The Association of
Accountants and
Financial Professionals
in Business

Barriers to Change in Information Technology Decisions

Results of a 2015 IMA Survey

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Today, approximately 24,000 companies and subsidiaries depend on NetSuite to run complex, mission-critical business processes globally in the cloud. Since its inception in 1998, NetSuite has established itself as the leading provider of enterprise-class cloud-based financials/ERP suites for divisions of large enterprises and mid-sized organizations seeking to upgrade their antiquated client/server ERP systems. As cloud adoption accelerates, NetSuite continues its global success by enabling businesses to significantly lower IT costs while increasing productivity.

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Introduction

This is the fourth report in the IMA® (Institute of Management Accountants) *Rising to the Challenge* research series, which was created to help accounting and finance leaders better understand business obstacles and the ways that companies are overcoming them to elevate the role of finance.

- In 2012, IMA's research study, "Productivity in Accounting and Finance Organizations," identified and explored the most critical challenges facing accounting and finance teams: streamlining processes and improving productivity.
- In 2013, "Achieving Real-Time Visibility across the Organization" focused on another problem area facing finance executives: improving the management reporting cycle and achieving real-time visibility across the organization.
- The 2014 report, "Evolving Role of the Controller," focused on the changing roles and expectations of today's financial professionals, specifically those of the financial controller.

In this report, we discuss the findings of a study on what triggers change-in-information technology decisions, especially those relating to integrated information systems. We also investigate barriers to implementing enterprise resource planning (ERP) systems, including both cloud-based and on-premises ERP systems.

In the cloud computing software-as-a-service (SaaS) model, the vendor takes responsibility for deploying and managing the infrastructure. We find that, although there are significant barriers to change in an information technology (IT) decision, there is a strong trend toward, and interest in, cloud-based ERP systems.

Executive Summary

- Fewer companies (32%) are using spreadsheets to achieve integration among their various information systems, down from 68% in 2013.
- Almost 40% of the chief financial officers (CFOs) said they were implementing, planning to implement, or considering moving their current financial systems to the cloud. CFOs who were already using cloud-based ERP systems expressed the highest levels of satisfaction with those systems compared to other ERP systems.
- CFOs using cloud-based ERP systems reported greater benefits than those who used other ERP systems. For example, they found that the cloud-based systems offered more functionality and could be accessed anywhere and anytime in real time. Additionally, the new system allowed their month-end close processes to run more efficiently.
- The biggest overall barrier to digital transformation was a lack of support from top management. Only about half of the CFOs said that investment in IT and systems receives strong active support from top management.

- The systems most likely to be integrated with the company's ERP system are accounting, financial close and reposting, procurement, inventory and fulfillment, and new sales.
- The systems least likely to be integrated include human resources, service and support, Internet/e-commerce, marketing, and professional services. Budgeting and forecasting are still most likely to be handled through spreadsheets or flat file transfers.
- More than 80% of the CFOs said that by far the biggest technical issue impacting their firms' technology decisions is the total costs of systems (i.e., planning and design, infrastructure, hardware, software, deployment, training, staffing, data security, and so on).
- Key organizational triggers impacting technology decisions are rapid growth/hiring, staff expertise, and the time it will take to see a return on investment (ROI).
- We asked what would need to happen for their company to change its information system. The most common responses were: new leadership with the right vision, management approval, proven ability of the new system, significant increase in revenue or headcount, new business model or ownership change, and a crash of the current accounting system.
- The most common technology investments being considered or planned to implement are: adding business intelligence software, moving current financial systems to cloud computing, integrating disconnected business systems, and replacing siloed business systems with a single suite/database.

Key Findings

Current Information Systems

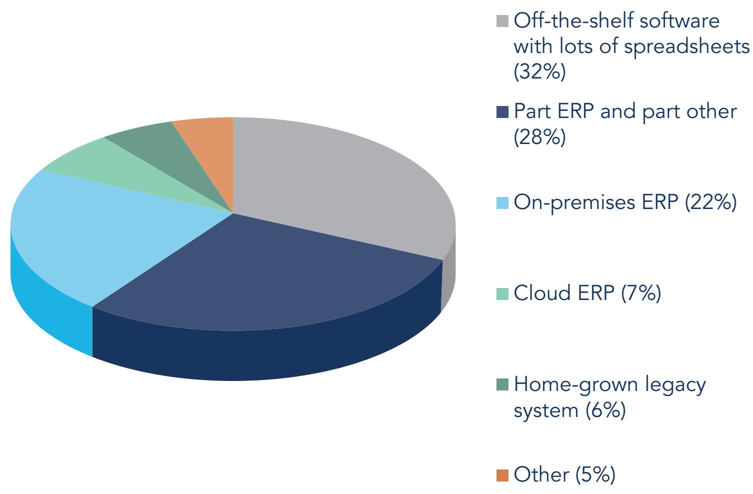
A 2013 study found that 68% of companies used spreadsheets to achieve integration among their various information systems. In this year's study, that number is down to 32%. The most common ways companies are now integrating their systems are (1) part ERP, and part other application systems (28%) and (2) on-premises ERP systems (22%). Figure 1 provides a summary of all the types mentioned.

Although only 7% of companies are currently using cloud-based ERP systems, that number is on the rise. Almost 40% of the CFOs said they were implementing, planning to implement, or considering moving their current financial systems to the cloud. Cloud computing eliminates the need for individual companies to buy, deploy, and maintain IT infrastructure or purchase application software.

Overall, about 68% of the CFOs said they were at least somewhat satisfied with their current system (including 13% who were greatly satisfied). The remaining CFOs were either not very satisfied (26%) or not at all satisfied (6%).

Yet CFOs using cloud ERP systems expressed the highest satisfaction level of all system types. Forty-three percent of these CFOs are greatly satisfied with their system compared to only 10% of CFOs using other types of systems.

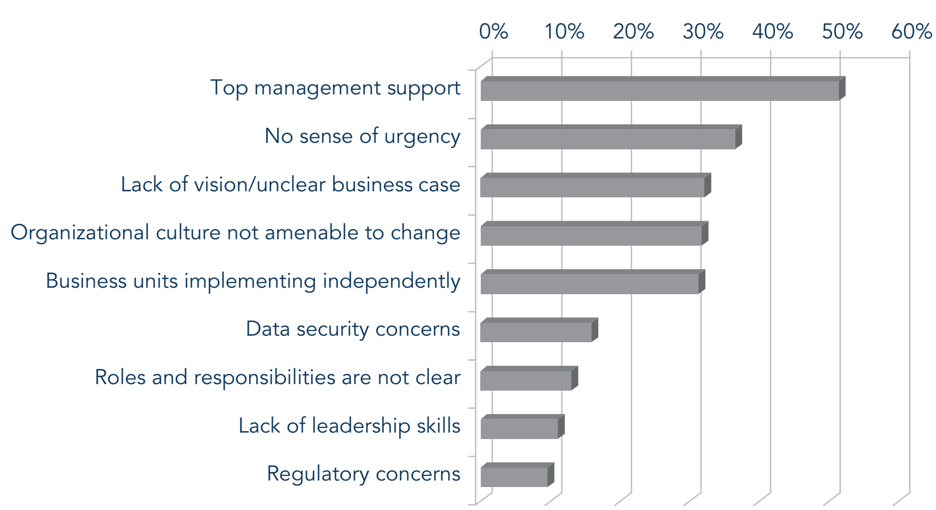
Figure 1. Current Information System Types.



Barriers to Change

The most significant organizational barrier to digital transformation, identified by 51% of the CFOs, was top management support (see Figure 2). This organizational factor is often the number one inhibitor of organizational change because of its effect on project funding and the availability of human resources. Almost half (47%) of the CFOs said they receive strong active support from top management for investment in IT, and 41% said that upper management has provided adequate resources for IT. Yet 28% disagreed that upper management has provided adequate resources.

Figure 2. Organizational Barriers to Digital Transformation.



Other common barriers were: no sense of urgency (37%), organizational culture not amenable to change (32%), lack of vision/unclear business case (32%), and business units implementing independently in silos (31%). Surprisingly, data security concerns were identified by only 16% of the respondents. About 40% said that information systems were closely tied to the competitive strategies of the business.

The survey also included an open-ended question: "What would need to happen for your company to change its information system?" The most common events identified by respondents are:

- New leadership with the right vision (19%),
- Management approval (17%),
- Proven ability of the new system (11%),
- Significant increase in revenue or headcount, new business model, or ownership change (11%), and
- Current accounting system experiences a crash or significant failure (11%).

Approximately 8% said they are currently in the process of changing systems. About 7% said "it was just not going to happen" and that it would take an "act of God" for their company to agree to such a change. Less than 5% of the respondents commented that a new system was not needed at this time, their company was currently participating in an acquisition or merger, they already had a new system in place, or the change would create huge upheavals in their business structure processes.

Current System Capabilities

Problems arising from older systems are a legitimate issue. These systems can be complex to update, especially when connecting to new kinds of technology. Common concerns related to technology include:

- Limits on reporting capabilities,
- Limits on real-time access to data,
- Limits on information system capacity, and
- Proliferation of data across multiple departments and divisions, leading to organizational confusion about whose data represents the truth more accurately.

We found that current information systems are most likely to include drill-down capabilities to customer, employee, and transactional details (69%) and ad hoc reporting capabilities (58%) (see Figure 3). Other capabilities mentioned most often were "anytime, anywhere" accessibility (43%) and visibility across organization, including sales, finance, manufacturing, e-commerce, and so on (40%).

Level of Integration

ERP systems can help integrate information across an entire organization. The 2013 study found that most firms still have a long way to go before they can truly integrate their information systems.

In this study, we asked the CFOs to indicate the level of integration among the various types of systems in their organization. As illustrated in Figure 4, there is still a wide disparity among systems that are integrated into the ERP system and those that are not. The following systems are most likely to be integrated with the company's ERP system: accounting (59%), financial close and reposting (45%), procurement (43%), inventory and fulfillment (38%), and new sales (33%).

Figure 3. Current Information System Capabilities.

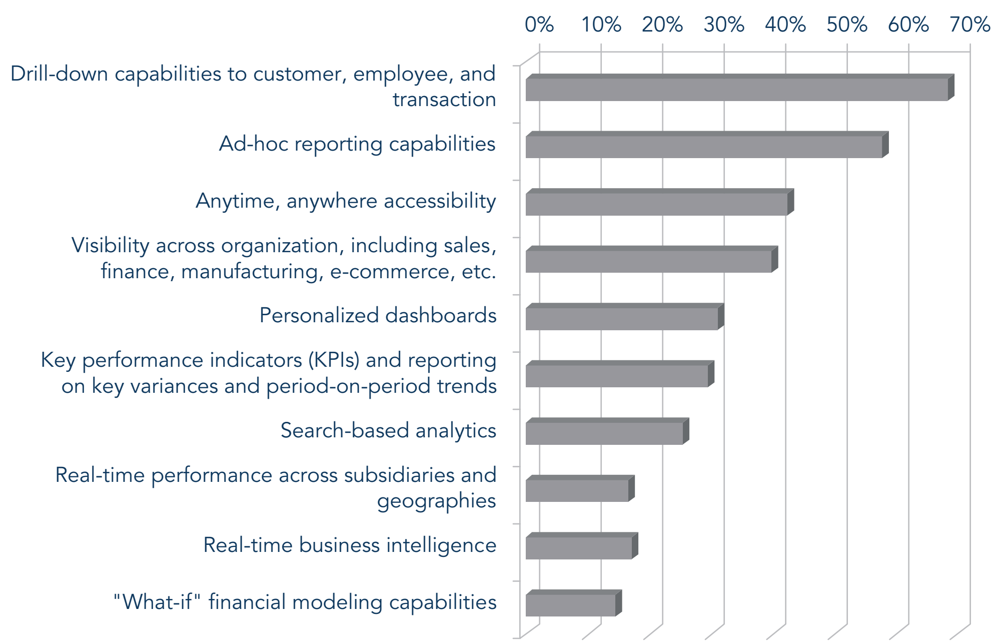
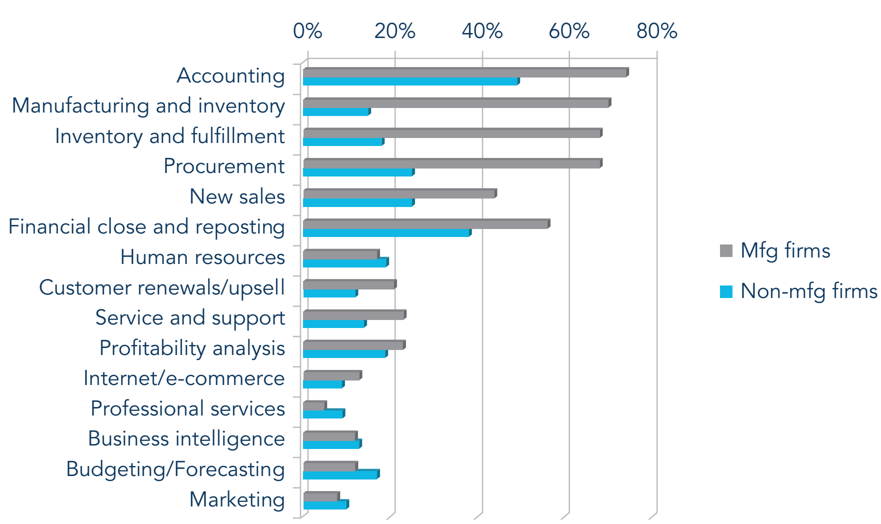


Figure 4. Level of ERP Integration Among Information System Types.



The systems least likely to be integrated include human resources (19%), service and support (18%), Internet/e-commerce (11%), marketing (10%), and professional services (8%). Forty percent of respondents said that their human resources system is completely stand-alone. Budgeting and forecasting are most likely to be handled through spreadsheets or flat file transfers.

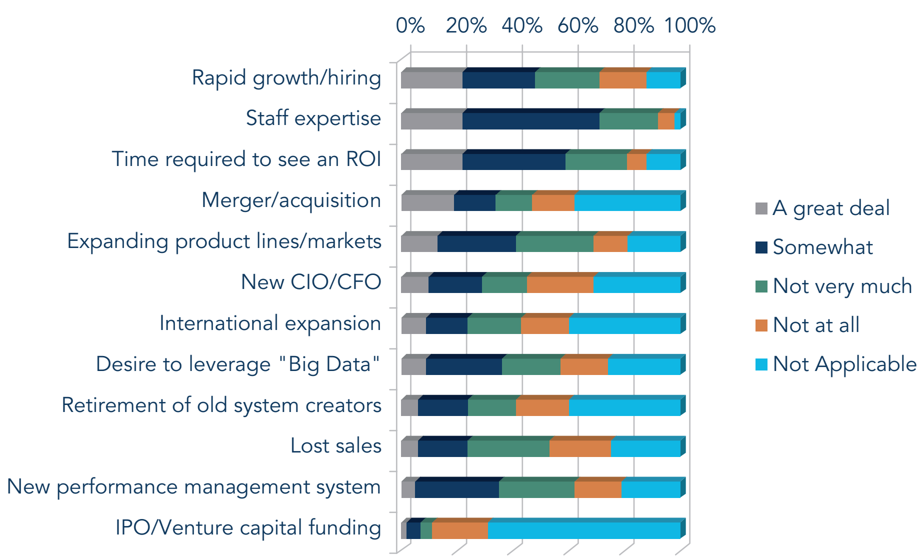
The level of integration differs between manufacturing and nonmanufacturing firms for certain systems. As shown in Figure 4, integration as part of an ERP system is generally higher for manufacturing firms. This is especially true for accounting (74% vs. 49%), manufacturing and inventory (70% vs. 15%), inventory and fulfillment (68% vs. 18%), procurement (68% vs. 25%), and new sales (56% vs. 38%).

Triggers of Accounting/Finance Information System Change

Rapid growth/hiring, staff expertise, and the time required to see an ROI appear to be the biggest organizational issues having the most impact on technology decisions (see Figure 5).

The technical issue having the biggest impact on firms' technology decisions by far is the total costs of systems (i.e., planning and design, infrastructure, hardware, software, deployment, training,

Figure 5. Organizational Triggers of Accounting/Finance Information System Change.



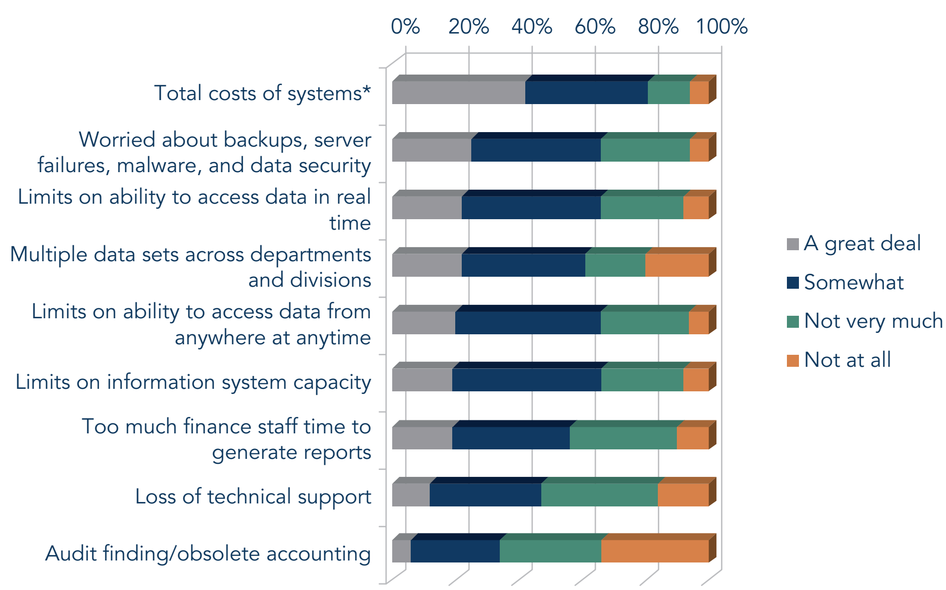
staffing, data security, and so on). Eighty-one percent of the CFOs said that system costs impacted their tech decisions either a great deal or somewhat (see Figure 6). Other technical issues with high impact include:

- Data backups, server failures, malware, and data security,
- Limits on ability to access data in real time,
- Multiple data sets across departments and divisions,
- Limits on ability to access data "anywhere, anytime," and
- Limits on information system capacity.

Challenges to Improving the Management Reporting Cycle

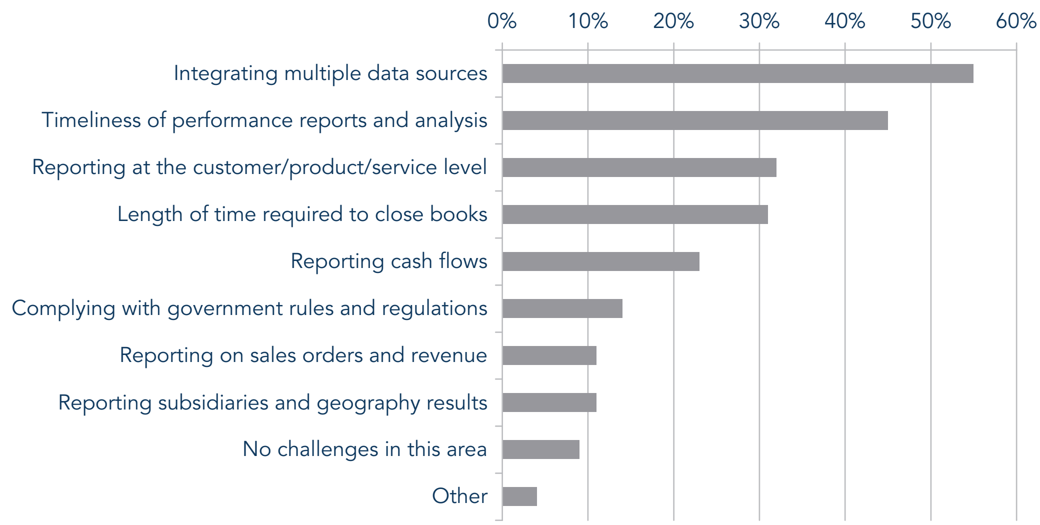
Fifty-five percent of controllers indicated that integrating multiple data sources is the most significant challenge they face in improving the management reporting cycle (see Figure 7). Close behind was the timeliness of performance reports and analysis (45%). More than 30% cited reporting at the customer and product/service level and the length of time required to close the books. Only 9% said they had no challenges in presenting their reporting cycle.

Figure 6. Technical Triggers of Accounting/Finance Information System Change.



* Total costs of systems include planning and design, infrastructure, hardware, software, deployment, training, staffing, data security, and so on

Figure 7. Challenges to Improving the Management Reporting Cycle.



Technology Investments

As noted in Figure 8, there has been no tremendous investment in technology. The top four investments most often implemented (or currently being implemented) are:

- Adding a data warehouse (32%),
- Replacing siloed business systems with a single suite/database (26%),
- Integrating disconnected business systems (26%), and
- Adding business intelligence software (23%).

The top four investments *being considered* or *planning to be implemented* are the same except moving to cloud computing replaced adding a data warehouse. Here are the top four investments being considered or currently planned:

- Adding business intelligence software (41%),
- Moving current financial systems to cloud computing (37%),
- Integrating disconnected business systems (36%), and
- Replacing siloed business systems with a single suite/database (35%).

Benefits of ERP Systems

Survey respondents whose firms have implemented ERP systems were asked to indicate the benefits they received from their ERP systems. Figure 9 reports the results separated into two groups: (1) cloud-based

Figure 8. Technology Investments.

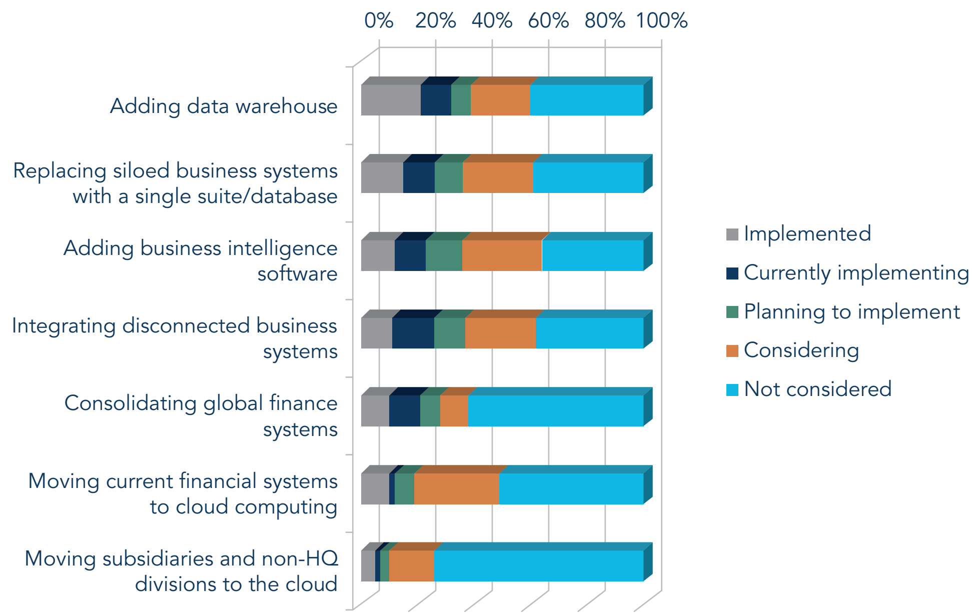
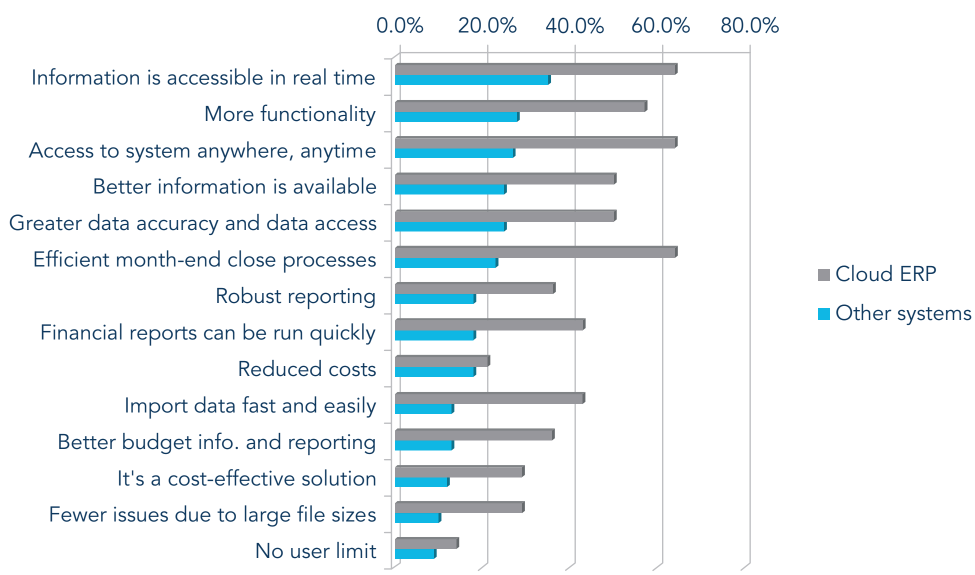


Figure 9. Benefits of ERP Systems.



and (2) other ERP systems (e.g., on-site ERP systems). CFOs with cloud-based ERP systems consistently indicated greater benefits than those with other ERP systems. The benefits of using cloud-based ERP systems vs. other ERP systems (expressed in percentages) are listed below:

- Information is accessible in real time (64% vs. 35%),
- More functionality (57% vs. 28%),
- Access to system "anywhere, anytime" (64% vs. 27%),
- Better information is available (50% vs. 25%),
- Greater data accuracy and data access (50% vs. 25%), and
- Efficient month-end close processes (64% vs. 23%).

On average, cloud-based ERP firms identified an average of seven benefits for their ERP system, compared to an average of five benefits for other ERP systems. Of course, cloud technology can also subject both providers and users to new challenges and risks, such as data security policies and governance systems as well as audit issues, which must be addressed.

Conclusions

As a result of globalization, technological advancements, and changes in the business environment, companies have adopted innovative business models, restructured their day-to-day operations, and relied much more on integrated systems and IT outsourcing. Although companies still have a long way to go to achieve integrated systems, the trend is headed in that direction. Migration to cloud-based systems is the most common way that firms are planning to integrate their systems, and those that have already made the change are clearly the most satisfied with their overall information systems.

For a company to change its information system, the most important organizational factor is top leadership with the right vision. For that to happen, there needs to be a recognized reason for change. The biggest technical issue impacting firms' technology decisions is the total costs of systems, including planning and design, infrastructure, hardware, software, deployment, training, staffing, and data security. Besides top leadership support, rapid growth/hiring, staff expertise, and the time required to see an ROI appear to be the biggest organizational issues having the most impact on technology decisions. If any of these triggers apply to your company, it may be time to change your information system.

Appendix: Respondent Demographics

In May 2015, IMA sent a survey to 12,000 members in North America who identified with these job titles: CFO, controller, director, and accounting manager. A total of 214 responses were received. Tables 1 and 2 and Figures 10 and 11 provide some demographic characteristics of the respondents.

Demographics

Table 1. Respondent Job Titles.

Controller, financial controller, comptroller	37.4%
CFO/VP-Finance	23.8%
Finance or accounting manager	15.0%
Finance director	15.0%
Other	8.9%
	100.0%

Table 2. Respondent Industries.

Manufacturing	39.3%
Services	12.6%
Nonprofit	7.9%
Finance	7.0%
High tech/software	5.6%
Construction and contracting	5.6%
Education	4.2%
Healthcare	4.2%
Wholesale/distribution	3.7%
Retail/e-commerce	3.3%
Government	1.9%
Advertising/creative services	1.4%
Media/publishing	1.4%
Energy	1.4%
Telecommunications	0.5%
	100.0%

Figure 10. Annual Revenues.

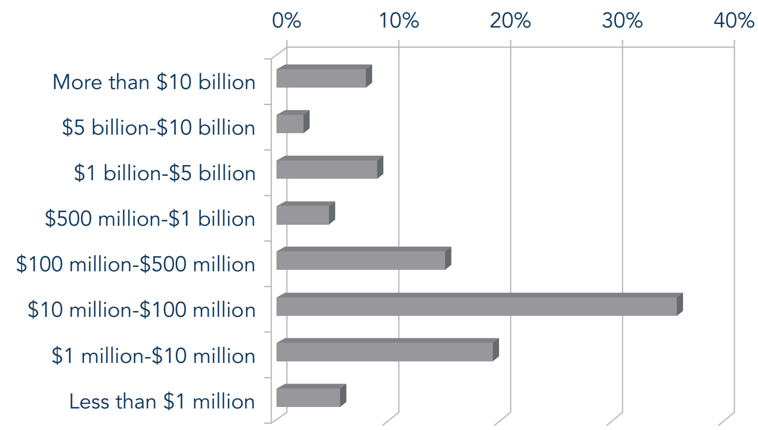


Figure 11. Number of Employees.