

IBM 2010 Global CFO Study: Sixty Percent of Finance Organizations Plan Significant Changes to Adapt to New Economic Demands

Findings Indicate Decision-Making Role of CFOs in the Boardroom More Important Than Ever; Point to Large Gap in Effectiveness

ARMONK, NY, March 2, 2010 – IBM (NYSE: IBM) today announced the findings of a major new study of over 1,900 Chief Financial Officers (CFOs) and senior finance executives from 81 countries and 35 industries worldwide, which reveals that more than 60 percent of CFOs plan major changes to respond to the new economic climate.

CFOs and senior finance executives believe the already intense pressure on three fronts -- reducing the enterprise cost base, making faster, more accurate decisions and providing more transparency to external stakeholders -- will increase dramatically over the next three years.

The IBM study is the largest sample of CFO sentiment during the worst economic downturn in decades. As part of the impetus for change, Study participants ranked “providing inputs into enterprise strategy” number one when asked what was most important. Surprisingly, cost reduction was not at the top of the CFO agenda. However, they also revealed a major gap in organizational effectiveness, as only 50 percent feel their Finance organizations are currently effective in providing the necessary business insight to support these broader enterprise priorities.

“Never before has the importance of strong Finance capabilities been highlighted more than during the recent global economic downturn,” said William Fuessler, global leader, financial management, IBM Global Business Services. “Our study shows that CFOs are expected to provide fact-based leadership and strategic decisions grounded in sophisticated analyses to help navigate the enterprise through these new economic waters.”

Since IBM’s first CFO study in 2003, CFOs have continually stated their aspirations to shift more focus to analysis and decision support, however few have made significant progress shifting the workload. Among Finance’s effectiveness gaps, the largest is in the area of driving integration of information. CFOs’ responses indicate this is a major enabler for practically every area of business insight, but, at the same time, show just how difficult this kind of integration is to accomplish.

One group of CFOs, dubbed “Value Integrators,” were found to consistently outperform their peers in all key financial metrics by driving two key qualities across their organization:

- Finance efficiency – The degree of common process and data standards-across the organization

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

“This study underscores the integral role CFOs and their respective finance organizations play as they help make their enterprises smarter in an era of increased uncertainty,” said Michael Conway, chief executive and national president, Financial Executives International Canada. “CFOs who excel in this role are putting business information to work as a strategic advantage and uncovering important enterprise-wide insights that are impossible to see within functional silos.”

These CFO Value Integrators have found a way to excel and navigate an uncertain economic climate. The study indicates that enforcing process and data standards, integrating information and applying business analytics are key capabilities that enable improved business insight and risk management.

In fact, when compared to their peers, their enterprises outperform on every financial measure assessed, including return on invested capital (ROIC), revenue growth and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

Since Value Integrators enjoy proportional representation across various dimensions of the data sample, their performance signals better practices and is not just a consequence of industry, geography or company size. Their Finance operations reflect a pervasive corporate philosophy that encourages integration across functions to make smarter decisions that lead to better overall performance.

Predictive Insight

Many CFOs feel their Finance organizations are more comfortable providing “tail lights” rather than “headlights.” With the appropriate analytical capabilities spanning process, technology and talent, results of the study indicate Finance can turn this wealth of financial and operational information into business insights, where decisions are no longer made on intuition, but are fact based.

Many respondents indicated that these capabilities can help Finance uncover correlations among seemingly unrelated pieces of information and find patterns nearly impossible to detect manually. In many ways, Finance’s persuasiveness as strategic advisor hinges on having superior business insight capabilities.

Businesses and governments need more advanced data analyses, scenario planning and even predictive capabilities to contend with rising complexity, uncertainty and volatility and, in certain regions, sustained lower growth.

Becoming a Value Integrator

The study findings indicate that CFOs are increasingly playing a significant role on strategic and operational matters to help the business make better decisions faster. Value Integrators, at their core, integrate both efficiency and insight. “Value” conveys Finance’s contribution to helping manage the Enterprise, while “Integrator” conveys the importance they place on standardizing and integrating information and processes, necessary enablers to partner effectively with the business.

Value Integrators are more than just information clearinghouses. Finance’s mission should be helping the company think as an overall business instead of individual areas. Not surprisingly, Value Integrators indicated that a top priority was attracting and retaining the right talent and developing people in Finance in support of these increased demands.

Value Integrators – more than any other group – are equipped to advise at an enterprise level. They are positioned to evaluate business opportunity and risk in an end-to-end context and recommend difficult trade-offs among units, markets and business functions.

About the Global CFO Study

The findings of this report are based upon a survey conducted in the spring and summer of 2009 by IBM Global Business Services’ Financial Management practice and the IBM Institute for Business Value (IBV). Over 1,900 Chief Financial Officers and senior Finance executives from 81 countries and 35 industries, including 100 Canadian CFOs, participated in structured interviews or online surveys designed to capture insights on how Finance professionals are affected by and deal with performance, risks, operational levers and governance. The majority of these interviews were conducted in person by IBM practitioners, with the remainder interviewed online. Participants represent organizations across a variety of industries, geographic locations and revenue size.

For access to the full study findings and case studies, please visit:

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