Making Connections Between CFO and CIO

By Anthony Cusimano

Are the CFO and the CIO friends or foes? One of the biggest workplace challenges I've observed during my career with some of the leading names in the enterprise resource planning (ERP) and business performance management (BPM) technology space is how the roles of the chief financial officer (CFO) and chief information officer (CIO) are seemingly at odds in leading their respective organizations. This can be so great a challenge that it can impede company growth.

As technology has evolved, CFOs and their teams have become technologically savvy with a strong desire to cut through the weeds and get directly in touch with the data to support the tactical and strategic needs of the business. The information technology (IT) department, led by the CIO, historically has been very protective of the organization's information environment. Managing both the infrastructure and the databases that collect the information that management uses to make critical decisions is key to the future of any successful organization. The CIO is concerned about data integrity, security, and access to the organization's most sensitive data.

Many times these two key functions are at odds in how they view the organization overall and the infrastructure needs of the business. The technology revolution of the past 20 years has forced CIOs to adapt in a number of ways, and their ability to adapt is important to their success as a leader. In some cases, changes are forced on the IT department from internal sources, such as the CFO, as well as external sources resulting from technology changes.

In some cases, the CFO views the IT organization as a necessary function in order to collect and collate all the data needed to manage the business. And at times the CIO is the "lightning rod" for change, jumping on the bandwagon of new technology. These two viewpoints sometimes cause both to look askance at the other and question their respective motivations.

Let's take a look at the roles of the CFO and the CIO and how technology can create a partnership between them. As businesses have grown and the global economy has evolved, there has been an increased dependence on accurate data for dynamic decision making. This puts added pressure on CFOs to be able to access the various databases in their organization and on CIOs to give them such access. The more successful organizations are able to create a dynamic partnership between the two roles.

What Keeps Them Up at Night?

In today's economic climate, both CFO and CIO are faced with challenges in managing their respective organizations. The CFO is charged with balancing the needs of investors and stakeholders, whether private or public, against making key decisions to ensure growth. The CIO, on the other hand, must continue to execute and deliver the projects that support the day-to-day operations of the organization. Both require information—not just any information, but the key data points needed to execute the business plans, develop metrics to evaluate performance, make changes to internal investments, or reallocate resources where necessary.

Today's CFO is facing a complex set of issues ranging from volatility of the economy, to the talent pool required to execute the business plan, to the availability of data to make key business decisions. Availability of the right data is critical, and the business systems required to provide this information have to be run efficiently and be adaptable to the changing environment. When I talk with CFOs, they are concerned about having access to information, whether that information is sales projections from the field or key metrics used to evaluate actual results against the strategic plan.

These issues put additional pressure on the CIO to continue to adapt to changing needs, deliver business systems to provide CFOs with the information they need, and ensure availability and uptime of these systems. It truly has become a 24/7 world, especially when operating in a global economy. In addition, the CIO is challenged with running a lean organization while executing revenue-producing projects and supporting operational projects. This requires building a team that's both broad and deep in changing technology and in supporting existing systems—a combination that provides the ability to adapt to change. Reallocating resources to areas where one person has more expertise allows for adaptability.

Based on my experience with CFOs, I can say that they have a huge appetite for improved data—not just data coming from their ERP systems, but scorecard and performance data that they can use to manage the business and make decisions. They also want to understand how the external economy is affecting their business. How well is the competition doing in the marketplace? What can we do to change the game?

This provides a perfect opportunity for a partnership between the CFO and CIO. Granting data access to the financial analysts so that they can spend less time processing and more time analyzing data is important for making business decisions. This access also lets the finance team give the CIO necessary feedback so the IT team can adjust and change the data model regarding which metrics aren't being leveraged and how technology can provide better decision making. By doing this, the IT organization can focus on revenue-producing projects that assist the sales organization and, by extension, grow revenue.

How Does the CIO Adapt?

In an era of changing technology and rapidly evolving economies, companies expect their CIO to be at the leading edge. The past 30 years have seen a rapidly morphing landscape in information technology. During this time, the Internet age has molded business systems from data processing shops into real-time database environments that can be both centralized and decentralized. This model has developed into the concept of cloud computing, which is a way of using business applications over the Internet to provide more seamless and real-time access to the data. CIOs and their teams should be evaluating ways to improve the model and its access and delivery to their key consumers.

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The evolution to the cloud has provided the IT team a unique opportunity to offload the heavy box-based system and reduce the cost of managing the data. This allows them to spend more time developing tools to deliver and access the data. It also assures the uptime requirements in our 24/7 world.

The technology environment has moved from distributed servers in a controlled, back-office area to the same computing power on the desktop. Using tools such as word processors, database systems, and spreadsheets, end users can manipulate and use data as they see fit. But their hunger for more and more data to analyze has put a strain on IT departments to deliver current data to the desktop. In some cases, technology has outpaced the ability of the IT department to keep up with business needs.

The CIO needs to develop both short-term and long-range plans that are aligned with the corporate business plans, supporting the needs of the business without straining IT resources. This environment has evolved into leveraging the best-of-breed business systems to support high-volume, transaction-oriented systems and specialized databases. This approach puts intense pressure on the IT organization in terms of administration and expense as well as capital investment requirements.

A Partnership That Worked

A real-world example of collaboration to address a business problem occurred at a midsize medical software provider. The company's CIO was faced with a spaghetti-string structure of transactional and reporting systems, and he knew something needed to be done. The CFO was faced with the inability to collect timely data and analyze it across the organization. The finance team was consistently challenged with difficulty accessing the key data and spending the bulk of its time on reconciliation, validation, and error checking of reports. This was creating delays in reporting financial results, which led to a great deal of frustration and long work hours for both IT and finance.

The CIO and the CFO came together and worked on developing a solution to address the needs of the finance team. They streamlined the data collection process, eliminated redundant systems, replaced the transactional system, and developed a single reporting environment to improve data accuracy and turnaround time. As a result, they were able to reduce the monthly close by half and create a single transaction system to support all key areas of the organization. The spaghetti structure was reduced, and the team had more confidence in the data. The goal wasn't to replace what they had but to make it more efficient, thus making better use of available resources.

Change like this doesn't happen overnight. The organization as a whole needs to make a commitment to adapt to change. The key components—in this case, IT and finance—need to work together and understand their requirements before embarking on a project such as this. There also needs to be top-down support for this type of change. Then the CFO and the CIO can jointly address their common goals of improving the overall efficiency of the organization. The ability of these two roles to partner and improve the overall structure of technology and finance enabled growth, cost reduction, and reallocation of resources to improve growth.

Benefits of Developing a Strategic Partnership

The previous example showed how accomplishments can be great when areas of an organization come together and build toward a common goal. When organizations aren't focused on the end result, it's easy to lose sight of the big picture. Finance and IT partnerships are strategic in nature and should be part of the overall strategic plan. Capital investment is required in developing these partnerships, both in terms of financial capital as well as investment in people. Personalities also are intrinsic to the success of these relationships, so the ability to check differing personalities at the door is important to making strategic relationships work. Sometimes these differing personalities can create the necessary synergy to succeed.

Yet, by its very nature, the volatility of today's economy enforces a different mind-set. Historically, the IT organization was focused on building better systems, investing in new technology, and bringing in the staff to support the ever-changing technology environment. The CFO was always wary and focused on the cost/benefit approach, questioning the return on investment and how such an investment in systems would drive more revenue or reduce costs. This type of approach, if unchecked, could lead to the diversity of systems.

Today while working together, finance and IT can collaborate on building a better, more efficient organization. Complexity creates additional rigor and management investment. The more complex the environment, the more difficult it is to access the data model. Simplicity is the key to adaptation. The more simple and streamlined the structure, the easier it is to understand the data model and make changes where appropriate. A more complex environment leads to more changes and a lower return on investment (ROI).

A more simplified approach can actually reduce costs and increase efficiency, thus driving higher ROI. You can achieve simplicity by streamlining people, processes, and investment. Evaluating processes should be the first step in any reengineering initiative. But this can't be accomplished in a vacuum. It requires an organizational effort, and the two most likely places to start are finance and IT. Many organizations value this relationship so much that they are aligning the IT organization under the CFO or developing an indirect reporting line to the CFO. In some cases, the role of the CIO is so important that companies are hiring CFOs with a technology background, thus giving a unique insight to the financial leadership.

Standardization and Collaboration

Another aspect of working together is the ability to take processes and systems and, where possible, develop a standard. An illustration of this is the ability to do the same activity in the same way across all lines of business.

A recent example occurred during the implementation of a new budgeting system at a large-scale, multicompany organization. Historically, each company developed its own budgets independently of the others and submitted its spreadsheets to the finance team. The role of the finance team was to collate the data, normalize it where possible, and build a consolidated budget. The finance organization spent a great deal of time crunching numbers, reconciling and validating the data. But this procedure was prone to errors, and the finance team was responsible for ensuring that the data was error free. During the process, they would consistently interface with their clients—the field organization—for validation purposes and to review the overall budget. The data was captured in spreadsheets, many of which lacked consistency.

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The finance team took on the initiative of standardizing both their process and tools. Working in conjunction with the field teams and finance leaders in each company, they were able to develop a consistent set of tools that everyone could use. This reduced their effort around validating data and ensuring that all numbers tied out, thus cutting down on errors and bad data. The standardization also allowed the finance team to focus on analytics and to improve decision making rather than monitoring the accuracy of the data.

This project is another example of good things that can happen when organizations collaborate. This need was driven by the finance team, who embarked on an extended process of evaluation to determine the right solution to meet its budgeting needs. The CIO was involved since IT's budget was being impacted. During the evaluation, the technology team was involved in the selection of the tools. The teams approved the project jointly, and IT had a resource oversee the implementation from a project management perspective.

The finance team worked with its field controllers to develop a consistent set of tools to capture the budget data. Even though each line of business had different drivers and requirements, the finance team, with the support of IT, was able to build a common framework to capture the data and deliver it to the end users. Ultimately finance will be able to shorten the budgeting timeline by approximately 15% to 20%, simplify the process, and use the budgeting system as the main reporting tool throughout the year. Standardization is an example of collaboration to build a better method around development of financial systems. Collaboration of the CFO and the CIO made the project successful and will help drive future success.

Best Practices in Developing a CFO and CIO Partnership

We've covered some key challenges management faced in driving business growth from within. Using real-world examples, we examined how companies going through change approached collaboration and adaptation. A key ingredient is understanding the roles of the CFO and the CIO and accounting for what drives their respective initiatives.

The CFO

The CFO is looking for a solid return on investment. When evaluating a potential investment, whether it's an acquisition or a capital investment, the CFO seeks to understand the ROI, which includes the timeline as well as the numbers. Another key ingredient is efficiency. How does the CFO identify and drive growth through the efficient use of available resources? What is our competition doing to drive growth? What metrics can we use to evaluate our business and develop strategic initiatives for sustainable future growth?

The CIO

The CIO wants to understand how and where technology fits in the business model. What measurements and tools are required to assist in understanding how the business is performing? Do I have the right resources, including people and systems? Understanding the needs of IT's customers is important to supporting the strategic plans of their leaders. How can the IT organization adapt in an ever-changing world and help the business understand technology changes?

A common thread is investment in time, people, and systems. Evaluating investments requires a model to assess the overall venture, and it's important for the CFO and the CIO to understand their respective roles and objectives.

1. Develop a Common Understanding of the Strategic Initiatives

Among the best practices in developing a strong partnering approach is having a common understanding of each other's roles and challenges. Shared communication between finance and IT will create a clearer picture of what each wants and needs to drive business growth. Working together in teams—through weekly meetings and discussing shared challenges—can help both achieve their goals. Business plans are developed to target the direction of the business, and communicating those targets and collaborating on developing the strategic initiatives can help on the execution side.

2. Leverage Technology to Define Performance

It's important to understand how to evaluate business performance. The CFO knows the how, why, and what in terms of performance measurement and which specific metrics are used to measure performance. Instead of using spreadsheet after spreadsheet to collate and analyze data, performance metrics help teams assess how they stack up against the strategic initiatives. The technology side of the house is best for assisting the analysts. Helping them identify the data model and how to standardize performance measurement can only be achieved through technology. The CIO can provide a framework for the analysts on the finance team in defining and understanding how they are performing.

3. Understanding Each Other's Strengths and Weaknesses

The CFO knows what it takes to invest, acquire, manage, and develop business plans for growth and can help execute those plans. The CIO has the experience with the available technology to take those plans and turn them into action and can bring to the table his or her knowledge of ways to simplify and standardize. Leveraging the strengths of both the CFO and the CIO can enhance the partnership between the two.

Developing a true partnership between the CFO and the CIO can be achieved only through communication and collaboration. Understanding each other's strengths and weaknesses and respecting each party's input into corporate growth initiatives will help drive that growth and develop a tighter partnership. This type of environment will become more prevalent in leading enterprises in a global economy and will be the formula for success. **SF**

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