



Finance and IT – a special relationship?

Making proper use of information is the real challenge

By John McCarthy



People often perceive the Finance and IT functions to be inseparable. Some would even say that there is a special relationship between these two functions. What could give rise to this perception?

- Is it because accountants make good IT people? - depends on which side of the fence you sit!
- Is it because IT people make good accountants - not in my experience, although some IT colleagues would disagree!
- Maybe it is because accountants can achieve an obvious benefit from technology – this is true, but so can most sections of a business.

What could possibly explain this special relationship?

If a special relationship exists then this bond could be based on the fact that in a lot of businesses that I have come across, there is a perception that every ill that could possibly befall a business is usually the fault of IT or Finance. To be honest if IT and Finance allow themselves to be blamed - which they often do - then this allows the perpetuation of this myth. Of course IT and Finance have responsibilities within a business and are at fault when some things go wrong but not everything.

Take cash flow for example – the lifeblood of any business. I have seen accountants blamed for bad cash flow and the people doing the blaming can see no other reason why cash is constrained in the business. Since the

handling of cash is the accountants responsibility then it stands to reason that lack of it is also their responsibility – doesn't it?

Accountants who mis-manage cash can be held responsible for this mis-management but if the business is not generating cash is he/she to blame? Cash is generated by a business doing what it is supposed to be doing well. If the business is delivering a quality product or service to happy customers then invoices issued will be paid - if the credit control department are on the ball.

If however the business is not delivering the required quality to keep customers happy then cash will at worst not be collectable or at best be difficult to collect. If this is the case then it would not be unreasonable for the accountant in the business to point it out – forcefully.

A similar case can be made in the case of non-performance of IT systems. If the technology just does not work then of course it is the responsibility of your IT staff or supplier and they should be held accountable. If however the non-performance, as it often does, relates to 'user issues' then this needs to be pointed out – again forcefully.

Being the convenient fall guy could explain the special relationship between IT and Finance but perhaps there is another reason. In my view there is, and should be a special relationship between IT and Finance – and this is why.

An essential weapon in any business' arsenal is information. Having the information is

only half the battle; making proper use of it is the real challenge. Information Systems, which are properly designed and implemented, will produce valuable information. In common with any other production process it needs raw material, and in this case the raw material is data. Information therefore, is the product of applying Information Technology to data, which must be entered into a computer system in a consistent fashion. Whilst this may appear to be stating the obvious, this consistency, or lack of it, is a major reason why Information Systems implementations fail.

IT systems implementations succeed however, when the following steps are successfully achieved:

- Systems analysis
- System development / sourcing
- User commitment to procedures and standards
- Training
- System hand over and acceptance

So where is the special relationship? I often hear IT people giving out about accountants because 'they' will not spend the money. Maybe 'they' are indeed being unreasonably tight fisted and short sighted or maybe they are just good at their job. By good at their job I mean that maybe they are asking the right questions of the business and not getting the right answers. Since the accountant is responsible for control in a business it stands to reason that before any investment is made



they should ask for – and get – a sound business case for proceeding with the investment. IT people should also be asking for the same thing because unless the business case is sound the project is likely to fail and there will be no return on investment.

This is the special relationship

These are the questions:

Systems Analysis – Clearly stated requirements?

- Operating needs - Functionality required from a system
- Storage needs - Data that needs to be recorded and held in the system for future use
- Information needs - Information which you want to be available from the system

System development / sourcing – Does it fit?

One key objective in sourcing any system is that it is compatible and will integrate with systems which are already in place or planned.

User commitment – are the users on board?

To achieve success, it is imperative that use of any system must be based on clearly defined procedures developed in conjunction with the users.

Training – What training is planned and when?

People resist change when they fear the implications. So having defined the change required, people must be kept fully informed and trained before the changes are implemented.

System handover and acceptance – How and when will the end of the project be identified? (or how do we prevent ‘feature creep’ - which can keep a project going for ever!)

This is arguably the most important phase of any project. The system must be formally handed over to the users at the end of the implementation phase. From then on, it is the user's responsibility to operate the system.

So having asked the right questions it is important to keep your nerve and spend

enough money on the project – in other words...

By all means buy inexpensively from a reputable source – but for heaven's sake don't buy cheap.

Standards and Infrastructure

Ironically one of the easiest things to do on Information Systems projects is deliver the technology. Many Information Systems projects suffer though because of the quality and standard of the technology applied. There is no point in buying cheap and paying later in terms of lost time for users, extra technical support costs, etc. i.e. the much talked about ‘Cost of Ownership’.

All personal computers are not the same. All printers are not the same. All software is not the same, etc. Cheap technology is a major factor why IT projects fail. Computers, which are of a suitable quality and correctly implemented, should not need constant fixing. If you find yourself in this situation then maybe it's time to seek outside help to audit your systems and put a plan in place to rectify the root causes of the constant fixing. Not only will computer systems that are implemented to known standards be more stable and better suited to the job, but also problems when they occur tend to be more easily rectified when you are working within a known set of rules

Maintenance

Be aware of the critical parts of your system – It's not always just the server!

Assessing the needs of your maintenance contracts is similar to assessing your insurance needs. You are seeking to predict and minimize exposure to risk in your business. You can get cheap insurance, which, on paper will discharge your responsibility to carry it, but it may not deliver when you most need it. The same is true of maintenance contracts. It is one of the hidden costs of stable computer systems.

When choosing a service partner make sure that they have the staffing levels and skills to deliver on the commitments they make to you. Be prepared to pay reasonable rates to get the best contract.

Outsourcing IT

Depending on the business there may or may

not need to be staff dedicated to the IT function. One of the cardinal sins of smaller businesses is to dump the responsibility for IT on the shoulders of the manager who finds it easiest to turn on a PC. This is very often an accountant in the business! The end result of this is a stressed out member of staff struggling to do the job they are paid to do combined with maintaining computer systems. Staff are employed based on their core skills and experience (e.g. accounting, design, etc.). Don't mess about with their responsibilities – you and they will get short-changed and you won't get value for money.

Outsourcing the technical support aspects of the computer systems is a good way of dealing with this problem of competing priorities.

I know many Finance and IT people whose relationship is based on a mutual disrespect and would find it hard to consider the co-operation required for this special relationship. They are wrong. By making this relationship work both parties can achieve their objectives and make an invaluable contribution to the success of the business.

John McCarthy founded DWC Consulting Ltd in 1995. DWC specialises in working with small and medium sized businesses to help them implement technology successfully. For more information go to www.dwc.ie or contact John directly on johnmcc@dwc.ie or 086 2629185.

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