# TOP TECH ISSUES FOR FINANCIAL EXECUTIVES

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Microsoft Dynamics

## ACKNOWLEDGEMENTS

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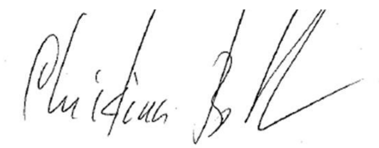

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# EXECUTIVE SUMMARY

The responsibility for the information technology (IT) function falls for the most part under the domain of the chief financial officer (CFO) in most companies across the country, according to this new research study by the Canadian Financial Executives Research Foundation (CFERF).

But the data also shows that a series of issues, such as legacy IT systems inherited from recently acquired or merged companies, or changes in reporting rules and regulations, generate a level of complexity that creates added challenges for financial executives faced with a variety of priorities.

In fact, some financial executives who participated in the research, sponsored by Microsoft Canada, report difficulty juggling a series of competing IT priorities, especially in a fast-growing environment.

These and other concerns were addressed in an online survey of financial executives conducted in June, 2011. A majority of respondents were CFOs (57%) and more than half worked for private companies. One quarter worked for public entities. The results were expanded with comments gathered during discussions at an Executive Research Forum, which took place on February 28, 2012.

Other issues raised include:

- **Managing and staying on top of system upgrades:** Competing priorities, such as IFRS, tax compliance and regulatory issues serve as a barrier to IT upgrades for 31% of respondents. Meanwhile, one in five said that affordability was stopping their organizations from upgrading their systems right now. Some executives complained that incremental changes were not worth the work and cost of doing upgrades, noting an upgrade to one system creates a domino effect with others.

- **Planning and budgeting for the IT function:** Companies were fairly evenly divided between those with formal plans in place with regards to their IT spending, and those with informal plans. About the same number reported there was an informal plan within the overall strategic plan, and three in 10 said that planning was done for specific projects and on a case by case basis. Seven per cent of survey respondents said their firm did not have any IT plan.

- **IT is a significant expenditure for many companies:** When looked at from the perspective of the percentage of capital spending, IT can represent a relatively small spend (5% or less) or a large spend (20-25% of the overall annual capital budget), depending on the company. Companies with higher revenues ($10 billion or greater) reported they spent 15-25% of their capital budget on IT, whereas companies in the smallest revenue category ($250 million or less) were most likely to spend less than 15% of their capital budget on IT.

- **Determing ROI:** The vast majority of companies (80%) do not formally track the return on their IT investments. Many respondents said it would be too difficult or too costly to track and measure the return of IT spending as much of the return is indirect.

- **Decision making:** 43% of respondents said they did not have a management reporting dashboard.

- **Evaluating cloud computing:** A significant number (43%) of respondents said they were not pursuing cloud computing. Of these respondents, the greatest number cited risk or security concerns (42%); while 29% said their organization was too small to create a cloud computing system.

- **Social media:** 30% of respondents said they are either very concerned or extremely concerned with security issues surrounding the use of social media. Of great concern was reputational risk, identity management and data security risks: a perceived lack of control over online content. Some executives were not aware of how to leverage social media

It's clear that many financial executives are working hard to supervise an IT function for which they are responsible, but do not completely understand. Many executives stated they rely on IT professionals for assistance in managing the challenges, but pointed out it takes a certain level of expertise even to determine which staff person or consultant to hire. As one survey participant aptly observed, managing and understanding the IT function well requires the allocation and commitment of a certain amount of time on the part of the financial executive, perhaps more than expected.

## RESEARCH METHODOLOGY AND DEMOGRAPHICS

An online survey of financial executives was conducted during the month of June, 2011, and was completed by 129 respondents. The majority of respondents were CFOs (57%), followed by VP Finance (18%), Controller (7%) and Owner/Founder (3%). The remainder held other titles.

More than half of the survey respondents worked for private companies, while nearly one-quarter worked for public companies. The rest were employed at not-for-profit organizations, government and and other organizations including Crown corporations. For more demographic information, see Appendix A.

The results of the survey were illuminated with comments gathered during discussions at an Executive Research Forum, which took place on February 28, 2012.

"As a CFO, I'm responsible for IT, but I'm not an IT expert. So when it comes to things that keep me up at night, I'm pretty sure the numbers and the balance sheet have been correctly accrued, but I worry about the risk I'll come in one morning and the system just won't be working. And what am I going to do? I'm going to pick up the phone and call someone who works for me, who I'm accountable for, who I hope can fix the problem. So there's more of an unknown for CFOs who manage the IT function than there is for any other function I manage."

**– Forum participant**

## LEADERSHIP IN IT

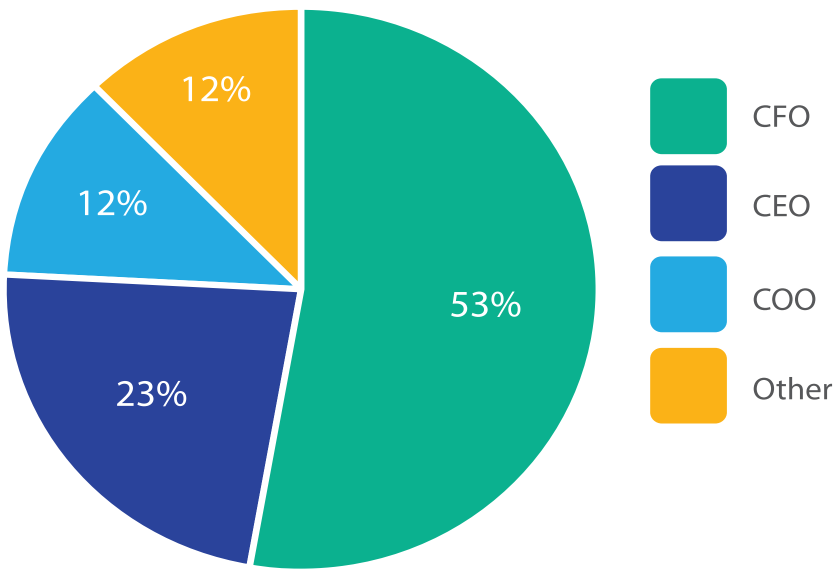
Most respondents said the responsibility for IT falls under the domain of the finance executive, with 53% stating their company IT department reports to the CFO. More than half of respondents said they bore the majority of the responsibility for IT.

Bearing this responsibility is a challenge for CFOs who are not experts in the area. It presents a level of complexity that may overwhelm the CFO. This is especially true in a rapid growth context or if a company has IT challenges such as overseeing M&As where companies have different legacy systems. For instance, some legacy systems could be outdated or feature incompatible software. Some CFOs also reported having difficulty with juggling competing IT priorities.

"I do have a background in IT. I started as a programmer, but at times it doesn't help in terms of the constant change management. You've got new information coming at you every 24 hours. The pace of change in each part of our IT infrastructure is just speeding up. . . . And then you're trying to manage the change between two systems, because they aren't necessarily built to completely work together seamlessly. So our difficulty is having the right people on the team or finding consultants, and then managing that change. At the same time, our business is growing 15-20% a year. So how do we provide more service and more analysis of what's going on in the business, to help people manage the business better?"

**Robert Murray – CFO, Cosmetica Laboratories Inc.**

## CHART 1 – TO WHOM DOES THE IT DEPARTMENT REPORT?




In some cases, however, the IT function does not report to the CFO. "In our company, the IT function reports directly to the CIO, who reports to the company's CEO," says Brian Hinton, Former CFO of G4S Secure Solutions (Canada) Ltd. "We coordinate our efforts via the Americas region, so the CIO (Chief Information Officer) has control over delivering the strategic vision and the tactical implementation, but that's all part of a cohesive North American vision."

**The life of a CFO: A queue of IT challenges**

IT is just a queue of challenges, which we continually prioritize. There's never a dull moment. We have gone through a Microsoft Dynamics NAV upgrade, moving forward several generations with the transition. I was the person handing out happy faces and patting people on the back for their efforts. An upgrade similar to what McAsphalt undertook is challenging for employees, as everyone responds differently to change.

Our priority now is reporting. A lot of people don't use reporting properly because they might not see the benefit. We're trying to tailor reporting with dashboards to allow employees to manage the business unit they're responsible for in the most efficient manner. Dashboards have to be relevant to make a difference, so we participate in helping each user develop the metrics they plan to use.

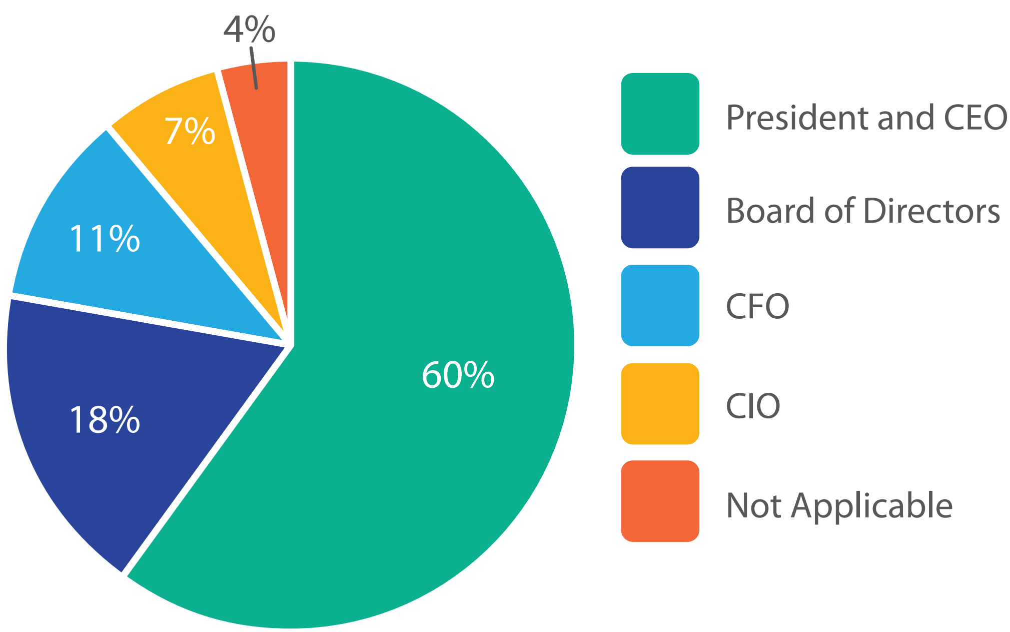
The biggest concern I have is security. We're going to have a 3rd party specialist come in and ethically try to hack our systems this year. You can get a feeling of complacency regarding security, thinking that nobody can compromise your system. I'd like to get somebody to come and confirm if our assumptions are correct. If there's something we can learn from the process, then we will implement those security measures. If not, then we can go back to sleeping well at night.

I am, at the end of the day, signing off on every significant change that goes on in the ERP system, so I have to understand it. As CFO, I am responsible for the integrity of information coming out of our ERP system, so my philosophy is to understand the system well enough to draw my own conclusions as to its' soundness. We, as CFO's, have to spread our time and effort over a number of areas of responsibility. I personally find the IT realm to be a nice challenge.

**Craig Smith – CFO, McAsphalt Industries Limited**

Companies were fairly evenly divided between those with formal plans in place with regards to their IT spending, and those with informal plans. Only one in three survey respondents indicated that their company had a formal IT spending plan in place, with about the same number reporting there was an informal plan within the overall strategic plan, and slightly fewer (29%) saying that planning was done for specific projects and on a case by case basis. 7% said their firm did not have any IT plan.

### CHART 2 – WHO APPROVES YOUR IT STRATEGIC PLAN?




The study shows that IT expenditures are approved at the C-suite level, with 60% of respondents indicating that the IT strategic plan is approved by the president and CEO of the company, while 18% said the plan is given the thumbs up by the board of directors. The CFO approves the IT strategic plan at companies employing 11% of respondents, while the CIO does so at organizations employing 7% of the survey respondents (the question was not applicable to 4%).

One CFO at a quickly growing company said it's difficult to plan well ahead on IT issues when his company is rapidly expanding. "One of the IT challenge we have is managing growth," said John Black, CFO of Protenergy Natural Foods. "Business is growing so quickly, which is a great problem to have financially, but we have difficulty managing the business with our existing systems. So we're going to a NAV system corporate wide which is a big undertaking. So integration is a big issue for me right now."

"We have a strategic plan for the IT function, which is integrated as part of the overall strategic plan. We refresh it every two years."

**Brian Hinton – Former CFO, G4S Secure Solutions (Canada) Ltd.**

The survey shows that IT represents a significant expenditure for many companies. When looked at from the perspective of the percentage of capital spending, IT can represent a relatively small spend (5% or less) or a large spend (20-25% of the overall annual capital budget), depending on the company. Companies with higher revenues ($10 billion or greater) reported they spent 15-25% of their capital on IT, whereas companies in the smallest revenue category ($250 million or less) were most likely to spend less than 15% of their capital budget on IT.

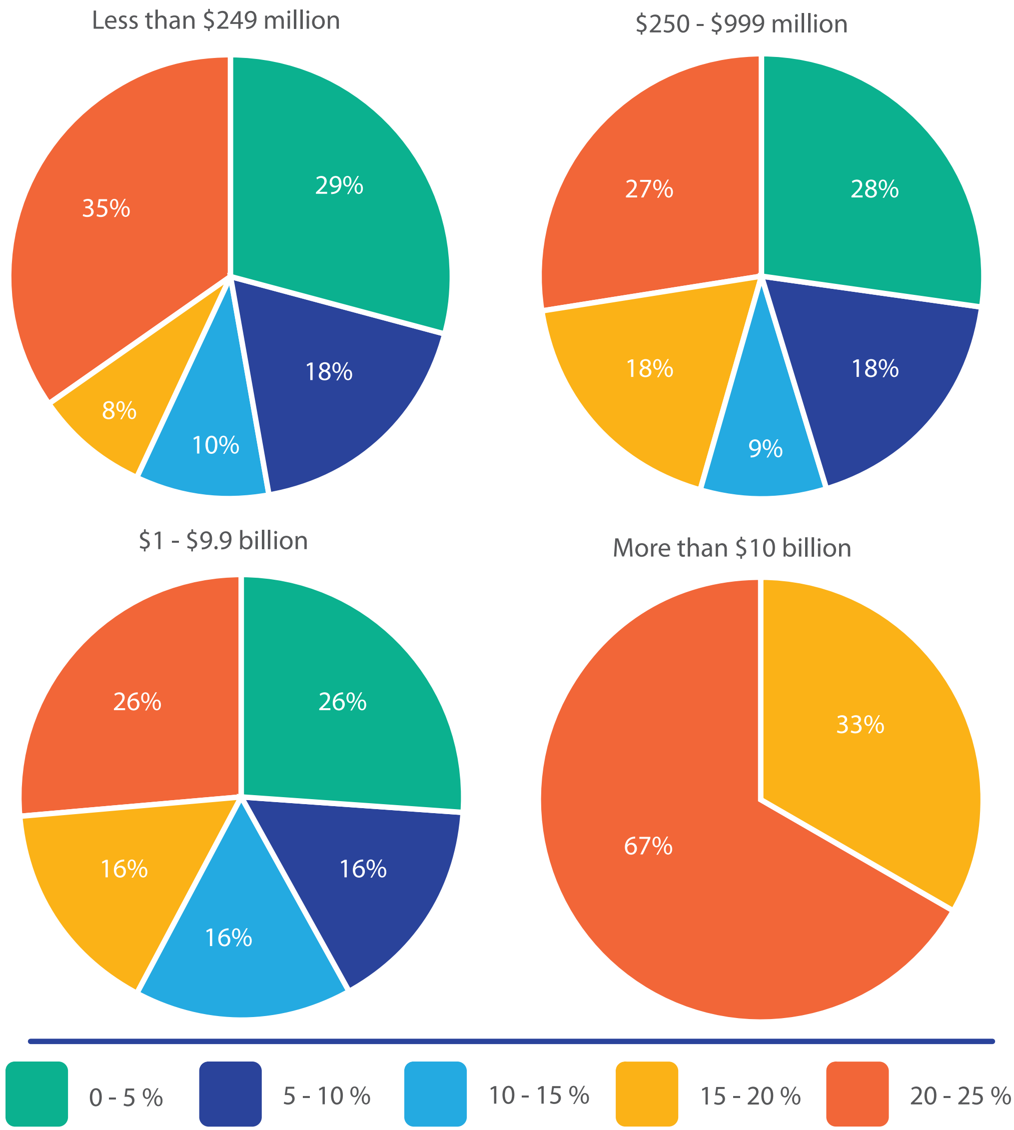
"The user can really feel it is IT's responsibility to identify and drive value, whereas the IT department says: 'It's up to the users to do their own research, figure out what is it that needs to be done, find a solution and come back to us'."

**Ajay Rao – Controller, Conros Corporation**

"Our IT strategic plan is informal. I know what the challenges are that are coming for our department, although it is a constantly changing and moving target. A formal strategic plan is likely overdue at this point and will likely take form over the course of the year. My IT manager is strong enough to co-develop and carry forward a strategic plan and very capable help me make sure that we achieve it."

**Craig Smith – CFO, McAsphalt Industries Ltd.**

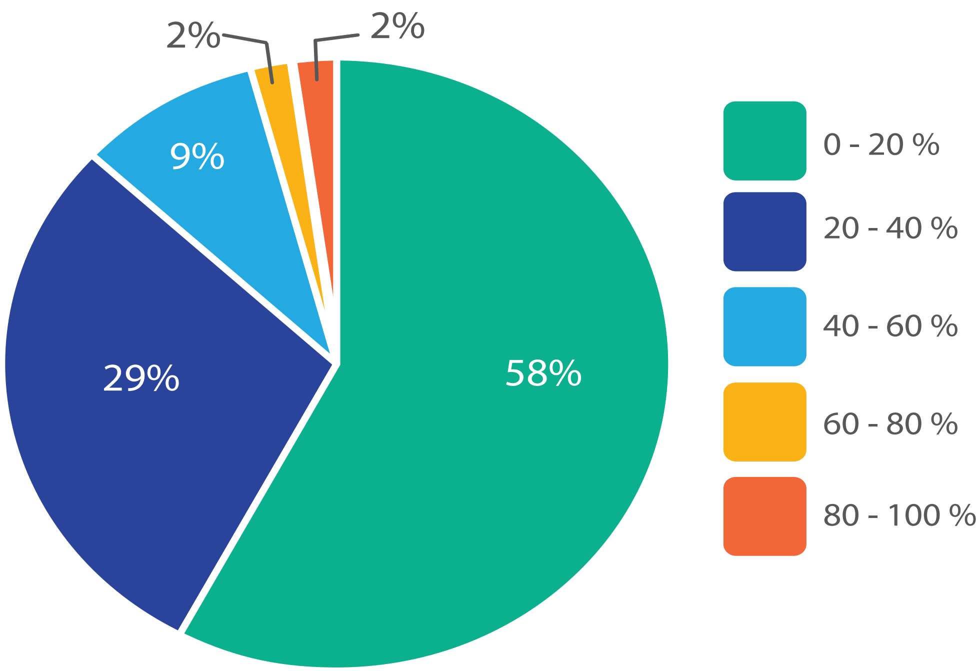
## CHART 3– WHAT IS YOUR IT BUDGET RELATIVE TO THE OVERALL ANNUAL CAPITAL BUDGET? (BY ANNUAL REVENUE)



## SPENDING

Most survey respondents (58%) say they spend less than 20% of their IT budget on decision support tools and other business analytics tools, while 29% said they spend 20-40% of the budget on such features (see Chart 4).

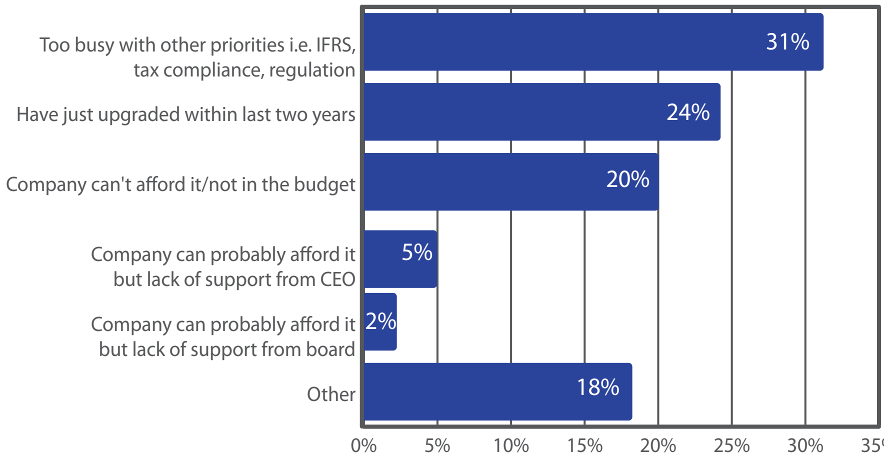
### CHART 4 – TO WHAT EXTENT IS YOUR ORGANIZATION INVESTING IN DECISION SUPPORT AND OTHER BUSINESS ANALYSIS TOOLS? (% OF IT BUDGET)?




When asked what reasons would trigger an upgrade of an IT system, six in 10 respondents said their organizations would benefit from greater functionality. Less than one-third said their organization would benefit from a newer version. A small number said a merger or acquisition could spark an IT upgrade.

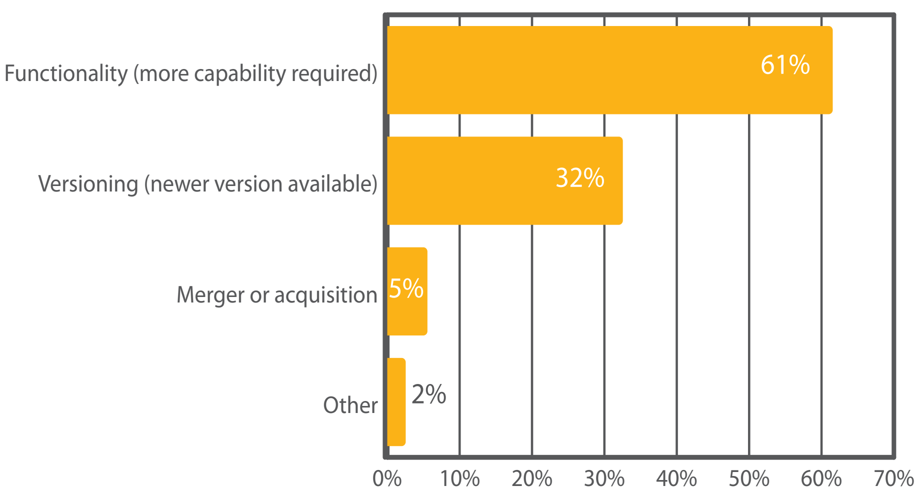
Other competing priorities, for instance transitioning to IFRS, tax compliance and other regulatory issues, serve as a barrier to IT upgrades for 31% of respondents. One in four said they had recently upgraded (within the last two years), and one in five

## CHART 5 – WHAT OBSTACLES ARE THERE TO IMPROVING OR UPGRADING YOUR IT SYSTEM?




said their organization could not afford to upgrade their systems right now. A small number (5%) indicated their company could afford it, but that such an expenditure had not been budgeted for. Other respondents said they had difficulty clarifying their priorities or what was needed. Some executives complained that incremental changes were not worth the work and cost of upgrades. They noted an upgrade to one system creates a domino effect with others.

## CHART 6 – WHAT WOULD BE THE PRIMARY REASON TO UPGRADE YOUR IT SYSTEM?



CFOs like to focus on keeping costs of transactions down, consultant Bob Angel says, and they do need to have low costs of transactions. But, it's also important to keep the customers' needs in sharp focus: "I see in my work with the end users and with the IT department. that generally financial executives have a long history of neglecting the business side as they concentrate on driving down costs," Angel says. "And that's particularly true of CRM (customer relationship management). CFOs tend to focus on their own needs but forget that this too often leads to neglecting customers. I see the end users now starting to turn their attention back to that."

"How do you evaluate these proposals, the promises and the commitments that accompany various proposals. Part of the decision making process is that you are responsible for it, but there's only so much you understand. At the back of our mind you really know that there is a big gap there that you're not really certain about. But at the same time, a decision needs to be made. So what process do you employ?"

**Ajay Rao – Controller, Conros Corporation**

"I don't necessarily look at investment in IT as percentage of revenue or percentage of capital budget. It's more about the goals we would like to accomplish. We have to invest every year to keep improving the system so it doesn't become irrelevant. We even incorporate other tools such as health and safety, non-conformances and product test results into our ERP system so that employees don't have to use any other programs to execute within their job function."

**Craig Smith – CFO, McAsphalt Industries Ltd.**

"Our IT budget would be probably less than 10% of our total capital budget, but we have significantly underinvested relative to the growth. So we have to catch up quickly and will probably invest a lot in the next couple of years, including hiring more and better people."

**– Forum participant**

"We have two challenges in our business. One is just staffing the IT function, because we probably need ten people, but only have four. So you've got to find four people that can do the work and have the knowledge of the ten that we need. And that can be pretty challenging."

**Robert Murray – CFO, Cosmetica Laboratories Inc.**

## DETERMINING VALUE

The vast majority of companies (80%) do not formally track the return on their IT investments, while only 20% do. Companies said it was due to a lack of resources or knowledge, or was not considered a priority. One respondent said his company did an IRR calculation in lieu of an ROI analysis.

"We have difficulty determining an accurate ROI. Focus placed on benchmarking to peers and overall value of IT spend in supporting business objectives. As we are a small IT group, the time required to produce and monitor formal ROI metrics is not justifiable."
**– Survey respondent**

"We do very little tracking of investments – poor answer but the truth."
**– Survey respondent**

"We have a formal ROI measure and post-implementation review. Prior to this point, the immature stage of IT within the business just required a wholesale upgrade to current technology so the philosophy had been more of 'just get it done'."
**– Survey respondent**

Many of those who do track ROI on IT spending said they use spreadsheets or a business case analysis tool such as Time Tracker. One respondent stated that spreedsheets were used to determine realized savings or benefits over the company's capital spend compared with projected benefits. This was performed as part of a post-implementation review process, but not as an ongoing measurement. Another respondent said the organization hired an outside consultant to review the IT spend.

"The real value is in making better decisions. So what we need is lots of data and good analytics that help us to understand what the data means. The volume of data is growing quickly. This is why there is such a push for dashboards, so the user can actually analyze and make a decision that adds value. This is why we include speedometers in our cars – so that we can make quick decisions that are accurate and allow us to improve. It's the same thing in IT. We also then need to drill down to understand why. Our organizations are larger and more complex now which means we need better analytics. Sometimes because of volume, we ignore things. By not making decisions, we're still making a decision. If we don't cope well and we can't break down that information using analytics, we miss things and we end up not making decisions we should have made."

**Tim Spielman – Academic Chair, SAIT Polytechnic**

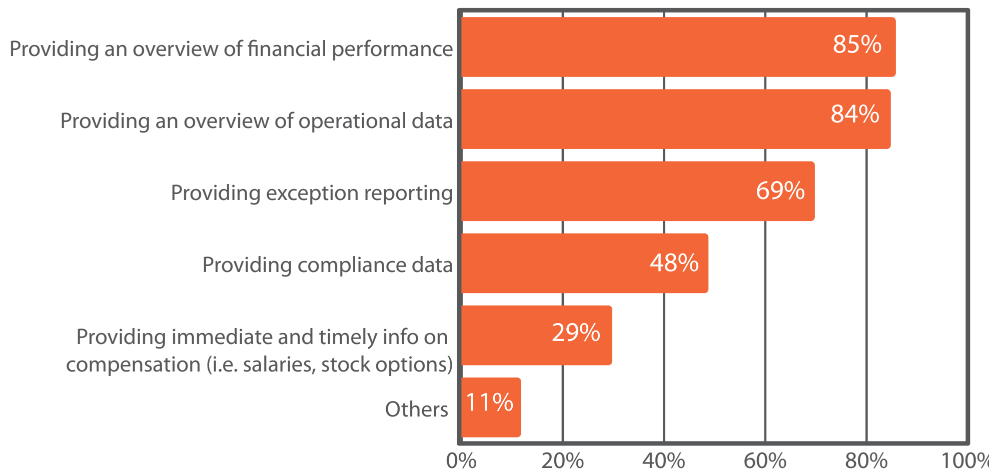
"I worked with a bank on an IT project where one of the first steps was to build a business case and get the finance function involved. It was painful because the finance department was not comfortable about the forward-looking numbers in the business case. I'm not trying to tar everybody with the same brush, but I think the tendency of some CFOs still is to concentrate on the recording of what's happened and reporting of it, and less on the evaluation of the future value being generated by business and by new projects."

**Bob Angel – President, The Gilford Group**

# GOVERNANCE AND CONTROL

IT's usefulness in supporting good governance was assessed as part of the survey. The ability to provide an overview of financial performance was the most commonly cited benefit of having an appropriate information system, as noted by 85% of the survey respondents, followed closely by providing an overview of operational data (84%). Other useful aspects of information systems cited by survey respondents include the ability to flag budget variances, data mining and analytics, redundancy, providing workflow and document management tools, as well as communication with field operations.

## CHART 7 – HOW CAN YOUR IT SYSTEM HELP SUPPORT GOOD GOVERNANCE?



"I look at it from two perspectives. As a CFO, you're looking for the cost savings. The other is what possibilities open up with the technology you could adopt? That's the one a lot of people fail to look at. They go into the bottom line analysis, as opposed to saying by doing this we'll actually open up other opportunities, which can lead to new revenue numbers."

**John Black – CFO, Protenergy Foods**

"One company I'm involved with is very acquisition oriented, and is faced with the task of integration, which often takes longer than planned. I have noticed competition for IT resources between finance, which traditionally has controlled IT and operations/manufacturing, where there are currently additional opportunities for increased IT use to create efficiencies, generate cost savings and improve customer service. The question is raised as to the best way to allocate the IT resource effectively. Thus in addition to cost, integration, allocation of resources and implementation issues are challenges that I have seen in the IT world of an acquisition minded organization."

**Victor Wells – Corporate director and Chair of CFERF**

# REPORTING TOOLS AND PROGRAMS

## DASHBOARDS: RELIABILITY AND CUSTOMIZATION

Survey respondents were asked how often they used a management reporting dashboard, and 43% said they simply did not have access to such a tool. 25% said they used a dashboard at least monthly, while 15% said they used it weekly. Five per cent indicated they used the dashboard quarterly, and 3% less frequently than quarterly. This may be due to the high number of small and medium sized companies that responded to the survey; 55% of respondents had revenues of less than $250 million.

Those who used dashboards weekly said they did so to keep track of sales, cash flow, inventory, accounts receivable, bookings and timesheets. One respondent said frequent dashboard checks offered good information to understand how operations are performing, while another said key indicators give a good sense of how a month is shaping up, providing good or bad news in a timely manner – thus still allowing time for actions to be taken.

Monthly users mentioned similar reasons, including monthly financial and operational reporting; comparing actual to budget and year over year comparisons.

Less frequent dashboard users, such as quarterly users, had another perspective. One respondent said the dashboard was used quarterly to prepare for senior management team meetings. A very infrequent user said direct management requires more depth than what a dashboard provided; another complained real time data can be inaccurate.

Those without dashboards gave a range of reasons for not having them. Several respondents stated that dashboards were coming or in development. Others said their current system is simply outdated and investments have not been made in technology which would support a management reporting dashboard. One survey respondent complained of poor leadership in this area, and one other respondent stated that standard financial reports prepared on a monthly basis are sufficient to track operational and financial progress.

"We have to tell people: a dashboard will make your life easier. Don't just use the 'canned' reports that come along with the ERP system. Get the really key information. For example, our lab and research group need to see material consumption usage to evaluate trends and address formula changes, if necessary. In Marketing, if a key customer didn't pick up product from us last week, it might be a sign that they're going to a competitor. The Marketing group needs to have that awareness. Properly developed dashboards will give us that information. If someone is satisfied with an ERP system that simply pays the bills and collects the money, I think they're missing the true potential of that ERP system."

**Craig Smith – CFO, McAsphalt Industries Ltd.**

## PAIN POINTS

Consolidating information from multiple sources was the most frequently cited "pain point" by respondents. When responses were averaged, respondents ranked these "pain points" as follows:

**Rank order your biggest pain points when it comes to getting internal reporting from your ERP system. Rank from 1 for most painful, and 7 for least painful.**

1. Consolidating information from multiple sources
2. User friendliness of reporting tools
3. Time to make changes to existing reports
4. Ability to personalize existing reports
5. Age of the information once reports are available
6. Security – ensuring only the right people have access to sensitive information

When respondents were asked to rate the actual effectiveness of their dashboard, they ranked it highest (on a scale of 1 to 5) for quality of information produced (3), reliability (3), adaptability (2.5) and finally ease of being configured (2).

"The user doesn't want to be frustrated by an ERP system. They expect efficiency, almost no downtime, processing speed and reliability. That has to be our service goal. We're not going to have the money to invest in IT that a bank does, but we do have to make it as pleasant a system to work with as we can."

**Craig Smith – CFO, McAsphalt Industries Ltd.**

## PROGRAMS USED

The most popular program is Microsoft Excel, used by 76% of respondents. Second was SQL server reporting (38%), followed by custom built applications (28%), business intelligence tools (e.g. ProClarity) and built in dashboards (20%). 13% mentioned other programs including Crystal Reports and Business Objects.

# CLOUD COMPUTING

A majority of companies are pursuing cloud computing: 12% have already implemented it; 27% are investigating implementation and 18% have marked it in the IT plan. A significant number (43%) of respondents said they were not pursuing cloud computing. Of these respondents, the greatest number cited risk or security concerns (42%); while 29% of them said their organization was too small to adopt cloud computing. 18% said they did not know what cloud computing was, while 7% cited other reasons.

Of those respondents who planned to adopt cloud computing, the greatest number expected to do so after two years or more (30%), while nearly the same number planned to do so within two years (27%). One in five was planning to implement in the near future (six to 12 months) or 12-18 months (16%). A small percentage was planning to adopt cloud computing in the next six months (7%).

According to Ajay Rao, controller at Conros Corporation, cloud computing offers up to date versions, with the latest technology. In addition, said Rao, cloud computing offers the flexibility of scaling up and down along with staff numbers. "So cost is an extremely important issue and I think you don't have to have a big budget for it because it becomes a lease type of expense, and that will apply both to the hardware and the software," Rao said. On the downside, Rao admitted the company has experienced service interruptions since adopting cloud computing. The company is more concerned about service continuity than external threats such as hacking, he said.

One forum participant expressed concern about security in the instance that an external cloud provider may reach capacity and may have to retain the services of another cloud provider for help with data storage or data processing.

"The pace of change makes the management in this particular function pretty difficult. The transition to the cloud is actually the right solution, because it's making IT a utility. It is the only way that this will drive down our cost per transaction. We have to understand that providing IT through the cloud really is a complex feature with a lot of different types of data and a lot of different IT issues associated with it. I don't think we can outsource the management and the risk side of this, and the average company certainly does not have the resources to do this effectively. And so management in effect outsource this function, even though they may not view it that way."

**Tim Spielman – Academic Chair, SAIT Polytechnic**

"I'm at the early stages of looking at a cloud. I understand cloud from the perspective of outsourcing. It's not our core competency to be experts in IT. I've been in the situation before where you get three or four versions behind, and then you have trouble catching up. So those are the kinds of things that I see cloud as bringing to me. I'm looking at it from the ability to outsource something that I'm not an expert at, provided it has controls. ... You can always outsource the function but you can't outsource the risk. Cloud computing can almost provide cost certainty, which you don't have in your existing IT."

**– Forum participant**

# SOCIAL MEDIA

Half of respondents surveyed reported their organization had developed a plan (or already implemented one) for the use of social media. For those who had not, most said it was not a priority. One in four cited a lack of resources, while others cited security and productivity concerns.

"Social media is about connection with your customers or the people who are invested in your brand, even if they're not actually purchasing at the time. So it's taking a pulse of the environment. And so that typically ties closer to marketing than it does to finance. You don't often see groups of people talking in a social setting about financial statements. They're talking about the brand, the latest news story."

**Tim Spielman – Academic Chair, SAIT Polytechnic**

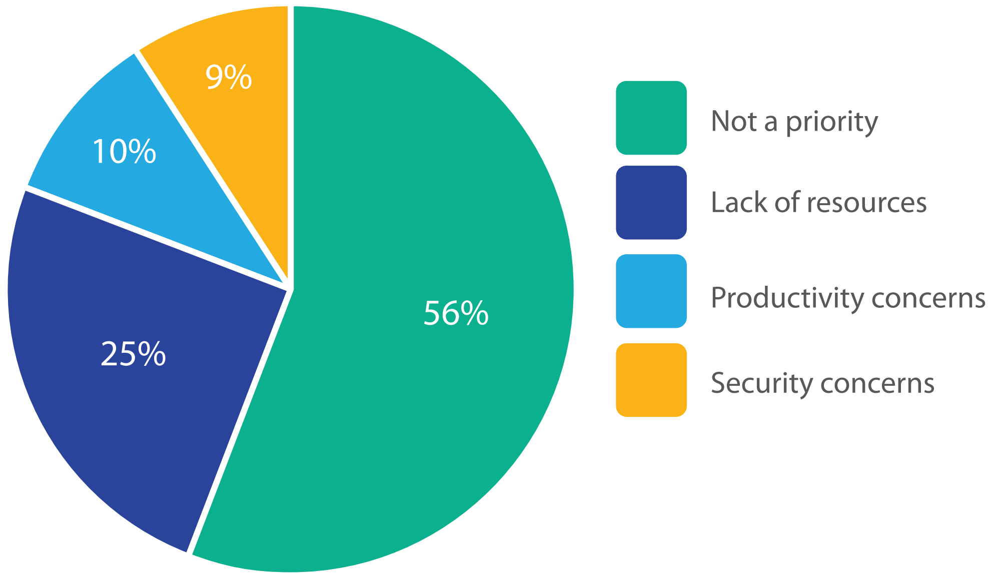
Of all respondents, 30% said they are either very concerned or extremely concerned with security issues surrounding the use of social media, while 64% said they were a little bit concerned or somewhat concerned. Only 5% said they were not at all concerned.

Many financial executives were very concerned that the adoption of social media initiatives would reduce employee productivity in other areas. One respondent stated that he feared social media would affect "employees' ability to focus on deliverables and productivity". He stated that: "Social media can distract one's focus very quickly and is somewhat addictive."

Of perhaps even greater concern, however, was reputational risk, identity management and data security risks: a perceived lack of control over online content. Financial executives expressed concern that employees might deliberately or inadvertently disclose sensitive corporate information; concerns about disgruntled individuals and their ability to post negative comments about the company on a social media channel. One executive wondered how to maintain consistency of messaging across multiple social media channels. The executive was concerned about "employees posting information that can be misinterpreted or confidential. Falsehoods being spread that we need to correct."

There were also perceived external threats associated with social media. For instance, some survey respondents stated that the adoption of social media initiatives could expose the company to malfeasance by hackers (who might hijack a company's Twitter account). Some wondered if there was any way hackers could obtain access to back end systems through social media entry points, putting sensitive client data at risk.

## CHART 8 – WHY HAS YOUR ORGANIZATION NOT YET DEVELOPED A PLAN FOR THE USE OF SOCIAL MEDIA?




Others questioned how the return on the investment of such a program could be measured. Others reasons given for not pursuing social media initiatives included assertions that social media was not a priority; it was not widely understood within the company what was irrelevant to their industry or was not appropriate for their client base, which is in an older demographic.

Those executives who have used social media either personally in an effort to find solutions for their organizations mentioned LinkedIn most often. Several stated they used LinkedIn for HR recruitment. A small minority mentioned Twitter and Facebook as well as blogs.

Executives with responsibly for risk management should consider a policy governing the use of social media by staff, on a corporate level. Social media policies can clarify staff roles and responsibilities and reduce risk while still allowing the company to employ new media tools.

"Our demographic has changed dramatically. The security guy being an old watchman has gone the way of the dodo now. A lot of our workforce swells during summer break because we have a lot of kids who become security guards. They come with their smart phones. We've actually found a significant value which we have not yet been able to monetize, and that's this: In western Canada, the guys who come to do the pre-board screening, they're all shift workers, but they don't necessarily want the shifts that have been allocated to them. They talk amongst themselves to trade shifts. In the past, people controlled this by spreadsheets and an abhorrent manual process. We can communicate to these guys now by their iPhones. We'd like to reach out to them and create a virtual market place so they can determine their shifts themselves, thereby removing an administrative nightmare. Also, regarding social media, no one really wants to know from the finance department about what the numbers are, usually. But they do want to actually know what's happening in the organization, what the new things are. My president in the U.K. tweets, so this is quite interesting to us."

**Brian Hinton – Former CFO, G4S Secure Solutions (Canada) Ltd.**

"A number of companies recently looking at external social media technology have decided to practice it internally first. If you're going to make some mistakes, make them in the family before you reveal yourself to the outside world. This in fact is an opportunity for the CFO to be the organization's guinea pig in a learning platform and using it as a collaborative tool. You can use it for policy and procedure development, for example. You need to make sure social media is a conversation tool, not a communication device. If it's one way communication, it doesn't work very well. There's huge scope for the CFO to take the leadership in the organization that doesn't have social media."

**Bob Angel – President, The Gilford Group**

"If it's a question of spend, then like any other project, that needs to be well articulated and the CFO has to do due diligence, then gain a little understanding. That's no different from anything else. In today's environment, CFOs need to be aware of everything that happens around them and social media is only one part of it. Perhaps you don't have to be at the forefront, but you can't afford to be left behind. If you gain enough knowledge to make an informed decision, you are doing a good job."

**Ajay Rao – Controller, Conros Corporation**

## MOBILE DEVICES

Along with the rise of social media, there also has been an massive surge in the number of employees who wish to use their own mobile devices, along with mobile applications, for work purposes, which brings its benefits and its own risks.

> “Since everyone is going to actually have their devices, you might as well find a way to exploit them. So if they're bringing along their devices and you have a patch that can be put on the device which makes them more productive, this solves the issue associated with capital cost investment. ... It could be very counterproductive to try and stop this from happening. It's a guaranteed way to antagonize young workforce.”
>
> **Brian Hinton – Former CFO, G4S Secure Solutions (Canada) Ltd.**

> “I have an iPad. I had that quite early on a limited circulation basis because there were in our system some security concerns, but I know that the IT individual who is responsible is looking to roll something out which will allow them to, if that gets lost, to delete all the data on it, which will allow him to sleep at night.”
>
> **– Forum Participant**

# CONCLUSION

Most respondents said that the responsibility for information technology (IT) falls under the domain of the finance executive, with slightly more than half of financial executives surveyed by the Canadian Financial Executives Research Foundation stating their company IT department reports to the CFO. More than half of respondents described themselves as personally either "very" or "fully" responsible for IT.

But bearing the responsibility for IT is a challenge for CFOs who are not experts in the area, and presents a level of complexity that may overwhelm financial executives.

Some financial executives reported difficulty juggling a series of competing IT priorities, whether the company is managing rapid growth or struggling to survive.

CFOs may feel overwhelmed, especially in a fast-growing company. For instance, their challenges may include overseeing the acquisition of companies with different legacy systems, which may be outdated or are running incompatible software.

The study clearly shows that financial executives are juggling competing priorities including managing and staying on top of system upgrades.

Since IT is such a significant expenditure for many companies, it was surprising to find out that only one in three respondents reported having a formal IT plan. One third have an informal plan as part of their strategic plan. The remainder would benefit from more planning. It was also surprising, given the resources devoted to IT, that the vast majority of companies (eight in 10) do not formally track the return on their IT investments.

The survey results raised the issue of whether executives are benefiting from the business analytics solutions available to organizations, since two in five of those surveyed said they did not have a management reporting dashboard. Those who did use dashboards were not for the most part daily users, preferring to rely on dashboards for specific financial reporting requirements rather than using them for accessing and analyzing data as part of daily decision making.

Financial executives are known for being cautious, and they have so far extended that caution towards relatively recent innovations in IT: cloud computing and social media.

Two in five respondents were not pursuing cloud options, and a common reason cited was risk or security concerns. As for social media, in addition to security and risk issues, many financial executives said it was simply not a priority. While some financial executives acknowledged social media was not an area in which they needed to become experts, it was felt by several study participants that social media was an emerging issue of which CFOs needed to become aware.

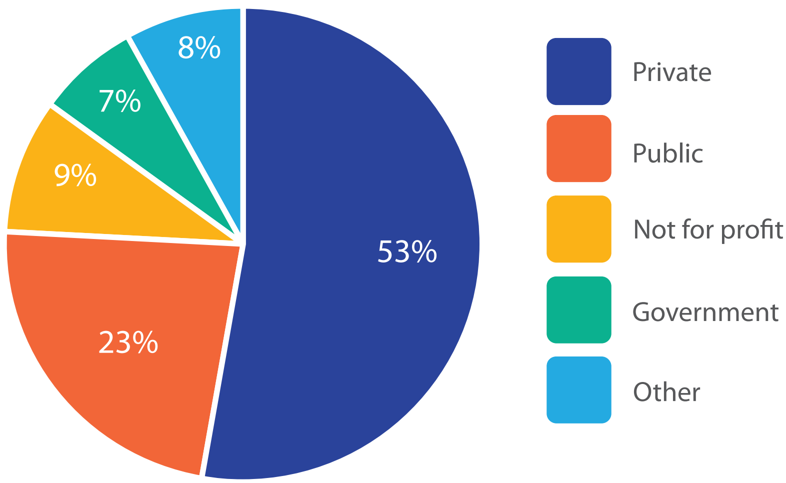
It's clear that many financial executives are working hard to supervise an extremely complex function for which they are responsible, but do not completely understand. Many executives stated they rely on IT professionals for assistance in managing the challenges, but pointed out it takes a certain level of expertise even to determine which staff person or consultant to hire or engage. As one survey participant aptly observed, managing and understanding the IT function well requires the allocation and commitment of a certain amount of time on the part of the financial executive.

"How do you know enough about your ERP system and your IT department? You have to devote time to it. Prior to our latest conversion, the VP of Operations and I went go to as many production facilities as we could to make sure that that the proposed backbone of the system at that level was reflective of our actual operations. By interfacing with the people who actually used the ERP system, we learned what worked well and what didn't. It would have been a disaster to develop an ERP system without leaving head office and visiting the plants, as there are nuances at each location that have to be considered. I think some conversions struggle because too little input and feedback is garnered at the operational level. Other conversions struggle because the status quo is sometimes maintained, rather than using the transformation to flesh out inefficient processes. The CFO simply has to invest part of his or her time in this area, given how much impact it has on corporate reporting."

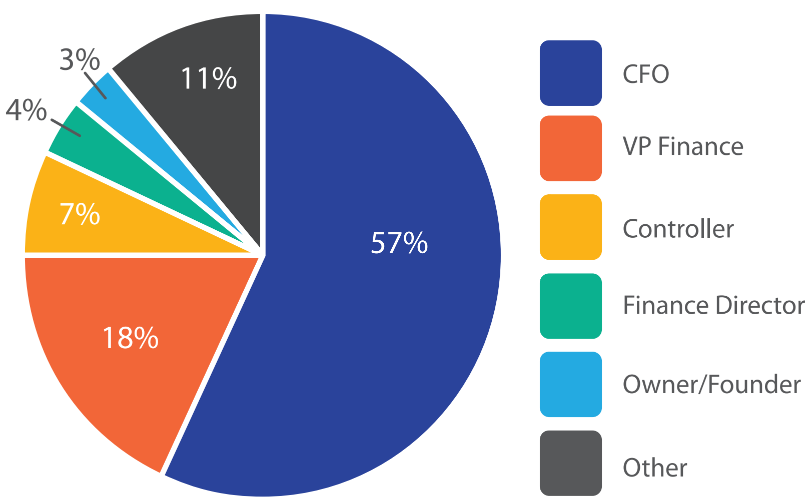
**Craig Smith – CFO, McAsphalt Industries Ltd.**

# APPENDIX A: SURVEY DEMOGRAPHICS

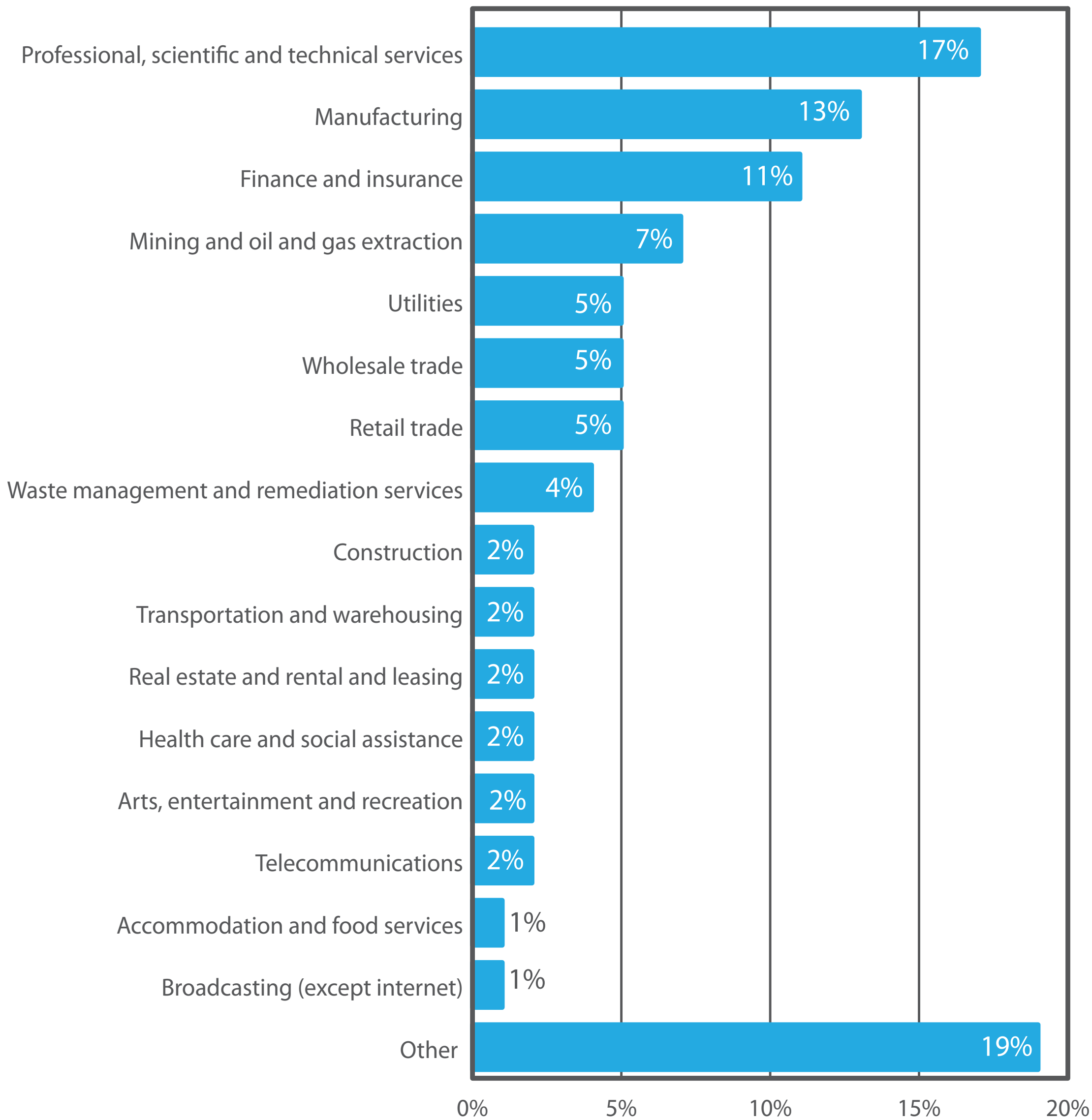
## CORPORATE STRUCTURE



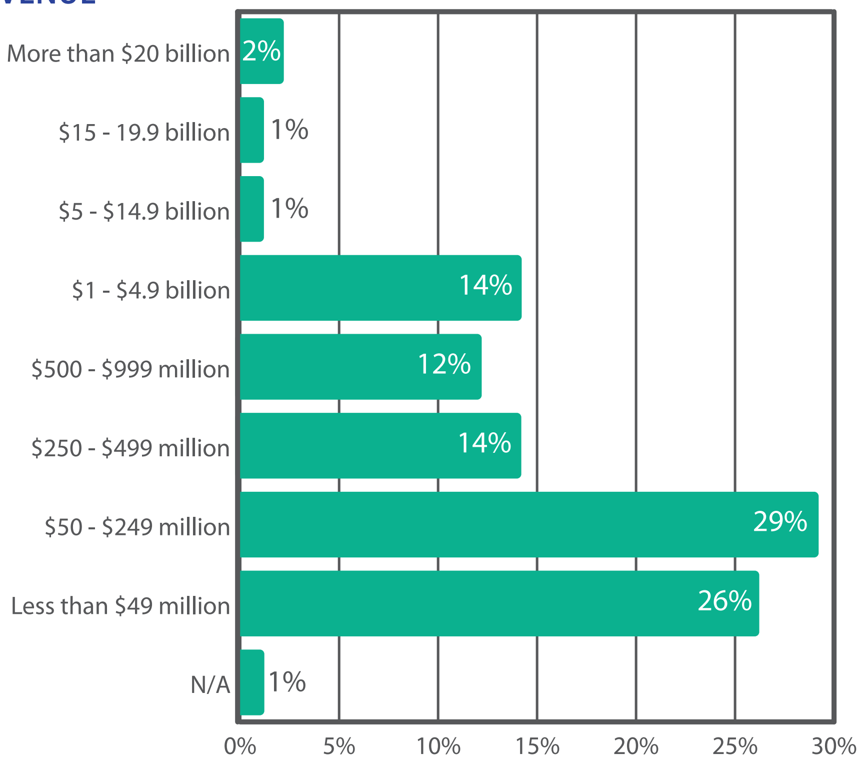

## POSITION TITLE



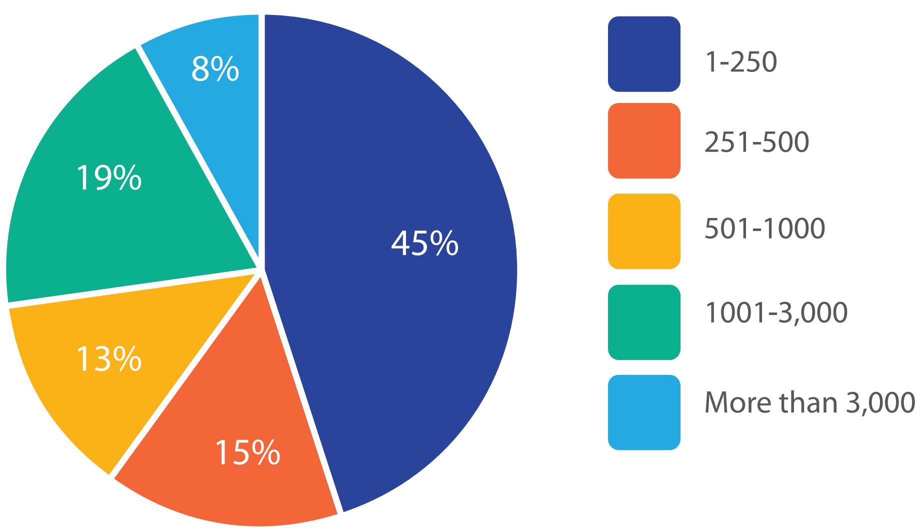
## INDUSTRY CLASSIFICATION



## ANNUAL REVENUE




## EMPLOYEES



# APPENDIX B: FORUM PARTICIPANTS

### Forum Chair:

**Michael Conway** – Chief Executive & National President, FEI Canada

### Moderators:

**Christian Bellavance** – VP, Research & Communications, FEI Canada

**Ron Budreau** – Director, Microsoft Dynamics – Canada

### Toronto Participants:

**Bob Angel** – President, Gilford Group Limited

**John Black** – Chief Financial Officer, Protenergy Natural Foods Corp.

**Brian Hinton** – Former Chief Financial Officer, G4S Guarding Solutions (Canada) Ltd.

**Robert Murray** – Vice President Finance & CFO, Cosmetica Laboratories Inc.

**Craig Pattinson** – Vice President - Audit & Risk Advisory Services, Bell Canada

**Ajay Rao** – Controller, Conros Corporation

**Craig Smith –** Chief Financial Officer, McAsphalt Industries Limited

**Vic Wells** – Chair, CFERF and Corporate Director

### By telephone:

**Tim Spielman** – Academic Chair, SAIT Polytechnic and Chair of the FEI Canada IT Committee

### Observers:

**Laura Bobak** – Senior Writer, FEI Canada

**Melissa Gibson** – Communications & Research Manager, FEI Canada

**Denise Severin** – Dynamics Audience Marketing Manager, Microsoft Canada

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**FINANCIAL EXECUTIVES INTERNATIONAL CANADA (FEI CANADA)** is the all industry professional membership association for senior financial executives. With eleven chapters across Canada and 1,800 members, FEI Canada provides professional development,thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations. Further information can be found at www.feicanada.org.

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**FEI CANADA'S RESEARCH TEAM:**

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