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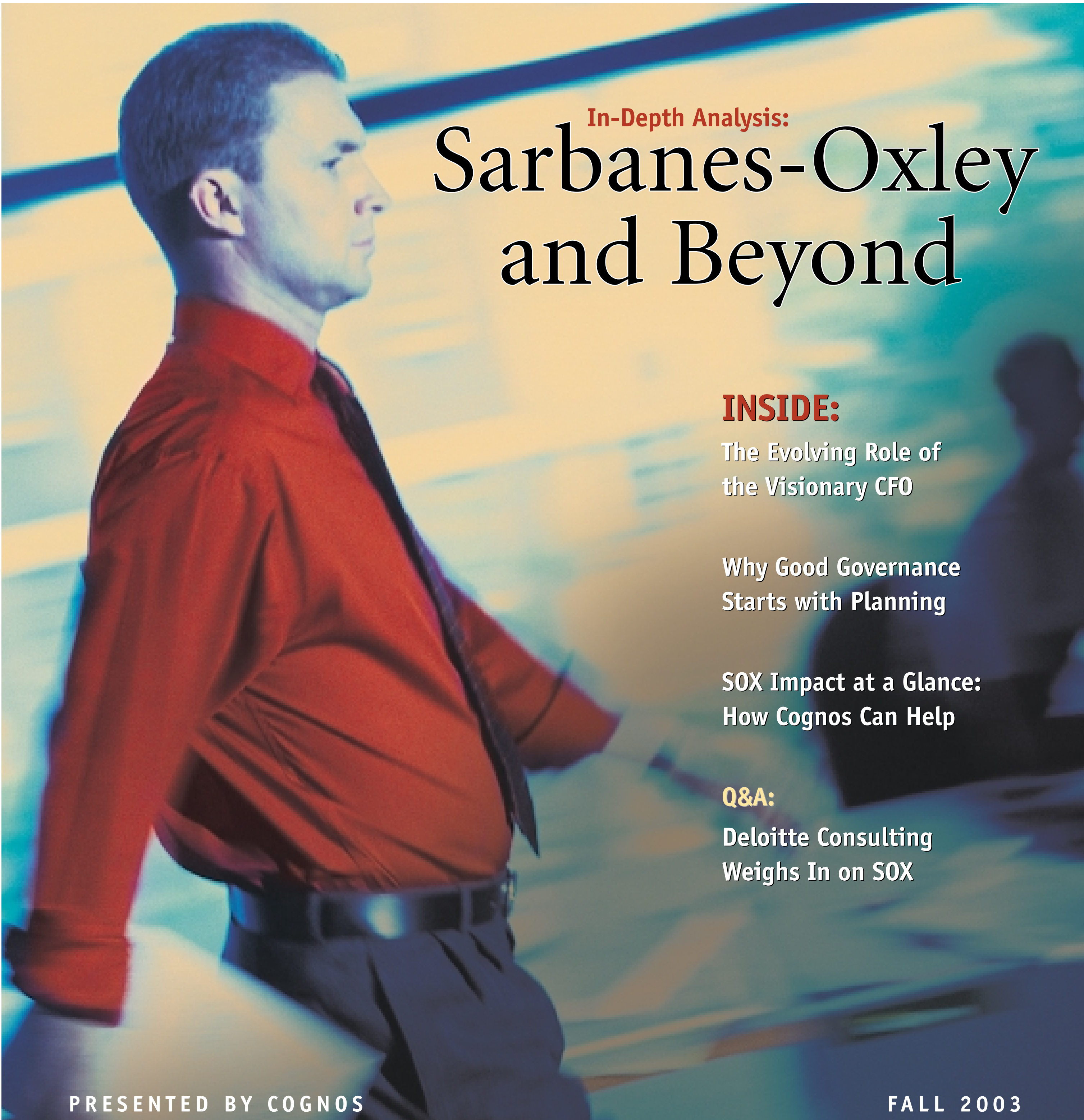
The Visionary CFO

Leadership in Corporate Performance Management



In-Depth Analysis:

Sarbanes-Oxley and Beyond

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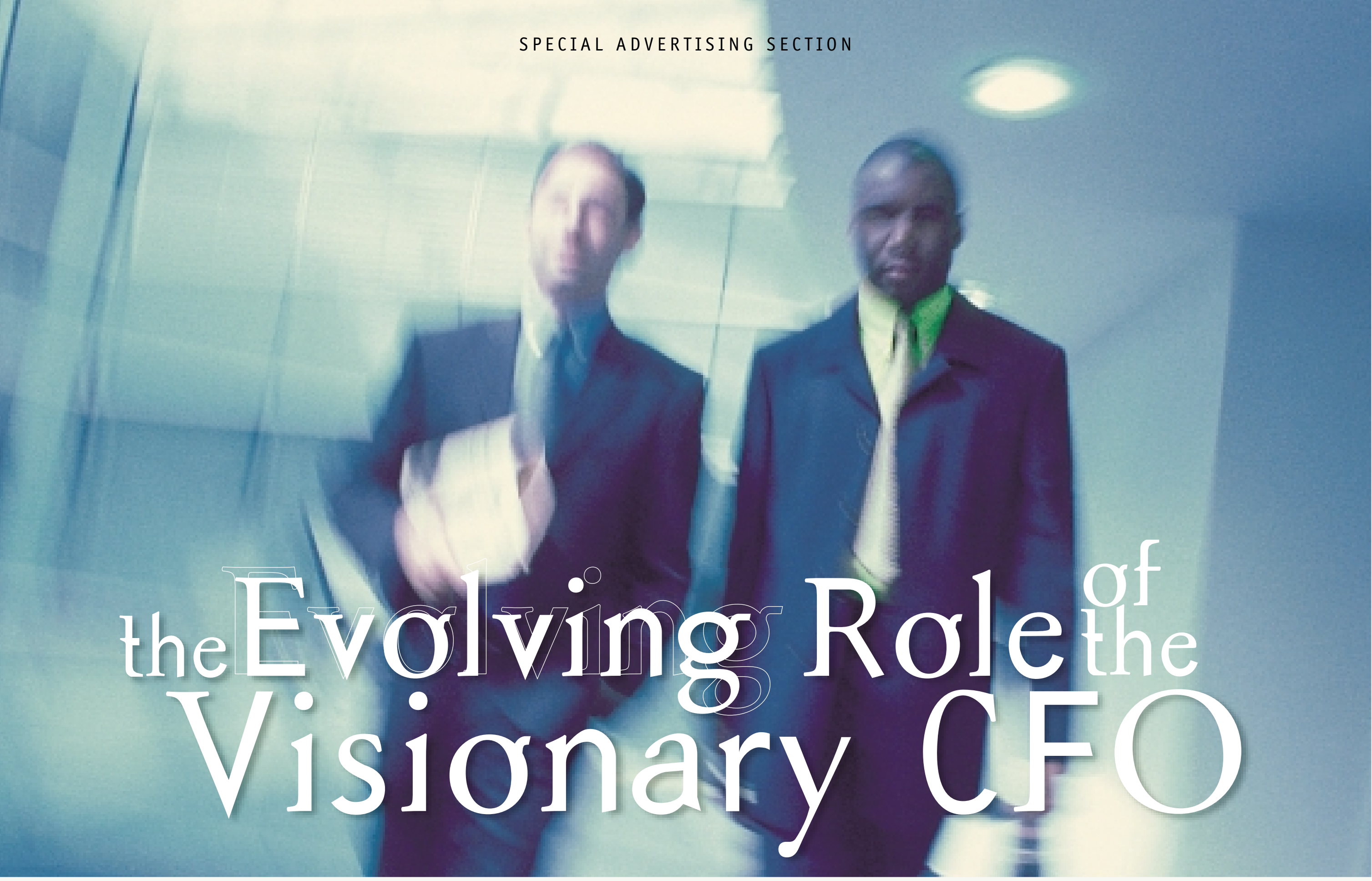
FALL 2003



the Evolving Role of the Visionary CFO

New Rules. New Roles. Sarbanes-Oxley Raises the Question: Is the Visionary CFO Steward or Strategist?

To paraphrase Charles Dickens, it's a good time to be a good CFO—and a *bad* time to be a bad CFO. Welcome to corporate America in the Sarbanes-Oxley era.

Arguably the most sweeping corporate-reform measure since the Securities Exchange Act of 1934, the "Public Company Accounting Reform and Investor Protection Act"—commonly known as the Sarbanes-Oxley Act of 2002 (or SOX)—dramatically rewrites the rules for corporate governance, disclosure, and reporting. Encompassing 11 Titles and 60 Sections, SOX calls for CFOs to navigate through such issues as the new Public Company Accounting Oversight Board (PCAOB), auditor independence provisions, certifications, enhanced financial disclosures, corporate and criminal fraud accountability, accelerated reporting windows, and much more. And the stakes are high: violations carry significant sanctions, including multi-million-dollar fines and prison terms.

That's the kind of pressure that gets the undivided attention of CFOs and CEOs, who have been placed in the hot seat together. Today, executives must certify their financial statements are true and complete—it's no longer permissible to shift accountability for the preparation and presentation of numbers to underlings. In addition, CFOs, CEOs, and their companies must scrutinize internal controls and attest to the capabilities of systems used for preparing financial statements. And then there are the shrinking windows for reporting: annual reports must be issued within 75 days (down from 90). Next year, that drops to just 60 days from the close of the fiscal year. The pressure won't go away—it only increases.

The Spirit of Sarbanes-Oxley

The goals and spirit of SOX are unambiguous and well-defined. Publicly traded companies must establish, document, certify, and maintain the financial integrity of their firms through systemic internal controls that provide:

- Accuracy
- Transparency
- Completeness
- Timely reporting

But the specifics of SOX aren't yet fully codified; many aspects of the Act are still being defined by various committees and commissions. That's why adhering to the *spirit* and principles of Sarbanes-Oxley will leave you better prepared to quickly conform to the final SOX requirements—from both a regulatory and a business perspective. "Unquestionably, the challenge for CFOs is going to lie in complying with the intent of this legislation," said Robert Kugel, vice president for Ventana Research. "But complying with Sarbanes-Oxley means making the enterprise more efficient and more effective as well."

In a story in the Aug. 10, 2003, issue of *The Chicago Tribune*, U.S. Sen. Paul Sarbanes and U.S. Rep. Michael Oxley voiced cautious optimism about the progress that regulators are making. "I think we're moving along well, but we're still in the process of putting the system in place and implementing it," Sarbanes said. "We think the culture is changing and attitudes are changing." Added his partner, Oxley, "We have more transparency, and we have more investor confidence because of that transparency."

The Pendulum Swings Back

Sarbanes-Oxley is also having a dramatic effect on CFOs and their role within the enterprise—how they view themselves and how they are viewed by others on the management team. Increasingly, those perspectives are at odds—as Deloitte Consulting found in a recent survey of several hundred executives at companies with a mean annual revenue of $2 billion.

In the past decade, a consensus emerged that the CFO, traditionally viewed as the "chief corporate steward," should shift focus toward becoming more of a strategic business partner. Now, in the post-SOX environment, Deloitte has found the pendulum has swung back (see next page). The restoration of institutional trust requires that CFOs act as the unique bridge between the CEO and the board of directors. This is especially true if SOX shifts the focus of corporate governance from CEOs to boards, as many believe will happen. Today, the visionary CFO recognizes this new mandate while continuing to lead from a strategic perspective.

Compliance: A Good Place to Start, a Bad Place to Finish

For many visionary CFOs, the requirements of Sarbanes-Oxley represent a unique opportunity to pursue and implement best practices for planning, executing, reporting, and analyzing business performance. As a result, CFOs are taking charge of SOX responses and actions within their companies. However, responses to the new challenges vary significantly. For some companies, SOX represents an enormous tactical undertaking. They view compliance as a series of tasks—from documenting internal processes and controls to reviewing records-retention schedules—and corresponding costs.

Visionary CFOs see things differently. They understand that compliance will require lots of money—the SEC estimates that companies will spend $1.5 billion initially and more than $1 billion annually on compliance. For them, the real question is: *Where's the return?*

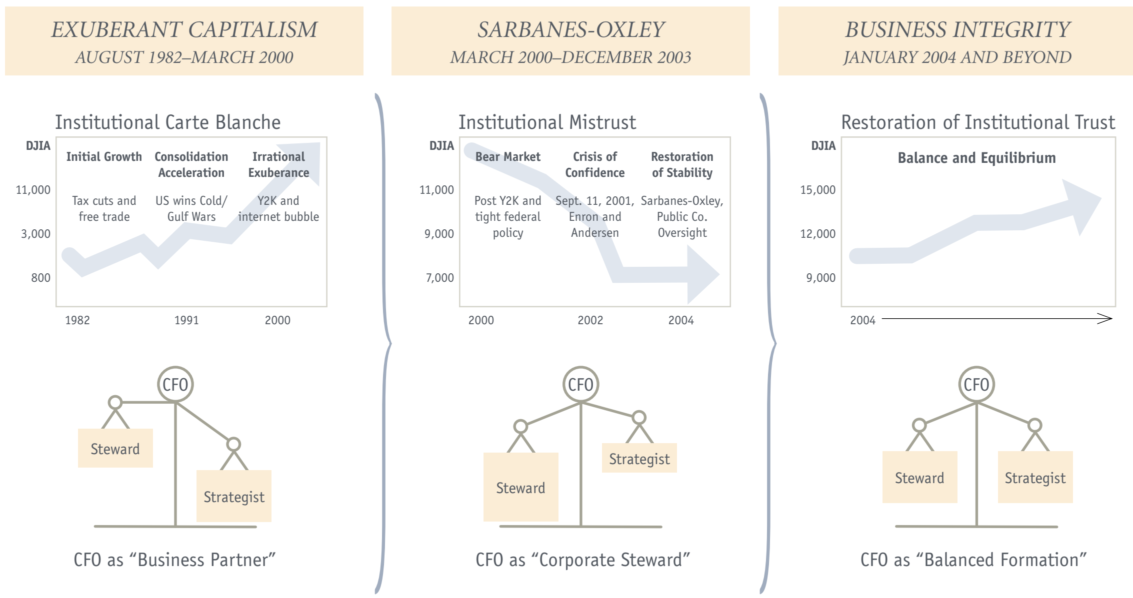
The fact is, mere compliance with SOX is a good place to start—but a bad place to finish. Compliance is necessary, but not sufficient. Confining your actions to simply meeting the SOX compliance standard is an inherently short-term view. The better course is to pursue SOX compliance not as a tactical, expense-based exercise, but as a longer-term investment in improving corporate performance—which is far more in keeping with the true spirit of Sarbanes-Oxley.

"There will certainly be a cost to compliance," noted John Haggerty, vice president of AMR Research in Boston. "But if you look at this strictly as 'table stakes'—a necessary cost of doing business—you're missing an opportunity. The most beneficial aspect of Sarbanes-Oxley is the opportunity to align goals, plan activities, and drive toward improved performance."

For many visionary CFOs, the requirements of Sarbanes-Oxley represent a unique opportunity to pursue and implement best practices for planning, executing, reporting, and analyzing business performance.

Conventional Wisdom

A consensus emerged during the last decade that CFOs, traditionally chief corporate stewards, were shifting focus towards that of strategic business partner. In the wake of recent corporate scandals and ensuing regulations, CFO focus is apparently shifting back to the steward role.



SOURCE: DELOITTE CONSULTING

Visionary CFOs seeking to reflect and comply with the deeper purposes of SOX know that compliance isn't about certifying a statement or documenting a process. It's about strengthening all of the company's systems of internal control to provide fast, accurate, and complete financial information for investors to make informed decisions. Improving these systems is inextricably linked with improving the performance of your company—and, as Deloitte & Touche points out, *that's where the real return lies.*

By effectively navigating this new landscape, the potential to revise and realize new corporate visions and achieve new levels of corporate excellence abounds. Forward-thinking executives will endeavor to harness the mandated changes to drive better business performance.[1]

20/20 Foresight

Ultimately, improving corporate performance starts with comprehensive, systemic planning processes. After all, the results that you report to investors are—hopefully—the product of a well-communicated, well-executed plan. That implies a need for broad, coordinated, rapid, and frequent planning and forecasting processes tied to clear and measurable goals and metrics.

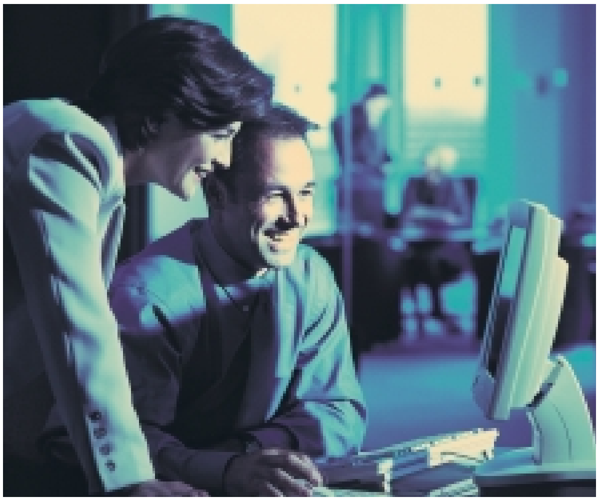
In a speech to the National Press Club in July 2003, SEC Chairman William Donaldson emphasized the merits of this approach. "Successful corporate leaders must therefore strive to do the right thing, in disclosure, in governance, and otherwise in their businesses," he said. "And they must instill in their corporations this attitude of doing the right thing. Simply complying with the rules is not enough. They should, as I have said before, make this approach part of their companies' DNA. For companies that take this approach, most of the major concerns about compliance disappear. Moreover, if companies view the new laws as opportunities—opportunities to improve internal controls, improve the performance of the board, and improve their public reporting—they will ultimately be better run, more transparent, and therefore more attractive to investors."

If you're a visionary CFO—assuming the mantle of vigilant corporate steward, bridging the gap between the board and executive managers, dedicated to complying with new SOX requirements—it's essential to keep this principle in mind: True corporate governance is the result of best practices in planning—they leverage one another. Rather than focusing on mere compliance, focus on executing sound, ethical business practices and plans. The rewards are not merely SOX compliance, but improved corporate performance, better financial results, and stronger shareholder loyalty as well.

1 "Moving Forward—A Guide to Improving Corporate Governance through Effective Internal Control," Deloitte & Touche, January 2003

Good Governance, Like Good Performance, Starts with Planning

Enterprise Planning Best Practices Help Make Employees Accountable for Both



Much of the attention devoted to the new wave of compliance regulations—such as Sarbanes-Oxley or the Basel II Accord impacting the governance of the global financial services industry—has focused on auditor independence, records management, and other matters. However, these regulations also prescribe sweeping requirements for disclosure, statement certification, reporting speed, and internal controls for accounting and financial reporting with significant penalties for non-compliance.

As a result, many companies are rapidly changing their enterprise planning processes. Why enterprise planning? Primarily because, at their core, compliance and financial disclosure challenges are—like planning—predicated on speed, predictability, completeness, and accuracy. Before financial statements are prepared and formal documents are filed, a business must create a trustworthy internal system of control devoted to planning, analyzing, and reporting performance. This increases the accuracy and, hence confidence in those disclosures. For executives charged with signing those statements and staking their careers on the accuracy of those documents, these goals are non-negotiable.

But what's the best way to implement enterprise planning and reporting to achieve the speed, accuracy, and predictability that good compliance processes require?

Achieving these goals implies a dichotomy—the ability to look forward and backward at the same time. For the visionary CFO, the road to compliance begins with tackling the forward-looking view.

Without planning processes that support clear communication of company objectives and the ability to quickly adjust expectations, company performance is vulnerable to unfolding events, buffeted by unforeseen factors, and lacking a predictability that investors and regulators are now demanding.

BEST PRACTICE #1

Take A Wider View of Planning

For many, enterprise planning connotes budgeting and *financial* planning—that is, a more highly evolved manner and process of number-crunching. That's an understandable starting point and frame of reference for any CFO, but there's more that awaits the visionary CFO. Properly and fully deployed, enterprise planning is about much more than mere *financial* planning or budgeting. It's about *performance* planning.

Enterprise planning—particularly as it pertains to compliance issues—implies collaborative, forward-looking planning processes that break through functional silos and touch all areas—from finance, marketing, and sales, to human resources, manufacturing, and beyond. That style of planning offers the potential to rewrite the employment contract between executives and employees by personally connecting individuals to the corporate plan *and* the resulting compliance. Enterprise planning distributes accountability—for both corporate performance and corporate governance—throughout the enterprise.

BEST PRACTICE #2

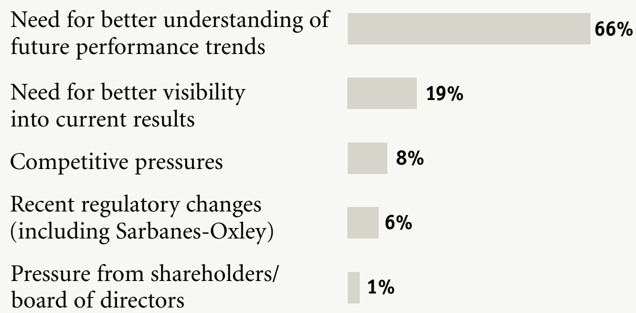
Compliance Requires High Participation

Few employees relish the idea of planning and forecasting. Despite its importance, it's something that most feel is largely unrelated to their primary job function and responsibilities. As many businesses seek flatter hierarchies to achieve a leaner, more efficient organization, enterprise planning needs to

The Impetus For Change: Performance, not Compliance

A recent poll by Cognos of several hundred financial professionals posed the following question:

What factors most influence your company to consider improvements to its financial processes and systems?



reflect and support this important development. Instead of the old-style command and control model—where a few people dictate goals, objectives, targets, and activities to the masses—enterprise planning engages a broader constituency and gathers input from a wide variety of contributors.

Best-practice enterprise planning derives its very strengths—precision, completeness, and speed—from the fact that it draws on the frequent insights and expertise of a wide swath of contributors. These people aren't necessarily planning professionals—they're the front-line employees, managers, and directors who are closest to the actual operating activities of the business. By asking them to participate in planning and getting their frequent input on performance against plan, enterprise planning secures their buy-in. Just as important, it's far easier to hold them accountable for their performance when they have a larger role in setting targets and objectives.

BEST PRACTICE #3

Focus on Long-Term Execution by Understanding Value Drivers

Robust enterprise planning can bring dramatic improvements to an organization's performance simply by helping it spend less time on mechanical and clerical issues. More value is added as employees spend more time evaluating scenarios, performing what-if analyses, and identifying the *best* choices for the company and driving superior execution of strategies—and ensuring tighter adherence to compliance statutes as well. After all, today's plans are tomorrow's results.

But the best approach is to take enterprise planning even further—to focus on long-term *value-creating execution* by identifying, understanding, and leveraging the key drivers of the business. If a department manager must provide 250 budget line-item inputs—in dollars, not business terms—he is more prone to focus on short-term dollar constraints. Instead, drivers shift the manager's horizon. They broaden the manager's ability to create different scenarios for making the *right* long-term business decision by enabling him to analyze the problem and choose a course of action in *business terms*.

When profit pressures arise, the natural (albeit short-term) reaction might be to cut costs in order to achieve greater profitability. However, there may be unexplored options for easing profitability pressures that involve long-term value creation, not merely slashing expenses. By examining and analyzing *other* key business drivers, the reaction to profit pressure becomes more than an exercise in minimalization.

For example, declining demand might seem like an invitation to *increase* demand-generation activities. But can you be sure those added costs will be recouped through a corresponding increase in sales? Rising supply costs could trigger negotiations with suppliers for *higher* volumes and correspondingly *lower* per-unit prices that make more sense in the long run. If the manager can view these situations in her own business terms—i.e., the business drivers—she is far more likely to provide a better value-creating answer to the problem.

BEST PRACTICE #4

Rolling Forecasts and Smarter Performance

While it's relatively simple to create a business plan by reviewing historical data points and drawing a straight line into the future, that's merely "business-as-usual" planning. Not everything proceeds on this basis, and "straight-line planning" is often an abdication of management responsibility—and a recipe for compliance problems.

External disruptions and unplanned events—such as strikes, supplier recalls, or natural disasters—can shred even the most well-crafted plans. And while long-range plans—ones that have, say, a three-to-five-year horizon—might remain largely intact, the short-term picture can be reshaped dramatically.

The problem for many enterprises lies in the delay between shifts in the business environment and the detection, measurement, and analysis of those shifts. Those gaps can have a serious effect on your compliance initiatives. It's impossible to disclose—much less solve—a problem that you don't know exists. Command hierarchies delay that information from reaching the attention of decision-makers—an especially troubling challenge, considering how reporting timeframes are shrinking.

Instead, you need vigilance with leading indicators and the ability to incorporate the very latest drivers into revised plans and forecasts. This reflects the nuances of your historical performance as well as macroeconomic conditions, future goals, and projected capabilities and capacities.

BEST PRACTICE #5

Timeframe-Appropriate Planning

Properly structured, a performance management cycle aligns all of the appropriate plan elements, performance contributors, and business cycles. What's more, the method used to derive a forecast is appropriate to and varies with the planning timeframe.

For example, when compiling a sales forecast, the revenue projections for the next three months might be event-driven, based on specific sales opportunities in the pipeline and their progress in the sales cycle. For three to 12 months out, the figures could be based on the number of trained sales personnel and their productivity rates. Beyond 12 months, the forecast might be heavily influenced by market growth-rate assumptions.

Consider that a shipbuilder—with the massive capital and infrastructure investments required to take facilities online and offline—might find that a 20-year planning horizon is appropriate. Or a pharmaceutical company might have a multi-year planning horizon that reflects the lengthy process of drug discovery, development, and clinical trial. By contrast, a brewery might use a planning cycle that aligns with hops growing seasons.

This can be a particularly tricky thing to accomplish with the most popular planning tool of choice—spreadsheets—given their two-dimensional limitations. Newer planning technologies have the flexibility to support different modeling techniques for the same variable, depending on the timeframe under consideration.

Planning can play the leading role in corporate governance initiatives. The co-linear requirements of planning and compliance—accuracy, speed, clarity, and completeness—suggest that companies that focus on best practices in planning will better position themselves to conform to existing and emerging compliance regulations.

Allied Building Has All Sides Covered

Internalizes Sarbanes-Oxley's Certification Requirements

For Allied Building Products Corp., voluntarily complying with the Sarbanes-Oxley Act of 2002 is the result of solid business planning. Even though the US$700 million company is a division of Ireland-based CRH, a multinational building-materials conglomerate, Sarbanes-Oxley figures prominently in its business planning processes.

"More than half of our parent company's profits originate from operations in America—including Allied Building," explained Brian Reilly, chief financial officer for the manufacturer of residential siding, windows, and roofing. "The fact is, regardless of whether CRH *needs* to comply with Sarbanes-Oxley, it's something we *want* to do—up and down the corporate chain of command."

Previously, Allied relied on a hodgepodge of spreadsheets for planning and budgeting. "We're growing fairly quickly—about 50 percent over three years," Reilly said. "Spreadsheets weren't the solution for us any longer. They were fragile and vulnerable to accidental or deliberate changes, so we were constantly worried about the integrity of both our results and our process, which is a particular Sarbanes-Oxley concern."

"AS WE GROW, WE NEED TO MOVE FASTER. WE ALSO NEED THE CONSISTENCY AND CONFIDENCE THAT COGNOS PROVIDES."

In response, Allied Building implemented an enterprise planning solution from Cognos to provide greater speed, accuracy, and completeness to both the planning process and the analysis of results. "As we grow, we need to move faster," Reilly said. "We also need the consistency and confidence that Cognos provides. Now, we can ask two different analysts two different questions and get two answers that have a common source and appearance. We can compare apples to apples. And we can do it faster. Cognos lets us see things faster and make better decisions earlier."

That confidence is reflected in the way that Allied and its parent certify financial results. "Every division must certify and sign its financial results at a local level where we all have control and accountability," Reilly said. "And each company CFO and CEO must sign and certify those same results. It all rolls up to our corporate headquarters in Ireland. This is much better than having a very nervous global conference call when the pen is in the CEO's hand."

SOX Impact at a Glance: How Cognos Can Help

Investor confidence is a function not only of accurate reporting of past performance—where Sarbanes-Oxley exerts the majority of its influence—but also of accurate communication of current and likely future performance.

The visionary CFO continually monitors forward progress against performance goals to identify variances from plan or inconsistencies with information previously communicated externally. This forward-looking view enables disclosure of material changes (Sarbanes-Oxley section 409) and, more important, provides a window for management to make adjustments that will put the business back on course.

Cognos is uniquely qualified to help companies in key areas of Sarbanes-Oxley compliance. With a broad family of solutions for corporate performance management, Cognos helps organizations *drive* performance with planning and budgeting, *monitor* it with scorecarding, and *understand* it with enterprise reporting and analysis. What's more, the Cognos approach is platform- and data-independent to provide the greatest level of flexibility in accommodating heterogeneous data sources and applications.

The following table highlights how Cognos can directly support key Sarbanes-Oxley compliance initiatives.

SEC RULES: Certification

Detailed Requirements:	The Questions for You:	How Cognos Can Help:
Principal executive and financial officers must certify that: > They have reviewed quarterly and annual filings. > Based on their knowledge, the report does not contain any untrue statement or omission of a material fact. > Based on their knowledge, the financial information presented in reports fairly presents the financial condition and results of operations for the period presented in the report.	> Are you confident in your quarterly and annual report numbers and the process that delivers them? > Do you have a consistent view of numbers, across departments, divisions, and geographies? > Is your budgeting system driven by disconnected spreadsheets prone to human error?	In the midst of a changing environment, Cognos provides: > The means to unify your data and deliver "one version of the truth." > Enterprise financial consolidations and financial reporting to ensure accuracy in delivering the right reports. > The ability to drill down on numbers to see what underpins them. > Flexibility for users to define rules associated with financial information capture and reporting. > Increased data accuracy and reduced errors. > Effective financial process definition and tracking for confident certification.

SEC RULES: Disclosure Controls and Procedures

Detailed Requirements:

> Certification must be included in annual and quarterly reports.

> Companies must establish and maintain a system of disclosure controls and procedures to meet reporting obligations.

Principal executive and certifying officers must:

> Maintain controls and procedures related to disclosure and design them in a manner that ensures that material information is made known.

> Evaluate the effectiveness of these controls and procedures within 90 days of the date of the report.

> Present in the report their conclusions about the effectiveness of controls and procedures, and any significant changes.

> Disclose to the company's auditors and audit committee all significant design deficiencies for internal controls that could impact the ability to record, process, summarize and report financial data.

The Questions for You:

> Are there weaknesses in your disclosure processes? Can you identify them?

> Do you have adequate operational visibility to assess events potentially requiring disclosure?

> Are your people aware of the new material events the company must now disclose?

> Can you adapt forecasts and plans in the face of sudden material changes? Can you quantify the impact such events have and deliver a strategy that maintains investor confidence?

How Cognos Can Help:

Cognos supports effective and transparent financial processes to meet the stringent new requirements for process transparency and consistency.
Cognos offers:

> Scorecarding that communicates focus throughout the organization, and aligns the front lines with corporate strategy.

> The leading reporting and analysis solution that lets you see into your business to the necessary level.

> Enterprise planning that provides a view of your business risks and opportunities ahead of market cycles.

SEC RULES: Accelerated Reporting

Detailed Requirements:

> Filing deadlines for quarterly reports on Form 10-Q and annual reports on Form 10-K will be accelerated for companies that have a public float greater than $75m, have been filing for at least 12 months, and have previously filed at least one annual report.

Changes being phased in over the next one to three years:

> Annual report deadline will decrease from 90 to 75 days and subsequently 60 days for thereafter.

> Quarterly report deadline will remain 45 days for year one, 40 days for year two, and 35 days for year three.

The Questions for You:

> Can you file annual reports in 60 days, rather than 90? Can you file quarterly reports in 35 days, down from 45?

> Can you close books quickly and accurately in the face of currency translations, different GAAPs, and other multinational issues?

> Would you know about the loss of a significant customer, or change in key supply-chain elements, within two business days of that event?

How Cognos Can Help:

Cognos provides:

> Dynamic scorecards updated with live data to alert you to key changes easily and quickly.

> Integrated reporting and analysis allowing you to drill down on scorecards to understand what happened.

> Event notification for alerts based on business parameters you define.

Beyond the First Hurdle

Deloitte Consulting on Turning Costs into Opportunity

In a recent panel discussion, Deloitte Consulting partners Rich Cohen, Lee Dittmar, Rick Harrison, Michael Ippolito, and Dennis Sheehy shared their views about the opportunities and challenges for CFOs in the age of Sarbanes-Oxley.

How does a visionary CFO respond to the challenges of Sarbanes-Oxley?

COHEN: I think the first and most important response is to ensure that one doesn't view strict SOX compliance as the end game. It isn't. The goal is to improve disclosures, accountability, and financial process controls.

DITTMAR: That being said, we can't overstate the importance of CFOs immediately adopting a business imperative around full compliance with Sarbanes-Oxley. The act fundamentally changes the business and regulatory environment, and public companies can't afford to underestimate the task ahead. The clock is ticking on compliance and any delays in dealing with the issue may have serious consequences.

SHEEHY: A visionary CFO ought to be thinking about what the value of this process could be to shareholders. Some analysts estimate that SOX compliance will cost $1 million for every $1 billion in revenue. That's without extensive system changes that could be required and this figure may prove to be conservative for some companies. But you mustn't look at this as some unavoidable tax or cost of doing business. The visionary CFO will understand this is an opportunity to differentiate the company—and perhaps ultimately lower the cost of capital relative to his or her competitors.

How can Sarbanes-Oxley be used to a company's advantage?

COHEN: Well, if you can implement a better financial reporting system that enables you to close the books faster, release financial statements faster, and improve the quality of information, ultimately that translates into a more attractive security for investors to own. The companies that become known for transparency, accuracy, predictability, and timeliness of their information will be the companies that investors gravitate to.

HARRISON: Thinking about the CFO, his or her credibility naturally influences shareholder value. And—under the proper conditions—that is a virtuous cycle for both the company and the investor.

DITTMAR: Compliance with the letter, let alone the spirit, of Sarbanes-Oxley may be a daunting task. But in order to reach a higher level of corporate integrity and performance, compliance with the law in and of itself may be inadequate. A CFO cannot differentiate his or her company simply by complying with the law. Compliance is absolutely necessary, but it is table stakes. The capital markets will look for more. In the competition for capital, companies that distinguish themselves in the quality of information will have a real advantage. Good companies with strong financial performance and "performance transparency" will get the cheapest money.

How should a visionary CFO define Sarbanes-Oxley success?

IPPOLITO: It's really the difference between corporate governance and corporate performance. Compliance is the necessary condition—you know, making sure you meet 302, 404, 409, 802, and the other non-negotiable elements of the Act. That entry point is significant and it includes more than just internal control. There are additional material requirements concerning rapid and current basis disclosure, financial statement certification, and record retention, to name a few. But again, that's just the entry point. True success lies in capitalizing on the hidden opportunity. If you're looking at a multi-million-dollar cost, you want to find a way to apply a little jujitsu—use the weight of that cost to your advantage.

How can those SOX-related costs be leveraged?

IPPOLITO: The best example I can give is the idea of self-funding SOX compliance. Instead of spending millions of incremental dollars to comply with SOX, what if you could also generate improvements in your information flows and closing processes such that the savings actually paid for the cost of the compliance initiatives? We're seeing that with some of our clients. The improved control processes and analytics produce a benefit in excess of regulatory requirements—they improve the performance of the business itself.

DITTMAR: That's right, Mike. The CFO needs to view Sarbanes-Oxley as an opportunity by believing that improvements can and should be made to enhance the quality of the financial information and the performance of the business. It's really that simple. The opportunity is to use the compliance mandate as a driver to make changes that reduce risk, improve controls, and enhance company performance. Change is always difficult for organizations. But the business case for certain changes is stronger than ever. Standardization and simplification of processes, data, and systems should be high priorities for the CFO who recognizes the opportunity.

Are there any hidden issues to keep in mind?

COHEN: One big issue in the SOX environment is that information requirements of investors are still evolving. We could see the bar raised in terms of what companies need to disclose and how quickly they need to disclose it. Ultimately, the combination of lower tolerance for risk and increased demands from investors for real-time disclosure will increase what needs to be disclosed and when.

SHEEHY: There will also be a significant impact on systems supporting the flow of financial information—and that goes for not only the classic general ledger and financial reporting applications, but also for business intelligence, document management, internal control, and any of the transaction systems that eventually flow up to the financial statements. The key is to understand the full requirements of compliance and the opportunities for performance improvement. Plan the architecture to be scalable and flexible enough to deal with near-term uncertainty. Choose market standards as your base. And don't try to do everything at once. Sarbanes-Oxley is a journey, where ultimate success is compliance with the law while finding ways to improve the business.

"THE COMPANIES THAT BECOME KNOWN FOR TRANSPARENCY, ACCURACY, PREDICTABILITY, AND TIMELINESS OF THEIR INFORMATION WILL BE THE COMPANIES THAT INVESTORS GRAVITATE TO."

SOX RESOURCES FOR THE VISIONARY CFO

For more information on SOX compliance and the implications for corporate performance management, visit www.BeyondSOX.com.

About Cognos

Cognos delivers integrated, scalable corporate performance management solutions that let organizations drive performance with enterprise planning and budgeting, monitor it with scorecarding, and understand it with business intelligence reporting and analysis. Founded in 1969, Cognos serves more than 22,000 customers in over 135 countries.

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