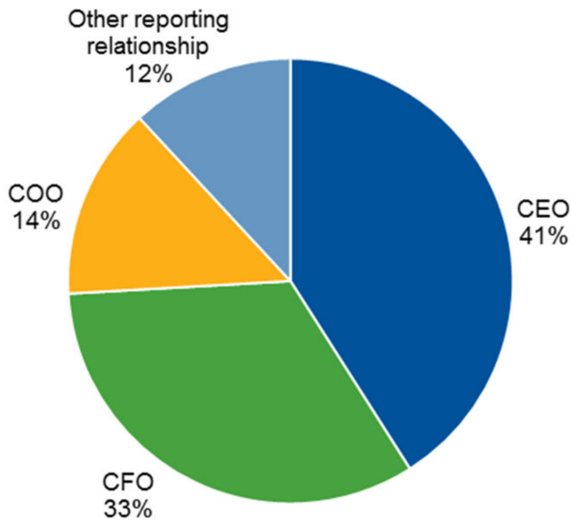
Source: Gartner (July 2016)

The following observations can be made:

- The 2015 results already leaned strongly toward IT roles, and some of the percentages for CFO influence have dropped since then.
- The steering committee approach, with executives for IT project authorization, has gained ground — a development also apparent from many of our interactions with Gartner clients.
- The CFO still has a significant role to play in deciding IT investment, both individually and as part of a group.
- Even with the addition of IT respondents, the CFO authorizes more investments than the CIO.

Figure 18 encompasses all respondents and shows that 33% of the surveyed IT organizations still report to the CFO.

Figure 18. CIO's Reporting Relationship *The reporting line of the CIO or IT director role varies considerably between companies. To which person does your CIO or IT director currently report?*



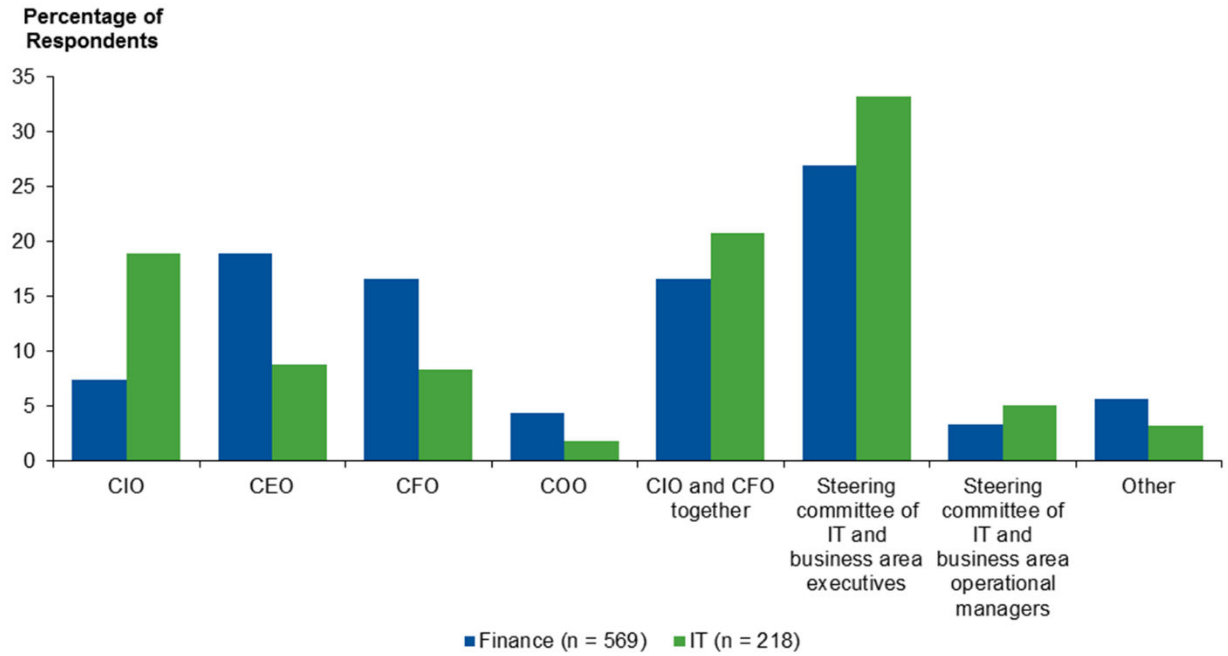
n = 942

Source: Gartner (July 2016)

Finding: Office of finance members think the CFO has more influence — and vice versa.

Figure 19 shows the results regarding influence over IT investments, by finance organization and IT organization.

Figure 19. Roles Authorizing Technology Investment Decisions, Split by Finance and IT Respondents *What role or function in your organization authorizes technology investment decisions?*



Source: Gartner (July 2016)

The CFO's influence over IT acquisition decisions demonstrates the need for companies to ensure that CFOs are educated in technology. It also underscores how critical it is that CIOs and CFOs have a common understanding of how to use 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 CFOs are not responsible for IT, they 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 should:

- Be proactive in making technology decisions for all finance applications, to ensure they have a financial system that supports the strategic objectives of their organizations.

CFOs and IT professionals should:

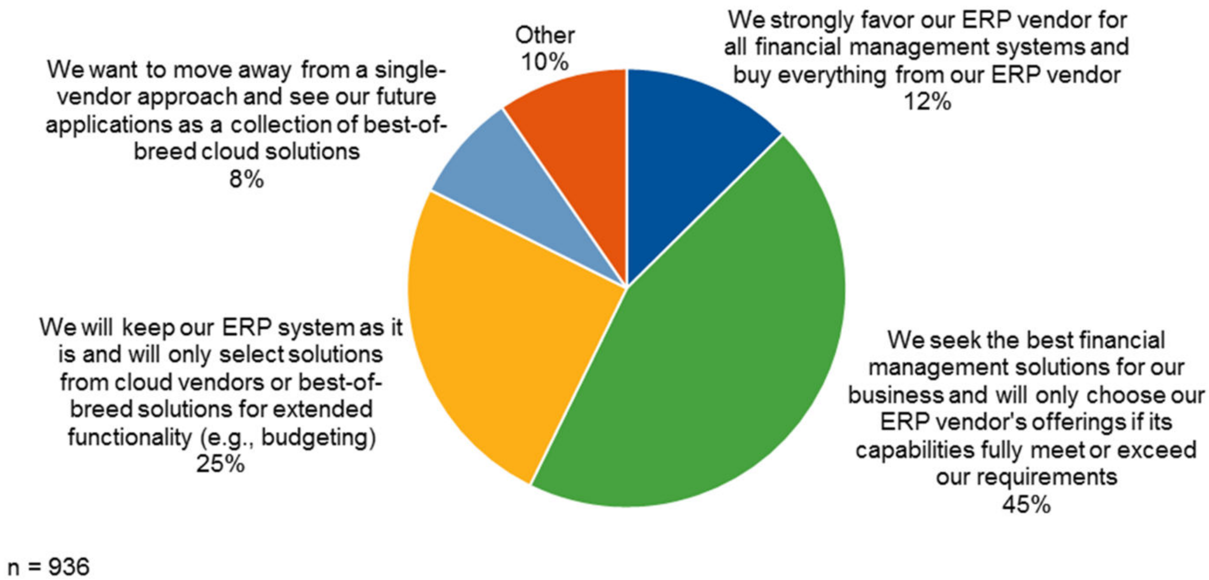
- Understand how the CFO should be involved, to ensure that their chosen investments in IT deliver the right benefits, based on the organization's goals and strategies.

Postmodern ERP Approaches Lead in the Selection of Financial Management Business Applications

Finding: Respondents' preference in relation to application selection is largely for a postmodern ERP approach, where the focus is shifting away from a monolithic, single-vendor approach. This finding is influenced by the nature of the survey sample, as many of the vendors surveyed for the Magic Quadrants were pursuing postmodern approaches.

The results shown in Figure 20 cover the whole base of respondents.

Figure 20. Financial Management System Strategy *What is your organization's financial management system strategy?*



Source: Gartner (July 2016)

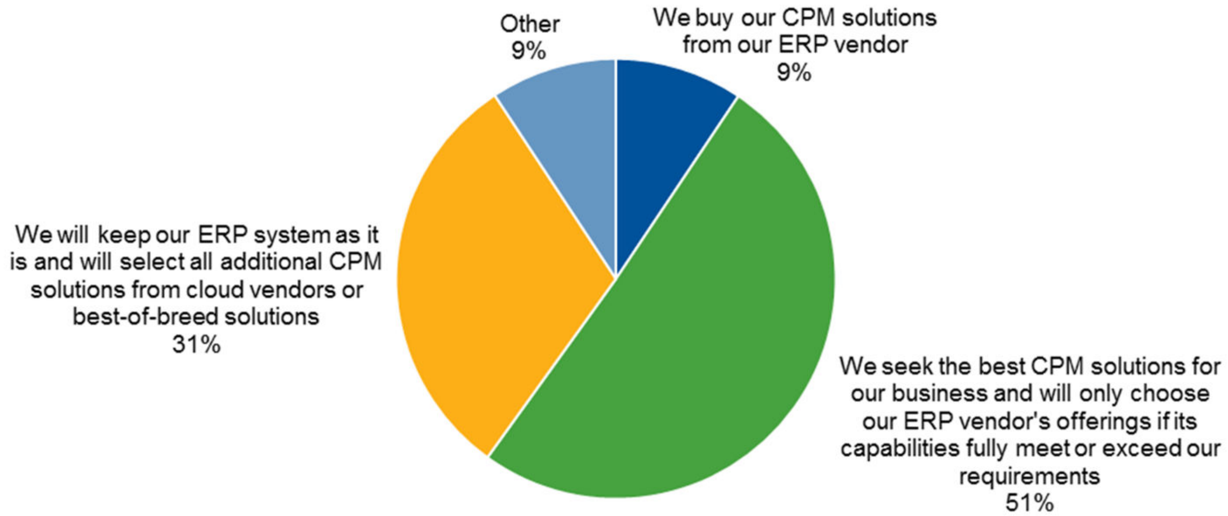
The following observations can be made:

- While only 13% favor their incumbent ERP vendor, 78% of organizations focus on the fit with their business requirements, rather than automatically selecting more functionality from their incumbent ERP suite vendor. Forty-five percent will ensure that their ERP vendor is on the selection list, but will only choose its solutions if they meet or exceed requirements.
- Thirty-three percent pursue a best-of-breed approach, with 8% wanting to move away from a single-vendor approach.
- The number strongly favoring their incumbent ERP vendor has dropped significantly in 2016 from 2015 (to 13% from 28%), which shows that organizations are rapidly shifting away from an on-premises, monolithic strategy. This is in line with Gartner's view of postmodern ERP

strategies identified in other surveys (see "Survey Analysis: Hybrid ERP Strategies Dominate, and CIOs Must Address the Impact").

Figure 21 shows the selection process for ERP and FCPM/SCPM solutions.

Figure 21. FCPM, SCPM and ERP Strategy *What is your organization's CPM and ERP strategy?*



n = 936

Source: Gartner (July 2016)

The following observations can be made:

- Only 9% of organizations will buy their FCPM/SCPM solutions from their ERP vendor. This is less than the 13% that only buy financial applications from their ERP vendor (as shown in Figure 20).
- Fifty-one percent of organizations will only select their ERP vendor's FCPM/SCPM solutions when they are superior.
- Thirty-one percent pursue a best-of-breed approach.

This year's survey results show organizations moving away from an automatic single-vendor, single-suite focus, to focus more on multivendor sourcing with increased adoption of cloud solutions. This will create new challenges for both IT executives and CFOs as they shift from old-style ERP strategies to a postmodern approach.

Recommendations:

CIOs should:

- Adopt different approaches to working with CFOs and senior executives as their strategies move away from a single-vendor focus (see "CIOs Must Flip Their ERP Leadership to a Postmodern ERP Mindset").

ERP application strategists should:

- Conduct a thorough assessment of the renovation needs of your current ERP solution. Be prepared to be an early adopter of IMC-enabled finance systems if you see potential business value and want to build a stronger ERP foundation for digital business transformation.
- Develop a postmodern ERP strategy that aligns with your organization's digital business strategy and underpinning technologies, such as IMC, IoT, big data and cloud integration technologies, as well as development strategies, such as bimodal IT.
- Define the postmodern ERP skills gap in your organization, with a focus on integration technologies, cloud technologies, IMC, and negotiating and managing cloud services (see "Adopt a Strategic Approach to Application Integration for Postmodern ERP and Business Applications" and "Postmodern ERP Adoption Is Changing the ERP Support Organization").

Methodology

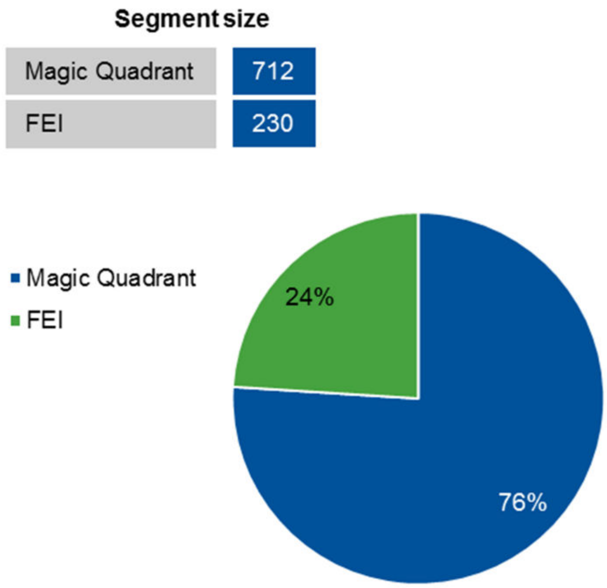
Gartner conducted online surveys of 942 respondents from October 2015 to March 2016. Of these respondents, 712 were sourced from Gartner's survey of reference customers, identified by 21 technology vendors, for the Magic Quadrants for FCPM and SCPM solutions. In collaboration with FEI, Gartner surveyed 230 financial executives.

The Gartner-FEI CFO Technology Study is in its 18th year, and 2016 is the eighth year in which Gartner executed the study and produced an analysis of the results. Online surveys were distributed to qualified financial executives who understood their organization's 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 comprised approximately 10 questions, over half of them repeated from 2015's survey.

Demographics

The survey invitation was sent out to senior financial executives in FEI and Gartner Magic Quadrant respondents. FEI provided 230 responses and the Gartner Magic Quadrant survey 712 (see Figure 22).

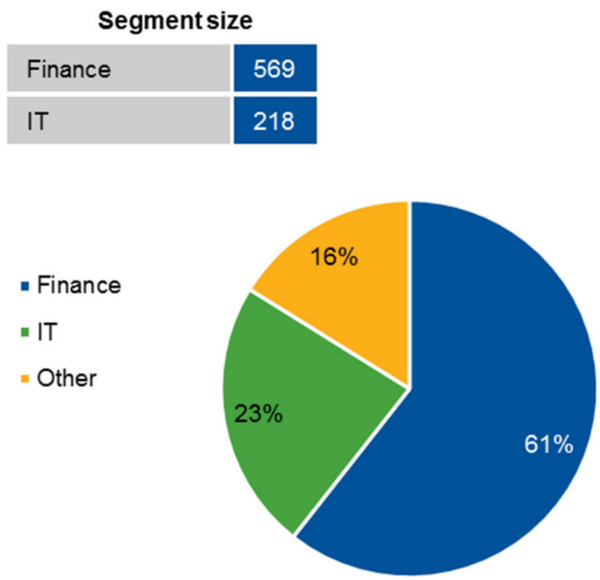
Figure 22. Respondents by Source



Source: Gartner (July 2016)

By role, 569 respondents were identified as being from a finance organization, 218 from an IT organization, with the rest representing more hybrid roles. The survey was 61% finance-sourced and 23% IT-sourced (see Figure 23).

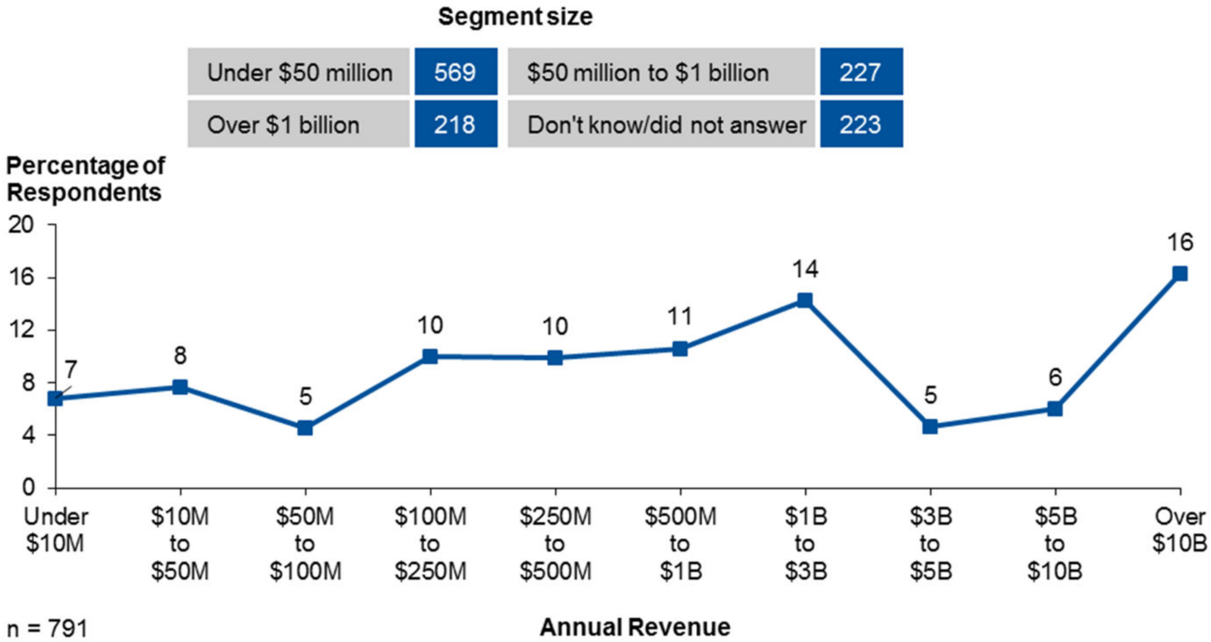
Figure 23. Respondents by Role



Source: Gartner (July 2016)

This year had a much larger representation of Tier 1 organizations (those with annual revenue of over $1 billion). Figure 24 shows the distribution. Of the respondents, 223 did not identify the size of their organization — they were mainly from public sector and privately held organizations.

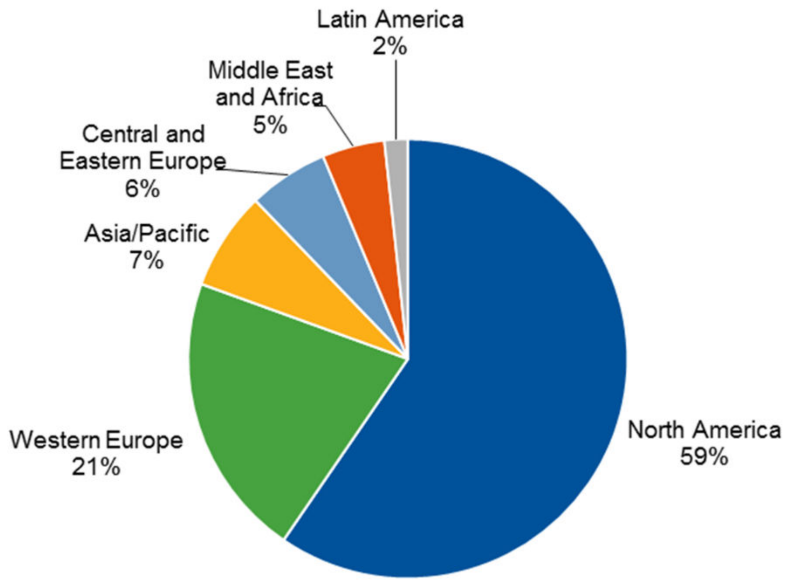
Figure 24. Respondents by Revenue Segment



Source: Gartner (July 2016)

Although almost 60% of the respondents were from North America (see Figure 25), this year's report is based on the most globally representative sample we have had during the eight years we have been producing these studies.

Figure 25. Respondents by Primary Geographic Location

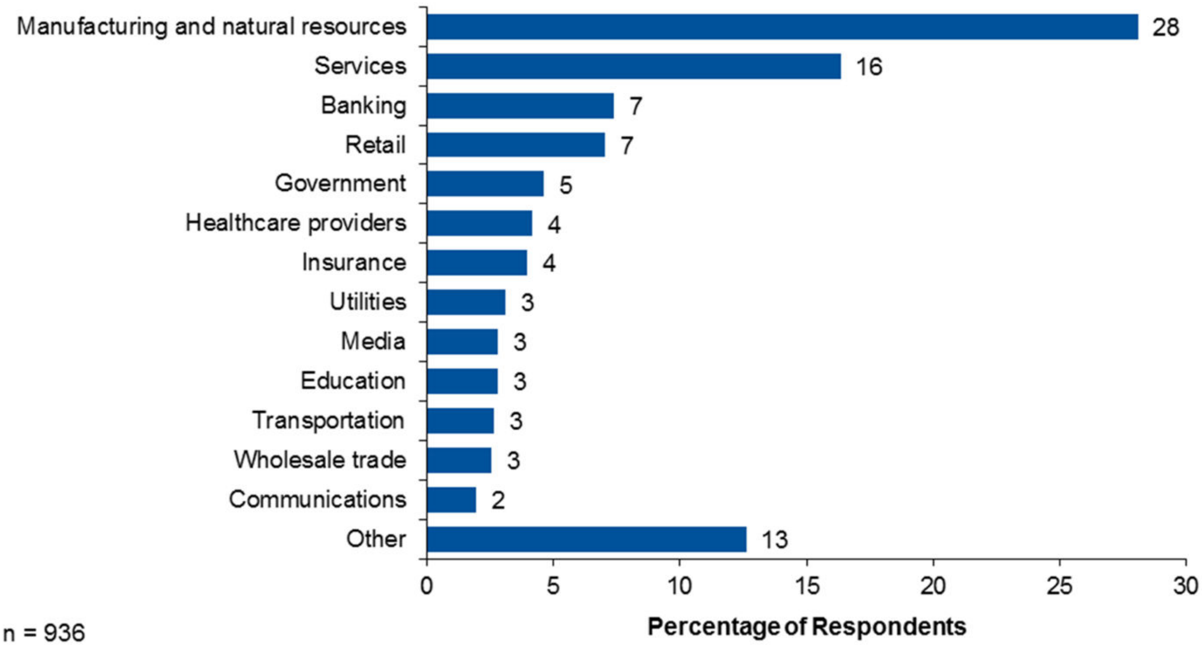


n = 935

Source: Gartner (July 2016)

Figure 26 shows the industry makeup of the respondents.

Figure 26. Respondents by Industry

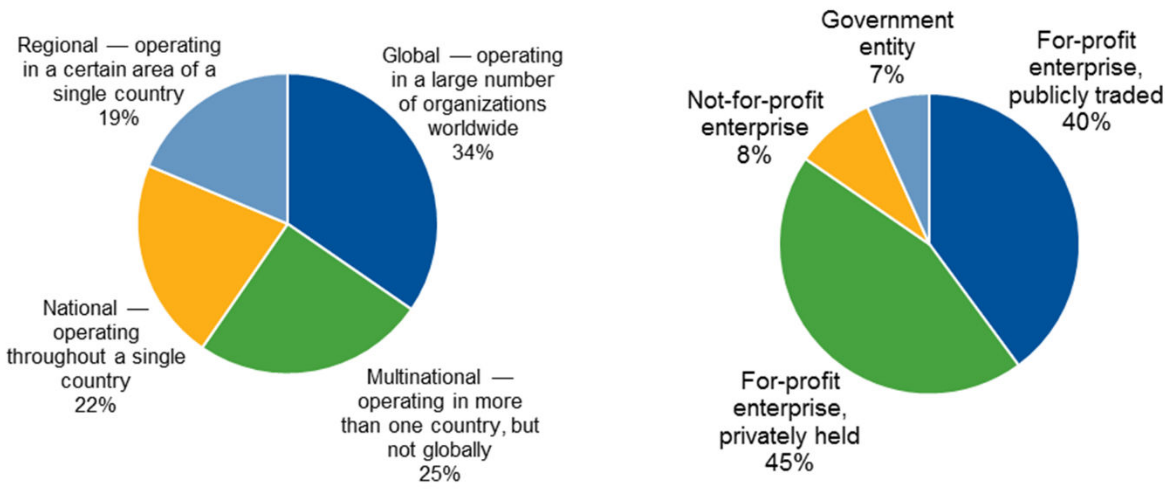


n = 936

Source: Gartner (July 2016)

Figure 27 profiles the respondents' organizations.

Figure 27. Respondents by Organization Profile



n = 936

Source: Gartner (July 2016)

Gartner Recommended Reading

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

"Magic Quadrant for Financial Corporate Performance Management Solutions"

"Magic Quadrant for Strategic Corporate Performance Management Solutions"

"The 2014 Gartner CEO and Senior Executive Survey: 'Risk-On' Attitudes Will Accelerate Digital Business"

"Finance IT Leaders Must Use Bimodal to Improve Performance Management"

"2015 Strategic Roadmap for Strategic Corporate Performance Management"

"Develop a Strategic Roadmap for Postmodern ERP in 2013 and Beyond"

"The Office of Finance Must Embrace New Planning Frameworks to Link Strategy and Execution"

"Market Guide for Specialty Corporate Planning Applications"

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

Evidence

The FEI study of CFOs' technology needs is in its 18th year, and 2016 is the eighth year in which Gartner has executed it and produced an analysis of the results. Gartner conducted 942 online surveys from October 2015 to March 2016. Of the respondents, 712 were from Gartner's survey of reference customers, identified by 21 vendors, for the Magic Quadrants for FCPM and SCPM solutions. FEI sourced 230 respondents. Online surveys were distributed to qualified financial executives who understood their organization's 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 comprised approximately 10 questions, over half of them repeated from 2015's survey.

GARTNER HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters
AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

For a complete list of worldwide locations,
visit http://www.gartner.com/technology/about.jsp