



## **Chapter VIII**

# **Optimal KM/WM Systems in Finance**

## **Issues**

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- To contrast conventional wisdom with an enlarged view of wisdom for financial activities
- To examine the important factors underlying the development of an effective finance model
- To explore the area of financial performance as it relates to an optimal KM/WM system
- To examine an optimal KM/WM system application that is evolving over time

## **Introduction**

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Typically, in the past, an organization's ability to manage and leverage its financial and related accounting operations went a long way to ensure its survival and growth. However, due to even faster changing times, an organization is particularly sensitive to its financial performance in the short to long run. A successful company in the 21<sup>st</sup> Century is one that does the best job of *leveraging its financial capital and intellectual capital*. It must be able to accommodate the massive changes in the business world, which include technological innovations, unexpected commercial alliances, industry transformations, and a host of powerful social forces. Many of these changes are linked directly or indirectly to the Internet. Astute financial

decision makers need to employ the latest information systems technology that allows them to judge soundly about their decisions in the short run to the long run. In this manner, financial decision makers will be able to better optimize their financial and related accounting operations.

Within this context, the chapter examines initially a company's visioning and its challenging goals. The relationships of globalization to optimal financial decision making and the need to take a global financial and accounting viewpoint are examined. An enlarged view of connecting "points of wisdom" in finance that are set forth in a number of newer management principles. Next, the essential elements that underlie an effective finance model for optimal KM/WM systems are examined. In turn, a finance model and its sub-models found in optimal KM/WM systems are set forth. Because the text centers on making effective or wise financial decisions today and tomorrow, the area of financial performance is examined in some depth. In addition, an optimal KM/WM system in finance is given that takes a holistic approach to a firm that is experiencing growing financial problems. Overall, the main thrust of the chapter is assisting decision makers in accumulating financial wisdom to undertake the appropriate future opportunities and resolve pressing problems that cut through important relationships that connect "points of wisdom".

## **Visioning and Challenging Goals Underlie Effective Finance and Accounting Activities**

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Related to finance and accounting activities in an optimal KM/WM system-operating mode is a tie-in with a company's *visioning*. For a typical company, top-level decision makers must want their companies to be the leaders in their industries to better serve their customers. Visioning is not merely financial long-range planning intended to realize more sales, but a fundamental change in how the company must change to become more competitive or achieve a leadership role. Visioning is linked directly to realizing goals set forth by visionaries (who can be assisted by utilizing goal programming) and the development of new products and services (can be realized by using a venture analysis modeling approach). In turn, there is linkage to a company's critical success factors (CSFs) and key performance indicators (KPIs) along with financial ratios. Essentially, visioning centers on furthering a company's objectives and goals for growing an optimized organization. The ability of decision makers to judge the soundness of their financial operations about what needs to be done using optimal KM/WM systems is the underlying theme of this chapter.

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