



# GARTNER'S MAUREEN O'CONNELL: *Be a Business Partner First*

*The CFO of Gartner Inc. tells financial professionals how to weather the current global economic climate and help their companies prosper.*

BY RAMONA DZINKOWSKI

The evolving business climate of the last 10 years has changed the role of the CFO in America's companies. Diverse industry groups have been affected in different ways by global economics, and CFOs have had to help steer their companies through the many challenges and opportunities created by swings in corporate investment and consumer demand. Particularly in the last two years, CFOs have had to weather an economic storm while responding to increased demands for improvements in corporate accountability and financial governance.

In this exclusive interview for *Strategic Finance*, Maureen O'Connell, CFO of Gartner Inc., provides her insights on the concerns of the CFO today, how the role of the CFO has changed to meet America's changing business climate, and how current political and economic events might impact her company specifically and financial management in general. Gartner Inc. is an industry research, consulting, and conference company serving the IT sector. The company has more than 10,000 organizational clients and operates from more than 75 locations worldwide. Maureen O'Connell joined Gartner in September 2002 from Barnes & Noble, Inc., where she held the positions of chief financial officer and executive VP of finance. Prior to joining Barnes & Noble, she was the CFO of Publishers Clearing House.

## SWITCHING GEARS

R.D. You've recently come to Gartner, an IT service, consulting, research company, from Barnes & Noble, the world's largest book publisher. Is there a difference in the concerns of a CFO in book publishing vs. IT consulting/research and events?

M.O. Barnes & Noble has a different business model than Gartner. Barnes & Noble is a retailer whereas Gartner's core business, research, is based upon a content model. We provide information via our website, gartner.com, to our customers, and they pay a subscription fee. It's very similar to other businesses that I have been involved in, which are content and subscription based, such as the magazine industry. In any business, whatever the business model, the focus for the CFO is how to maximize profits and how to help business units meet their strategic objectives. For example, at Gartner, we have introduced products that merchandise our content in new ways for specific audiences, such as Gartner Invest. As CFO I was involved in the planning for the product launch.

R.D. Having experienced the largest companies in two distinct industry sectors in the last two years, in your opinion, how has the economic downturn affected them?

M.O. Both industries were somewhat isolated from the recessionary environment of the last two to three years. In the book publishing industry, revenues were saved by the fact that it's a predominantly consumer-based business. Low interest rates freed up incomes, and consumers continued to spend, so we weren't dealing with a shrinking market at Barnes & Noble.

In contrast, the technology sector has experienced a downturn in the last two years. But Gartner didn't experience a comparable downturn. We've had the opportunity to advise our clients, whether they were in a growth situation or whether they were in a situation where their revenues were contracting. Our value proposition is to provide advice on how to save costs, how to make better decisions, and how to deploy capital better. Those decisions are just as important in a growing economy as in an economy that's shrinking.

Each year, Gartner, just like any other company, evaluates resources both in terms of human capital and facilities. We determine where to invest, as well as where we should reduce our investment. As far as what our opportunities are in 2003—between ourselves and our competitors we have less than 30% of the potential market, so there is a real opportunity to further penetrate the

market. Seventy percent of companies with revenues of \$1 billion or more do not buy from Gartner or anyone else. Through our new sales strategy, focused on named accounts, we have the opportunity to increase our market penetration. We are also an international company, with about 32% of our revenues generated outside the U.S. There is still tremendous opportunity to grow organically, despite the downturn in the IT market. We've increased our focus in Japan, for example, which is a major technology market, with the aim of getting a higher penetration rate than we currently have.

## THE ROLE OF THE CFO

R.D. You have been called one of the "Financial Executives Who Will Make a Difference in the Next Decade." What does making a difference mean now vs. 10 years ago?

M.O. Ten years ago the focus of the CFO was much more on control, asset management, and safeguarding assets. Over the last 10 years, however, given the growth of the economy and the strategic focus of business, the role of the CFO has changed. The CFO has to be a business person first—a business person with a strong financial background who can support the other business leaders. Being a good business person is critical, as is not losing sight of the fact that there has to be integrity in the numbers and strong internal controls. Also, as we all know, technology has evolved over the last 10 years and impacts all business decisions. Consequently for the CFO, understanding technology has become a major part of the job.

R.D. The ethical scandals of the last two years have put tremendous pressure on both the corporate community and the accounting community in the U.S. to increase transparency, clarity, and simplicity in their accounting practices. Has the role of the CFO changed over the last two years, given the new and evolving relationships between the internal auditors and the executive and the external auditors and the executive?

M.O. First, regarding clarity and simplifying things, it has always been the CFO's role to be sure that the information being provided by a company is understandable by the investors. If you aren't giving clear information, you aren't really servicing the investment community, but at this time there's a spotlight on it. The role of the auditors, both internal and external, has always been critical. I consider them my partners. We work together to make sure that the controls are applied and that we are operating as successfully as we can. I don't think that has changed at all.

R.D. The fraud squad at the SEC or, as they have called themselves, "The Untouchables," are turning up the heat on the corporate community to increase transparency in the financial and management reports. What can the CFO do to restore investor confidence above and beyond their traditional roles?

M.O. Of course the increased scrutiny from the SEC has caused companies to reassess whether they have appropriate corporate governance, whether their boards are independent, and whether their relationship with the external auditors is objective. In this, the CFO is instrumental in ensuring a strong control environment. Yet investor confidence is primarily restored with a company's performance. If you say this is what you're going to do, and you do it consistently, if you put out guidance that holds up, then investors will believe in that. Also, the integrity and accuracy of the numbers being reported remains incredibly important.

R.D. What must a company's financial statements project now vs. 10 years ago?

M.O. What is required now is more clarity and more detail. In the past, financial statements were written toward people who were accountants or only people with those kinds of degrees that could understand them. Now they are being written for a more general audience of investors and business professionals. There's a new focus on trying to report in a way that every investor can understand.

R.D. How do you see management representations changing, and do you see that more information is necessarily better?

M.O. It obviously depends on what the information is. If you operate in segments, it's important for investors to know which segments are performing better than others. Anytime that more information clarifies the story, then it is helpful.

R.D. Do you see overall financial management strategy changing in the light of the current crises in accounting and auditing? Will companies shy away from certain equity or financing structures as a matter of course because they are too complex and likely to be flagged by the SEC reviewers?

M.O. I think that there is an increase again on substance over form, so in the past maybe some people entered into structures to remove debt from the ledger and knew full well what they were doing. And they did that in order to

improve what their financial situation looks like. I think those types of structures that were meant to deceive will certainly come under greater scrutiny.

## CURRENT EVENTS

R.D. U.S. domestic economic policy has focused on stimulating growth through reducing taxes. In your opinion, will President Bush's plan to remove the private tax on dividends have any direct impact on corporate finance practices?

M.O. Companies are constantly looking at ways to maximize shareholder value, and there are various ways to do that. Invest in growth and buy back stock, for example. If dividend taxation is removed, I think that would become an option that is more attractive. But it would be viewed in light of the many strategies you have to maximize shareholder value.

R.D. As a by-product of the threat of global terrorism, the world is not only concerned with personal safety but with the security of the systems that the public and private infrastructure depends on. How might the current crises in international security impact Gartner's line-of-business focus?

M.O. Interestingly, we are actually experts in this area. One of our security analysts recently conducted a war-games exercise in cyberterrorism with the U.S. Naval War College. Government has always been a strong sector for us for a number of reasons. We're independent and not tied to any specific technology, so we can give objective advice. Furthermore, making sure that technology is secure in this technology-driven economy has always been our focus.

R.D. Is there any other advice you would like to add for CFOs as to how to best serve their companies in this economic and regulatory environment?

M.O. The CFO must first ensure that they have the appropriate controls in place and that the numbers are accurate. Next, and equally important, they must partner with the business units to help them maximize profit and meet their strategic objectives while, at the same time, evaluating how to assign resources to various, often competing, initiatives. ■

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