

The CFO as Business Integrator

CEDRIC READ, HANS-DIETER SCHEUERMANN
AND THE mySAP FINANCIALS TEAM



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Preface

The CFO as Business Integrator has a simple, but ambitious goal: to serve as an implementation guide for the CFO's new finance integration agenda. In our many months of researching this book, we've found that executives feel both confused by integration technology and driven to pursue the tantalizing benefits it offers. They want to move from complexity to simplicity, but need a clear integration road map. We believe this book will serve as a trusted, practical companion you can turn to as you shape a fresh new vision for your finance function.

In the first book in this series, *The CFO: Architect of the Corporation's Future*, we found that CFOs were increasingly involved in strategic planning, particularly in building shareholder value. In the second book, *eCFO: Sustaining Value in the New Corporation*, we looked at the enormous impact of e-Business on the finance function. With the growth in importance of intangible assets – brands, intellectual property, and technical expertise – we found the CFO becoming an internal venture capitalist, helping to launch new enterprises, rethinking value propositions, and managing investments as a portfolio of options.

What has changed since these two books appeared? In the aftermath of the dot-com era, the CFO has been left to unravel what we call “systems spaghetti” – a complex and fragmented mix of legacy systems and best-of-breed of Internet software solutions. The result? A huge integration challenge. The Internet has also pushed companies to globalize. The result? Growing complexity.

What else is different since we wrote *eCFO*? Today, we have access to exciting new technologies – advanced ERP systems, exchanges, portals, and middleware – all of which are opening up a rich array of new opportunities for true integration, real knowledge sharing, and faster, better decision support.

We've written this latest book, *The CFO as Business Integrator*, for three

reasons: first, to make complex businesses simpler; second, to help you take advantage of integration technology, and third, to show you how to create a finance infrastructure that enables you to leverage your investments and compete more effectively.

The CFO is at the center of the drive for integration – pulling together the critical business processes; planning, supporting, and measuring. Increasingly, companies are doing business with external partners – another integration challenge which quite naturally falls to the CFO. So there are three reasons why we see the CFO as integrator – one, structure; two, process; three, technology. And you could add a fourth – linking the inside world with the outside world.

As CFO, you clearly have a lot on your plate! Integration. Strategy. Risk. Control. Analytics. Competitive intelligence. Value chain economics. Today's finance function is leaner and fitter, but the CFO needs some measure of control over accounting – to hang on to financial strategy and policy and discipline. Stakeholders demand a new level of transparency.

That's why we've chosen the Japanese gate as the icon for this book. It is durable, architecturally elegant, and you can look through it from the outside world to the inside world. Spanning the top of the gate are intangible assets, which generate shareholder value. The left-hand pillar represents the financial supply chain, the right-hand pillar, decision support: the information supply chain. What holds it together? Integration. What does it offer? Transparency! From the inside world to the outside world and back again.

In terms of the route forward, we've put this book together using real-life case studies, best-practice data, and interviews with the CFOs of many of the world's largest and best-run companies. Much of the original research and insights included here are drawn from the mySAP Financials Product Management team, the individual subject matter experts who work closely with companies in a range of industries to develop integration solutions that build on existing systems capabilities and leverage technology investments. The team's continuing dialogue with its customers and commitment to innovation has contributed much to the book's scope and depth.

Once again, we wish to acknowledge and thank the visionary CFOs who generously shared their experience and ideas through their personal introductions to each chapter: Phil Bentley of Centrica, Thomas Buess of Zurich Financial Services, Jim Daley of EDS, Steve Davis of ExxonMobil, Gary Fayard of The Coca-Cola Company, Manfred Gentz of DaimlerChrysler,

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CHAPTER 1

From Complexity to Simplicity

ACHIEVING INDUSTRY LEADING RETURNS THROUGH OPERATIONAL EXCELLENCE

Steve Davis, Vice President, Downstream Business Services
ExxonMobil Corporation

ExxonMobil is the largest publicly owned oil company in the world, with a market capitalization of approximately \$250 bn. In 2001, it was the most profitable company in the USA, with earnings of \$15.3 bn and a return on capital employed of 18%. Steve Davis describes the company's strategic priorities: "Our financial goal focuses on growth in shareholder value; our fundamental business principles are:

- *Ethical behaviour and strong business controls*
- *Unwavering commitment to operations integrity*
- *Disciplined, efficient use of capital*
- *Continuous focus on cost management*
- *Commitment to develop the highest quality, motivated and diverse workforce*
- *Commitment to technology leadership*

Based on the past five years' capital spending patterns, our capital expenditures have exceeded \$65 bn, comparing favourably with our peer group competitors. Spending on the replenishment of our resource base and on research to achieve capital productivity is key to our future success."