Solution Brief

Teaching a CIO to Think Like a CFO

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Introduction

According to a recent Gartner report, "How CIOs Can Work Effectively with CFOs to Optimize Cost," CIOs "have not demonstrated the ability to effectively optimize IT spending to their CFOs' satisfaction, leading to arbitrary budget cuts."

While the CEO and CFO tend to share the same narrative around financial and strategic goals, in most companies, CIOs often speak a different language. It's important for a CIO to make friends with finance leaders to learn how they think about spend, risk and outcomes — and define IT objectives with that as a foundation. A seasoned CFO takes equal responsibility for developing a relationship with their CIO, understanding how many of the priorities of a modern business succeed or fail depending on how well the corresponding IT strategy is executed.

CFOs and CIOs who can align business strategy with technology possibilities and constraints increase the odds of their mutual success. The CIO wins by maximizing the odds of approval for IT projects, and the CFO wins by steering those projects toward bottom-line results.

Grooming and Empowering the Business-Driven CIO

The notion of being a disruptive CIO is not new. There are many examples of CIOs who have taken their teams through the transformation from a tactical, technology-only cost center to a strategic, business-savvy, bottom-line focused organization. However, as a CFO, it is critical that you understand the kind of CIO in your organization and empower them to make the changes necessary to help the business succeed.

There are three critical components to becoming a CIO whisperer:

1. Understand your CIO, including their strengths and blind spots
2. Be the bridge to a contextually rich CEO/CFO/CIO relationship
3. Flip the IT roadmap on its ear, making it serve business objectives ... not just technical ones

While the CIO-CFO relationship is critical in order to align IT investments with strategic growth plans, few partnerships are actually characterized by mutual understanding[1]. To get finance and IT on the same page, it's important to understand what drives your CIO, which we have categorized into four "personality" types:

Budget Maximizer

This CIO may want — or even require — more budget, but the trust required to earn it must start with proving that existing monies are being well spent. Enterprise software contracts, for example, shouldn't be allowed to renew and perpetually increase on autopilot. What motivates this CIO is to cut costs — no existing contract is sacred, no vendor too intimidating.

Cloud Chaser

Everyone agrees the cloud is the future, which is why the CEO, CFO and board all want to hear that cloud alternatives have been evaluated before money is spent on software licenses and data center hardware. This CIO might be excited by the promise of cloud efficiencies but will want to take a hard look at which software vendors really live up to the cost savings and flexibility promises of the cloud — and which are wolves in sheep's clothing.

[1] https://www2.deloitte.com/us/en/pages/finance/articles/cfo-insights-cfo-cio-partnership.html, accessed March 2019.

Disruption Driver

Disruptive digital innovation is a wonderful thing when you are the disruptor, not the one being disrupted — when you are Netflix, not Blockbuster. Ambitious CIOs are on the lookout for disruptive innovations capable of reshaping markets — which they can only pursue with the backing required to make investments and take risks. It will be critical for this CIO to get CFO and board support so they understand the risk of not funding innovation initiatives. This also means they must show they have looked at all aspects of the budget — that they are not just asking for more but are looking for ways to fund innovation through IT optimization.

Forge a Relationship

For IT organizations to provide value as a strategic partner, CIOs need a strong relationship with the CEO. As the leader of the company's initiatives, the CEO's priority is growth, whether it's entering a new market, creating a new market, or coming to market with a new and competitive product. Today's CFOs are taking powerful and innovative approaches to optimizing spend and changing the way they view IT assets by redefining vendor relationships and freeing up new, elastic forms of working capital to help the business increase top-line growth, reduce bottom-line costs, or both. CIOs must be part of these conversations.

Teach the CIO how to think like a CFO: CIOs are thrown ideas from every corner of the organization: from sales, which might want new graphics, to marketing, which might want new dashboards. It's the CIO's responsibility to separate the valuable ideas from the shiny objects — and come to meetings prepared for the inevitable question, "What's the ROI on this?"

As a CFO, you may be the one asking that question; the relationship need not be antagonistic. If the ROI is there, you should want to find it.

Flip the IT Roadmap on its Ear

In the past, CIOs would start with the back office. They would be given roadmaps by their big vendors and plop down the functionality that was coming on to their roadmap. This vendor-controlled approach meant that the business would get what they were getting and … well, like it.

Acceptance of the vendor-dictated roadmap also restricted choices for the IT team, which might have preferred another offering with new capabilities. It was locked in to what was on the long-range plan; the money and resources were fully committed to software deliverables, platform upgrades, and vendor maintenance, leaving nothing to even fund a proof of concept.

Along came companies like Netflix, Uber and Airbnb, which built its user experience first and then filled in a roadmap to deliver on it. The company didn't go all in with a single vendor who forced it to swallow technologies it didn't need at a pace that was not going to help it accelerate business growth.

That user-centric mindset is what we mean by the Business-Driven Roadmap. This is enough of a departure, with business needs rather than technology at the center, that it will be challenging for some CIOs to adapt. Those who have become too accustomed to following vendor-dictated roadmaps must learn how to draw their own in consultation with the CFO and leadership team.

Before green-lighting any project, help your CIO understand how to articulate the risks and rewards involved. Here are a few examples:

- When pushing for a new business intelligence tool, company leaders must agree that the rewards outweigh the risks associated with implementation and user adoption. The CEO will want to understand what greater insights he and others stand to gain, compared to the shortcomings of current reporting and analysis tools.
- When contemplating a buzz-worthy technology such as AI and machine learning, the CIO must show how an intelligent system promises to make an existing business process faster or leaner — or, better yet, make an entirely new and disruptive business opportunity possible. Even, or perhaps especially, when it comes to technologies with limitless possibilities, expectations must be tempered with a realistic appraisal of the possibility of cost and budget overruns or outright failure.
- When the CIO is evaluating a switch to third-party support for ERP applications, which cost much less than paying for a vendor maintenance contract, they will need to win the approval of the CEO and board. Prepare a "top 10" list of risks and tradeoffs. For example, you must explain what you will be giving up (access to software upgrades and updates) and why you can afford to do so — many updates are not relevant, or are difficult to implement, or alternative fixes are easier to manage. In addition to hard dollar cost savings, detail the labor savings that result from not having IT staff members solve problems on their own because vendor support was slow or inadequate. And most important, the CIO must collaborate with the CFO to demonstrate the business impact of using third-party support to quickly access new forms of elastic working capital that can be applied toward the bottom line or used to fuel top-line growth initiatives for the company.

Only by working together with a joint understanding of financial and technological strategies can a CFO and CIO achieve the best bottom-line results for their organization.