Finding Common Ground

Improving the CIO-CFO Relationship

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Here's a revelation: CIO-CFO relationships don't have to be contentious. CIOs and CFOs can even be mutually beneficial organizational partners. Here's how.

They may have offices just down the hall from one another, but too often, the gap between a company's Chief Information Officer (CIO) and its Chief Financial Officer (CFO) appears wide as a gorge.

It's ironic, then, that CIOs and CFOs typically work toward accomplishing the same strategic objectives. They just approach those objectives from divergent directions and with different perspectives.

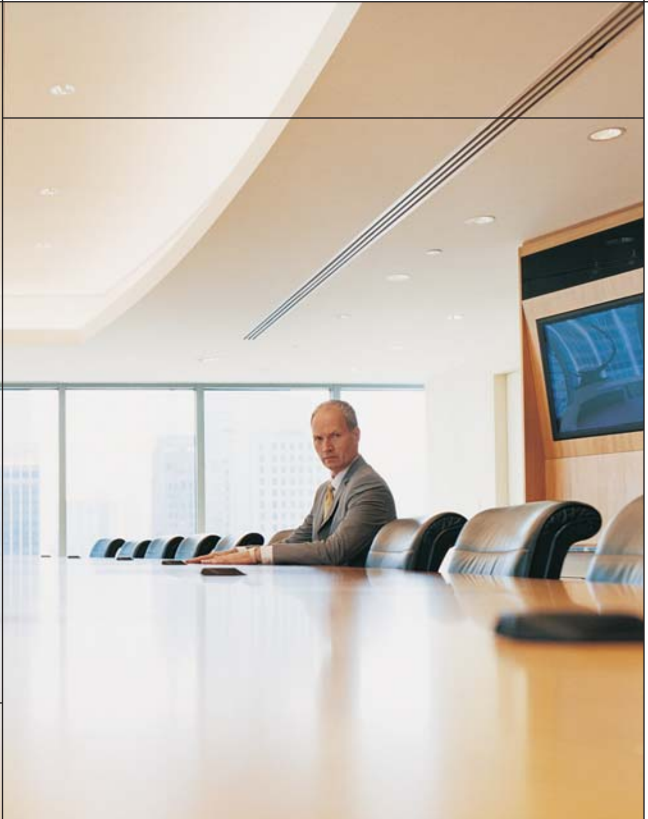
On the surface, the disconnect usually has to do with spending. A CFO may view spending — *all* spending — as costly overhead.

The CIO sees spending on technology as a smart investment.

The CFO views spending on technology as an economic drag. The CIO views his technology investment as an economic driver that promotes revenue generation, improves competitiveness and furthers innovation.

It's not just their viewpoints that differ, but their priorities, too.

According to Gartner, the research analysis firm: "CFO priorities have traditionally included



increasing revenue, managing cash flow, improving employee productivity and achieving regulatory compliance. CFOs also are concerned with managing economic and business risk, reducing operating costs and managing the associated trade-offs that cost-cutting brings. CIOs are inclined to focus on IT/business alignment, business process optimization, project and program management and IT service delivery."

Although they may have divergent priorities on the surface, they do have one crucial objective in common: Helping the business run efficiently and productively while improving the bottom line. By communicating and collaborating with one another, they and their respective teams can more easily keep their eyes on the prize.

Connecting Through Communication

Taking a closer look, it's easy to see that the real disconnect between the CIO and CFO typically is a lack of communication.

Maintaining proactive communications is the best way to improve the CIO-CFO relationship. It sounds simple enough, but it entails more than just the two individual executives. Communications between the IT and Finance departments must also be improved on a continuing basis. For the CIO, who is frequently in a subordinate position to the CFO, this means actively marketing the accomplishments of the IT department, so that the CFO understands its tangible accomplishments.

Back in the executive suite, CIOs must address the issues that most concern both the CIO and CFO — and, by extension, the CEO. These issues typically include the following:

- **Improving transparency of data** — More and more companies are placing a premium on data accuracy and visibility into financials. The reasons behind this new emphasis on data accuracy include the need for better financial forecasting, both for proper alignment of resources and for regulatory compliance, as well as reconciliation between target revenues and actual sales. Gaining better visibility into the constantly shifting numbers for revenue projections is one reason behind the rapid growth of hosted sales force automation (SFA) applications such as Salesforce.com that provide one source of clear, accurate data spanning multiple departments. As an IT solution, this sort of application may well be overseen by the CIO, but it also gives the CFO a better handle on making financial projections. This is important not only from a sales and operations perspective, but also because of increased external scrutiny of financial reporting. *Which brings us to …*

- **Working together on regulatory compliance** — Sarbanes-Oxley has provisions requiring companies to have internal systems and controls providing for the security of financial and customer data. The burden of maintaining these systems and controls falls upon the CIO. The burden of ensuring compliance with Sarbanes-Oxley, at the risk of steep fines and jail time, falls squarely on the shoulders of the CEO and CFO. The need for close collaboration and clear communications involving these C-level executives is clear.
- **Communicating projections for Return on Investment (ROI)** — In an era where new technology emerges constantly, we are past the point where companies buy technology for its "cool factor," or just for technology's sake. There must be compelling business reasons for a technology implementation. This sounds obvious, but the point is that those reasons must be communicated by the CIO to the CFO, and the earlier the better. And it's not just the CIO and CFO who need to be involved. Operational VPs and business unit executives of the departments to be affected by a technology deployment also should be brought in early in the process for executive alignment across the board.
- **Understanding the difference** — The difference, that is, between revenue growth and profitable growth. During the heady days of the dot.com boom, many companies focused on accelerating growth. The idea was to grow rapidly to exploit first-mover advantage to attain a critical mass for staying power and to put distance between themselves and their competitors. What many of these companies learned, however, was that unless they kept the costs of growing their business manageable, they weren't going to be profitable. It's one thing to have revenues. It's another matter entirely to have profitable revenues.

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- **Coming to agreement on risk management** — Making the right investments in technology can — and should — be viewed in the context of risk management. For the CFO, investments are all about risk management and the effect those investments will have on the bottom line. Competitive pressures drive technology investments intended to fuel innovation and efficiency in product development and distribution. There's a fine line, however, between innovation and unintended consequences. The CIO and the CFO need to reach consensus on what constitutes sensible, pragmatic investments in technology.
- **Maintaining communications** — Continued communications between the individual CIO and CFO will help to smooth over rough edges, prevent misunderstandings and forestall nasty surprises, particularly with respect to IT projects designed to support performance of business operations. Additionally, it makes sense for the CIO to make a clear, compelling case for a capital investment project as early in the capital-funding request process as possible. As important as it is for the CIO and CFO to maintain communications on an individual level, it just as important for the CIO to actively market and promote the IT department. Communications between IT and its constituent audiences (including the CFO) will help those stakeholders understand the reasons behind IT implementations and how those deployments will affect them. An effective communications campaign in advance of a technology implementation will promote user understanding, accelerate adoption of the technology, enhance business performance and improve ROI — and we all know how important ROI is to the CFO, the CEO and a company's shareholders.

Moving Forward

For many CIOs and CFOs, market forces, business pressures and regulatory issues have forced them to engage more closely in a continued effort to attain shared objectives. What they are discovering is that this is not a bad thing. Indeed, closer collaboration between the CIO and the CFO, working together as an aligned executive team, is a very good thing and can lead to measurably better results for business performance and the bottom line.