

computing FINANCIAL DIRECTOR



JOINED-UP THINKING

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Paul Stobart

Chief Executive Officer, Sage UK and Ireland



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INTRODUCTION

Editorial | **ANDREW SAWERS, FINANCIAL DIRECTOR**

Achieving a shared goal

Joined-up thinking puts good business practice at the forefront for all departments

Many decades ago, just about the only requirement for a company's set of accounts was that they be true and fair. Those were halcyon days: honest boards could concentrate on providing information that reflected the performance and the state of affairs of the business, untroubled by the burdens of detailed regulation. Dishonest boards could manipulate data and transactions, similarly untroubled by the burdens of detailed regulation – and unhindered by the constraints of an unerasable audit trail.

Since then, financial reporting regulation has gone through a succession of Big Bangs. Technology has exploded on the scene in ways unimaginable back in the days of paper ledgers. And most importantly, the information demands of boards and all other senior executives are as complex as the new business models they manage.

And yet, despite the huge passage of time since the days when the only impediment to accessing information was that the filing cabinet was locked, finance and systems still often struggle to connect with each other. It has become a cliché that the bean-counters don't appreciate what the techies bring to the table, while the geeks regard the pen-pushers as Luddite cost-control nerds. The goal of joined-up thinking between finance and IT as a means of ensuring better decision-making remains, for many, still out of reach, if not completely elusive.

In recent years, *Financial Director* has confronted this problem head on. Various

research projects we have undertaken confirmed that there is, indeed, an understanding gap between finance and IT. Worse, there is often an "appreciation gap" whereby each side fails to value the contribution that the other can make.

In 2002 *Financial Director* reported that barely one company in 10 claimed that mutual understanding, support and communication between finance and IT was "excellent". A year later, it was apparent that IT did not rate finance's contribution towards setting IT strategy anywhere near as highly as finance rated its own contribution. And in a joint research project with our sister title, *Computing*, in 2007, we found that IT recognised there had to be more understanding by finance of IT's objectives as well as an improvement in IT's understanding of the business's objectives. Suffice to say that FDs' views weren't symmetrical to those of IT.

Taking the discussion further, *Financial Director* is again partnering *Computing* to produce this supplement. In it, you will find some of the most up-to-date thinking from experts and the real-world experiences of firms at the sharp end of implementing solutions. This joint publication brings together some of the keenest business journalism with a technology bent – or is it technology journalism with a business bent? The lines between the two seem to be blurring – but there is nothing out of focus about the goal: achieving superior business decision-making, whatever the technology.

A joined-up opportunity

Better integration means better business decisions, says *Computing* editor **Bryan Glick**

The phrase "joined up" has taken a high currency in IT strategy in recent times. Business technology has suffered from a history of siloed computer systems, targeted at specific functions or areas of the firm, often with little thought given to the wider need.

But as IT has taken a more central role in business strategy, and as the volumes of data stored have grown, that legacy of complex, poorly integrated systems is a drag on progress. Joined-up IT to support joined-up thinking is essential to unlocking the value of the masses of data held by modern firms, and turning that data into meaningful information that allows senior executives to make more timely decisions. For mid-sized firms, a joined-up approach offers an opportunity to compete against bigger rivals whose legacy takes longer to overcome and who are burdened by complexity.

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COLLABORATION

Strength through unity

The friction that has traditionally characterised relations between finance and IT has no place in today's business landscape, writes **Robert Jaques**

IT and finance managers do not always make easy bedfellows and, historically, the relationship between chief information officers (CIOs) and chief financial officers (CFOs) has been widely characterised by tension or, in some cases, outright hostility.

Such fundamental conflict has long been considered inevitable given the fact that finance directors (FDs) are responsible for managing expenditure and IT is invariably expensive. Budgeting and cost control is of paramount importance to CFOs, while procurement and maintenance of expensive IT systems are core functions of CIOs, so conflict has often resulted. The relationship has been further strained because CFOs do not welcome surprises that upset carefully prepared financial plans and IT can be full of surprises, many of which are nasty – such as projects going over budget or systems crashing.

There has long been a chorus calling for rapprochement between these seemingly implacable foes. However, in today's challenging economic climate, experts warn that the need to end this internecine squabbling has never been more pressing as failure to grasp the

nettle could tip many struggling firms over the edge into commercial oblivion.

Sheila Upton, a director at Ernst & Young, acknowledges that “categorical challenges” remain in the majority of FD/CIO relationships.

“The need to get the relationships between IT and finance right is more of a burning issue than it was a couple of years ago,” she says. “The economic conditions of the past year and a half have acted as a catalyst, forcing IT to talk to the business more effectively. But there are still a lot of firms where the IT professionals may now be wearing suits to fit in when they attend board meetings, but still think they are in beards and sandals.”

Savvy CIOs should be taking the initiative and trying to engage with their CFO colleagues.

“The CIO has the responsibility to actually go to finance and present options as to what solutions are available and what their respective strengths, weaknesses and costs are. And the CFO has a responsibility to listen. Even companies in the same industry have been affected in very different ways by the downturn: there is not a one-size-fits-



all solution,” says Upton.

Vuk Trifkovic, senior analyst at Datamonitor, agreed that, as the impact of the downturn has made itself increasingly felt, formulating the alignment between IT and the business has quickly become a pressing priority.

“Now everyone realises this is an issue, but it remains tough to implement. We are in the middle of a generation handover. The next generation of managers is not going to transform things radically, but we are now seeing both IT leaders and business leaders who grew up with IT. Many of the traditional divisions between IT and the business will be reordered because of the pervasiveness of technology. We are starting to turn out technical people who have greater business knowledge,” says Trifkovic.

Peter Williams, practice leader in IT infrastructure management at Bloor Research, says that in the past, IT and business managers have looked at technology totally differently.

“Quite often systems do not have the flexibility that business managers

Aligning IT with the business

- Successful organisations exhibit a sophisticated understanding of IT and a flexible view of the function and its reporting lines.
- A variety of leadership structures exist to support integrated business and IT decision-making – it is not just about whether the CIO is on the board.
- While no single governance model stands out as working better than others, there is overwhelming agreement on the board's responsibility to ensure the right

governance structures and processes are in place.

- Quality and frequency of discussion matter more than structure and hierarchy, but organisations need to ensure integration where separate committees exist for specific purposes; risk being a typical example of this.

Source: Ernst & Young report, *Successful IT in High-performing Organisations, The Impact on Business Growth*



wanted. These business managers often could not understand why something that appears conceptually simple cannot be done by IT," he says.

"Now every business is run on IT. In today's world the business managers cannot do their job if the IT infrastructure is not in place. We must all be going in the same direction – lack of co-operation is no longer an option."

Charles Cotton, a reward specialist at the Chartered Institute for Personnel and Development, suggests that corporate human resources (HR) departments have a role to play in improving the relationship between finance and IT professionals by allowing suitably qualified technical managers to take on non-technical roles and so gain a more holistic understanding of the business.

"You might get people from an IT background to go and zig-zag around the organisation. HR has a role to talent-spot the right skills," says Cotton.

Other commentators are more upbeat about the quality of relationships between IT and finance in the economic downturn. Research from the Economist

Intelligence Unit (EIU) describes "strong indications from many firms of continued improvement of CIO-CFO relationships". Despite the fact that many would expect the IT/finance relationship to have suffered with budgets coming under severe pressure over recent months, almost 50 per cent of respondents to an EIU survey reported that co-ordination between the two key executives has actually improved at their firms in the past year.

The majority of CIOs and CFOs in the poll rate levels of trust, communication and understanding between them as strong. CFOs offer a rosier picture than do CIOs, but few in either group report any deterioration in their relationships.

These improvements are attributed by the research, entitled *Staying the Course? Technology Decision-making in Turbulent Times*, at least in part, to the fact that CIOs appear to be retaining their places at board level and are increasingly involved in core business discussions, rather than being locked in the technology silo. Few survey respondents believe that the CIO's influence in

technology investment decisions will decline in their firm, while a large minority expect CIO involvement in business strategy discussions to expand.

"Most firms will remain cautious about new technology investment until economic recovery looks more certain," says Denis McCauley, director, global technology research at the EIU.

"But some firms will take risks with projects that help position them for growth when conditions improve. This raises the stakes for CIOs and the IT function, and they will need to deliver."

Clive Longbottom, service director at analyst Quocirca, says that when meeting these challenges CIOs need to keep focused on core business issues and not become sidetracked by technology for its own sake.

"I cannot say it enough: it is not about technology – it is about the business," says Longbottom.

"We have come through such a long period of good times when revenue was coming in fast and furious that many problems and business issues were subsumed. Now these are being laid bare and firms need to get to grips with them. Technology to automate and make processes and systems more efficient and flexible can certainly help," he says.

"Firms should be looking at what highly targeted IT investment can do to streamline their value chains. Only the firms that do this and take appropriate action will be able to weather this economic storm. It is time that we had the CIO and FD dancing nicely together rather than having their swords drawn as has so often happened in the past."

An Ernst & Young report, *Successful IT in High-performing Organisations, the Impact on Business Growth*, urged firms to "set the bar high" when attempting to improve CIO/CFO relationships: "Many organisations have made real progress in improving IT management and delivery, and integrating IT with business objectives to deliver tangible results. These activities are not easy and many organisations, by their own admission, are not successful across the board. Successful ones, however, share some common characteristics," the study says.

"Above all, our research showed that in assessing current performance levels and setting targets for improvement, organisations that expect IT to make a strategic contribution will get more value, so it pays to set the bar high when agreeing targets."

BUSINESS INTELLIGENCE

Getting the most from business intelligence systems requires not only careful management on the part of IT leaders, but also the committed involvement of decision-makers across the organisation, writes **Robert Jaques**

The global economic downturn is forcing businesses to reassess their internal processes and rethink their strategies. Adding to this pressure are growing demands from stakeholders and regulatory authorities for greater transparency about finances, operations, decisions and core performance metrics.

But most organisations do not have the processes and business tools in place to make informed, responsive decisions. By 2012, analyst Gartner predicts that more than 35 per cent of the top 5,000 global companies will regularly fail to make insightful decisions about significant changes in their business and markets.

Research recently carried out by Sage Group suggested that about 90 per cent of organisations often get bogged down with low-value, seemingly trivial tasks, because of inconsistent internal information, and 44 per cent of these organisations still use spreadsheets and other manual processes to manage corporate performance. But in the face of the economic downturn, more organisations are looking to business intelligence (BI) and performance management initiatives to help transform and improve their organisation and to deliver greater business value.

Andrew Stevens, principal architect in Sage's mid-market division, warns that businesses often fail if they simply add in BI technology so that it becomes just another layer over the top of existing systems.

"Today, BI is seen as something that is run outside of a business process," he says. "But it shouldn't be seen as a standalone platform."

According to Stevens, by embedding BI into other common products such as ERP (enterprise resource planning), CRM (customer relationship management), HR and payroll, organisations can benefit from a more holistic approach to BI.

This argument is echoed by Jon Ainsworth, director of business development at Oracle's European BI solutions



A smarter way t

arm. "The way to look at BI is not as an additional IT layer, but rather as a way to unlock data that is held within the existing layers of infrastructure. BI turns data into information, that then can be used to drive decisions and change. It unlocks the inherent value held in operational systems – and actually helps companies better leverage their existing investments in ERP, CRM and other operational systems," he says.

But while Gartner predicts that by 2010, 20 per cent of organisations will have an industry-specific analytic application delivered via software-as-a-service (SaaS) as a standard component of their BI portfolio, there is no one-size-fits-all approach to BI.

Sage's Stevens points out that BI is many things to many people – to some it is seen as a reporting tool, to others an analysis tool. It can be used for planning ahead or for being reactive, or for

answering "What if?" questions. But fundamentally, BI should be seen as a key technology for achieving a common organisational understanding and alignment to help move the business forward in a way that drives value.

Gartner says that over the coming years, hundreds of information aggregators offering SaaS analytic applications will emerge, but a virtual monopoly will persist within each vertical niche because of the high barrier to entry for others.

While Stevens acknowledges that SaaS can be useful if deployment is a cost issue and a company does not want to invest in dedicated servers, he suggests that no two implementations are the same because each company has different needs.

"The product has to be very usable. What do you want to get out of it? The answer is often very different for each



o use BI

customer,” he says.

“Customers have different expectations on different occasions, and the maturity of the company is usually important and a deciding factor in whether they want a full-blown BI solution.” Sage also believes that local knowledge is vital, which is why the UK-based firm focuses on the UK market.

Whereas the financial director has long held the purse strings for all infrastructure investments, this is often no longer the case for BI. Gartner predicts that by 2012 individual business units will control at least 40 per cent of the total budget for BI, and Stevens suggests this is mainly because the key decision-makers may not necessarily be executives but the business units themselves, and they are the ones looking for the relevant benefits of a BI implementation.

According to Gartner research vice

president Nigel Rayner, although IT organisations excel at building BI infrastructure, business users have lost confidence in the ability of such systems to deliver the information they need to make decisions. But while business units will increase spending on packaged analytic applications, including corporate performance management, online marketing analytics and predictive analytics that optimise processes, not just report on them, there is a danger of this approach going too far in the opposite direction.

“By making purchases independently of the IT organisation, business units risk creating silos of applications and information, which will limit cross-function analysis, add complexity and delay to corporate planning and execution of changes,” says Rayner.

“IT organisations can overcome this by encouraging business units to use existing assets and create standards for purchasing classes of packaged analytic applications that minimise the impact of isolated functions.”

One of the most common problems that would-be adopters of BI technology encounter occurs when they try to do too much too quickly. The experts concede that a lot of BI projects failed in the early days because they tried to analyse the information needs of the whole business and they got “paralysis by analysis”.

Sage believes that analysis-paralysis is a very real danger but one that can be avoided if the individual business units use the technology to capture bite-sized, or more manageable chunks of data.

“When a company is looking at the return on investment (ROI) that BI can deliver, it needs to establish whether it needs a full-blown BI implementation or maybe just reporting functionality,” says Stevens

When considering the ROI of a BI implementation in these straitened times, Oracle’s Ainsworth sees no scepticism at all. Instead, he sees a shift in focus.

“From opportunity identification and growth priorities, towards a focus on identifying cost and using BI to drive improvements and efficiencies in operational processes. Right now, we see a need to demonstrate faster ROI,” he says.

“A well-managed BI project will deliver this through addressing the whole programme in a step-by-step manner, where highest-value items are addressed as priorities. Done well, a BI project can become self-financing, as the earlier returns justify further development.”

Ainsworth says recession is driving the adoption of BI, as it helps companies to make better use of their business information, and the key to a successful implementation of BI is not to throw technology at the problem but to ensure

that the right information is presented in context at the right time, and in a way that can be consumed by the user.

This, he believes, is why different BI implementations are able to support a range of different output formats, and methods of interacting with the information. A typical call centre employee may be able to cope with a single performance

measure such as average call wait time, while a financial analyst will be comfortable with tools that enable them to perform business planning and scenario analysis. The best BI suites will be capable of ensuring absolute consistency of the metrics across many different ways of consuming the information.

The experts are in agreement that a BI project driven and owned entirely by IT will surely fail. The key to a successful project is partnership between IT and the business. People who possess both IT skills and an understanding of the business are typically the most valuable players in a BI project, as they can help join the dots for everyone. The right people, a consultative team-based approach, and incremental ROI-based phased delivery should ensure a BI project delivers rapid results.

Analysis-paralysis is a very real danger but one that can be avoided if business units use BI to capture bite-sized, or more manageable chunks of data

CASE STUDY

Quenching a thirst for IT modernisation

A substantial restructure at soft drink supplier Nichols – purveyor of Vimto – led the company to update its software to Sage 1000 to replace its in-house application. This resulted in the streamlining of the IT department and an opportunity to customise the system, reports **Martin Courtney**

Nichols is the company behind the iconic soft drink Vimto, the recipe for which was created more than 100 years ago in Blackburn, Lancashire.

Having undergone a major restructure in 2004, which saw its Nichols Foods business sold off and its manufacturing and distribution arms outsourced to third parties, the company has narrowed its focus to supplying soft drinks and dispensing systems. It now supplies Vimto, Panda and Sunkist to retail customers across the world, and dispensing systems to pubs and other forms of catering establishments.

Reducing the company's staff from 850 people to 116 brought big changes to Nichols' IT provision. Allan Doyle, Nichols' group IT manager, says the implementation of Sage 1000 business management software in 2007 helped improve efficiency and remove business risk from its IT operations, particularly around customer relationship management (CRM).

What made Nichols install Sage 1000?

We had been looking to implement a CRM solution for some time. We looked at both Sage SalesLogix and Sage ACT but ended up writing our own CRM software because neither of those was suitable – ACT was too small for our needs and SalesLogix was too functionally rich.

We originally built our own intranet-based CRM system based on ASP.Net which interfaced with Sage Line 500.

But we are not in the business of writing CRM software and I identified the in-house application as a business risk. This is because we had only one developer and though all his knowledge was documented, he was the only person who had that expertise.

Sage 1000 was a perfect replacement for that in-house application – it is a fully licensed CRM system which is supported by Sage.

What were you using before?

In the mid-1990s, we were using Tetra Chameleon. We moved to Tetra CS3, and after that we upgraded to Sage Line 500 in 2000, then Sage 1000 in 2007. In those days, CS3 was running on an IBM RS6000 AIX server using Unix and an Informix database. It would be an understatement to say it was a large and clunky beast that needed a lot of effort to change direction.

At about that time, Microsoft's Windows Server 2000 operating system had just come along, and was getting much better reviews than Windows NT as a stable environment for business systems. In about 2002, we made a leap of faith from using Unix, Informix and 4GL programming languages to new Windows servers running on Intel processors with SQL databases.

What was the advantage of moving to Windows and SQL?

SQL skills were a lot more abundant in the industry and we could do much



more with the database because we could do things more quickly.

Prior to this, we were reliant on waiting for 4GL programmers and resellers if we wanted to change direction and move the business forward by doing something different from a software perspective. Now we can write our own intranet applications that interface with the Sage environment.

What applications have you written to interface with Sage?

We have written about 30 applications for our intranet, including application programming interfaces (APIs) and SQL applets.

One is a purchase order requisition system developed with the ASP.Net web application framework, using the SQL back end running on Internet Information Server. This streamlines the system by passing information on goods automatically between our API and the supplier's API so there is no need to send an invoice to be authorised beforehand.

We have also developed our own internal expenses system which has



similar automated authentication functions. This involves emails being sent to the line manager who just clicks on a link to authorise them, then sends them back to the API which raises the purchase invoice.

How many people use the Sage 1000 system and who supports it?

We have a 64-user licence, but following the restructure and acquisitions there are only about 48 people using it at the moment. We may have to bring additional staff online at a later date [Nichols recently purchased a 50 per cent stake in a company called Dayla Liquid Packing, with an option to purchase the remainder in 2011/2012].

We provide frontline support for all Sage applications as well as internal application development, for which we have a specialist Sage applications developer. If we want to pass problems to the second line, we use the supplier, Datel, and Sage itself as a last option.

Besides CRM, what other new features do you use?

We have not fully used the software's

features yet, but we plan to use Sage 1000 front-end dashboards to display workflows for the credit control department.

Rather than run a report to find out who owes the company money and whom they should be chasing, the first thing operatives will see is a screen showing which customers have the biggest or oldest outstanding debt, and directions on what should be done next to manage that debt.

How does it interact with other third-party software applications?

When Nichols carried out its restructuring in 2004, it outsourced its manufacturing and distribution, so somebody else now does the manufacturing resource planning for us, though their software interfaces with our Sage systems.

We deliver sales orders to customers and receive CSV files over a secure FTP link, for example, which contain details about the quantity and type of goods delivered to our warehouse by business partners. No human intervention is required and the APIs do all the work.

What were the other benefits of moving to Sage 1000?

The fact that the software is more modern means there are reduced support and contract fees. We were still paying support to CS3 from when we introduced that in the mid-1990s, and that contributed to half of the support costs for Sage Line 500.

We have also migrated systems and processes from old to new, and we now have a vehicle to do CRM, which we did not have before.

What other IT upgrades have you performed recently?

We are going through an ongoing exercise to tighten up security, but our IT has slipped into fifth gear and is cruising a bit now. We are more focused on projects that improve the business – introducing business intelligence processes to the infrastructure to make things run more efficiently.

Nichols employed about 850 people in 2003, but that number is now down to 116 – there is no manufacturing and no warehousing operation. We have a centralised shared services department which does all the back-end processing centrally to reduce cost. Our offices are on a local wide area network so we can pass information around so that everybody has access to the Sage system.

How has all this automation affected those in the IT department over the past few years?

I prefer to use the term redeployment rather than redundancy. We used to have a team of 12 or 13 people, most of whom provided network support, but now there are eight people in total – including one running the PCs and network, one application developer, another .Net developer who has taken on more of a project management role, and me.

Some of the IT staff left when parts of the business were sold on, and others were retained under the Transfer of Undertakings (Protection of Employment) regulations (TUPE), but there were some losses.

The IT department now has three functions: the PC network, environment and infrastructure; internal applications including the Sage business systems; and internal and external web development.

OPINION

We are all in this together



To achieve effective business-IT alignment, senior decision-makers must first suppress their territorial instincts, writes **Martin Atherton**

Can we please everyone when it comes to IT? Most businesses, regardless of their size, will have an opinion on that question. Where IT is seen as a partner or business enabler, the answer is “yes” or “probably”, with caveats. It’s “no” or “never” where IT is seen as a cost to be controlled and does not have opportunities to support the business in the right places.

However, when seeking the right balance between business performance and financial harmony in relation to IT, the size of the business concerned is a critical factor. This is not because of requirements or degrees of sophistication – the latest IT developments are removing the link between IT strategy and size of business – but because individual decisions count for relatively so much more in smaller businesses. There is also less insulation between individual departments and business leaders, and financial controllers are in much closer proximity to one another.

Before we address how these relationships might impact the way IT is harnessed today, let us briefly review the opportunities that businesses have to exploit it more effectively (see chart).

Organisations seeking to improve IT’s contribution to the business will likely find their own opportunities in

each of the imperatives highlighted. Here are a few examples:

Three ways of optimising IT:

- Server virtualisation
- Desktop management
- Systems management

Three ways of optimising the way IT is used:

- Application training
- Power and waste management
- Implementing basic IT governance

Three ways of enabling business efficiency:

- Get people better connected
- Make smarter use of the web
- Unlock the value in your information assets

The items above need no further explanation to IT managers, but driving the top line is another matter, perhaps. When cost reduction becomes a major focal point, there is the danger of losing sight of what really matters. Businesses can cut costs and make efficiency savings, but without effective sales and marketing activity they cannot flourish.

Fortunately, this side of business is a prime candidate for improvement through more effective use of IT. It is communication- and time-sensitive, repetitive and formulaic. It can benefit from improvements in all the areas outlined above as well as being a target area in its own right.

For example, IT could drive better operational consistency through user training or exploring unified communications. Driving efficiencies here could involve revamping the company web site, implementing basic business intelligence performance metrics, or “closing the loop” around customer relationship management by building a single view of the customer across product development, marketing and sales.

Most businesses will already have a pretty good idea where they could make some IT-supported improvements to their business. The question is, can they, and does the economic climate and the close-knit environment of small businesses lend itself to making the most from IT?

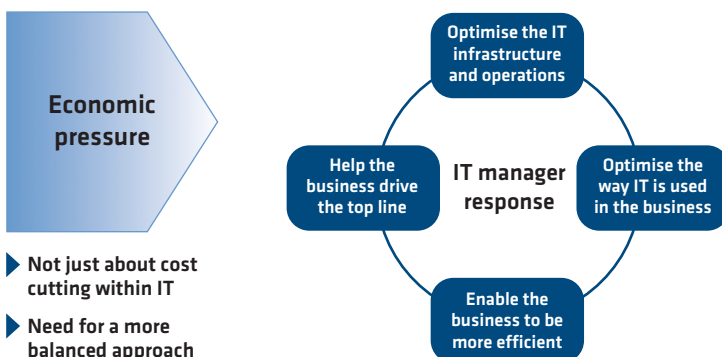
The first thing to acknowledge is that the right balance between all these elements will not be achieved by accident. During planning, disproportionate representation of one area – leadership or ownership, operations, finance or IT – over another is likely to create a skew in how IT is perceived and used by the business. The chances are that this dynamic is already established in your organisation. The important question is: can improvements be made for the good of the business instead of being beholden to a particular influencer in the business?

Again, the answer could be “yes, with a few caveats”. The caveats are not technical, but they do involve each stakeholder acknowledging the others’ priorities and goals. The finance director wants to control costs, the operations director wants a slick and efficient business, the owner wants to turn a profit.

As we have already discussed, there are opportunities for IT to make a positive impact across all these domains. Hence, the common goal – the good health of the business – is the focal point to bring different stakeholders together to prioritise what’s best for the business, instead of taking a course of action that only suits one particular stakeholder’s view.

In the current economic climate - a phrase you must be heartily sick of by now – no business can afford to avoid this critical, and possibly difficult, conversation.

Martin Atherton is research director at analyst Freeform Dynamic. Read the blog at: <http://freeform.computing.co.uk>





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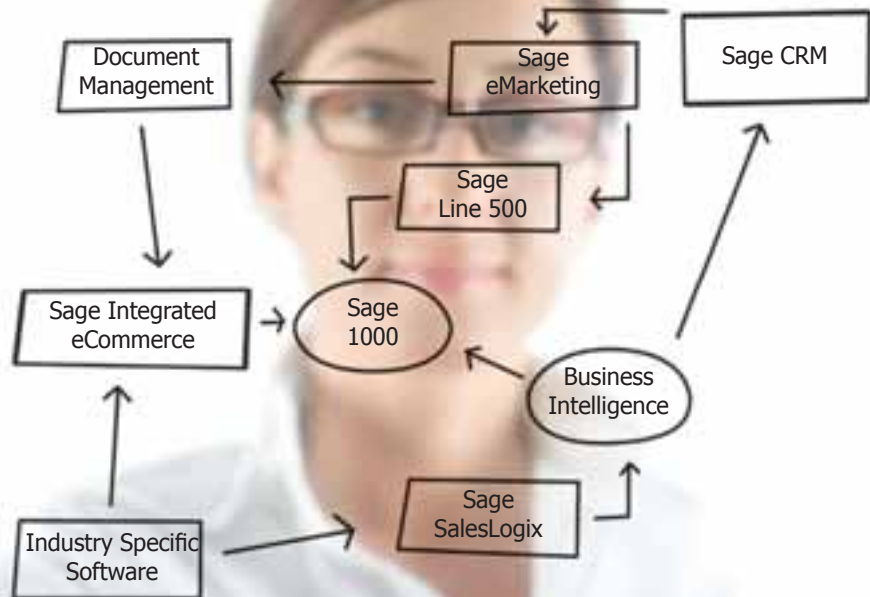


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