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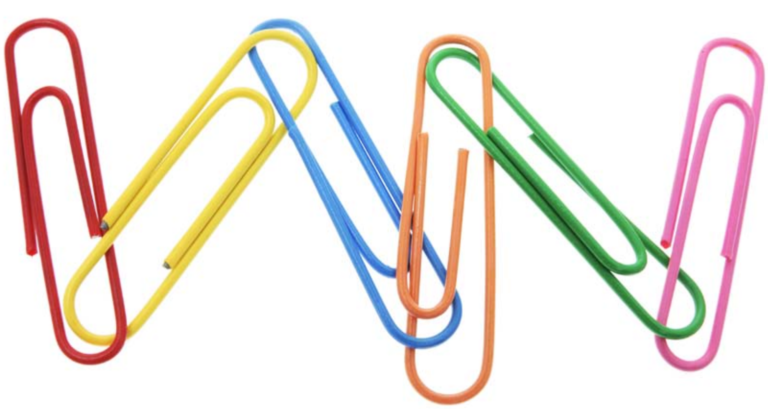
# CFO Insights
## Data-Driven: The New CFO/CIO Dynamic

The CFO/CIO relationship is complex, to say the least. In many large companies, the two departments represent the largest line items in selling, general, and administration expenses (SG&A) — information technology (IT) being number one and finance typically number two.[1] Together, the two executives can easily oversee 2,000 to 4,000 people in large companies. And given the nature of their respective charges — finance's to reduce risk without overspending; IT's to increase benefits from the organization's technology assets — they have sometimes been at odds.

That relationship, however, is undergoing massive change. In some cases, more CIOs are reporting to CFOs. According to the 2012 Gartner Executive Programs CIO Agenda survey, in fact, more than 20% of respondents worldwide said that they report to the CFO,[2] and a full 45% of large-company North American CFOs in our *CFO Signals* survey said that IT is a direct report (25% have a dotted-line relationship).[3] The other reason is the ever-increasing focus on data — and the need to make decisions based on data to drive value (see "Making decisions that matter," Deloitte *CFO Insights*, October).[4]



There is a third reason, of course: the ubiquitous use of technology. Employees expect the technology they leverage in their jobs to be as easy to access and use as the technology in their personal lives — a tall order at many companies given budget constraints, data quality, and security concerns. In this issue of *CFO Insights*, we look at the new dynamics in the CFO/CIO relationship, explain why the focus on data may lead to improved decision-making throughout the organization, and outline questions CFOs should ask their CIOs to get the information they need.

### Data changes everything

Many organizations have experienced friction between CFOs and CIOs. Much of it stems from these two executive roles having different backgrounds and not completely understanding the challenges and complexities of each other's world. When projects experience difficulties, for example, return on investment is affected and frustrations rise. This often causes CFOs and CIOs to "grow apart." On the other hand, there have been times where CFOs and CIOs have had to forge a better union — think Y2K — and they have done so effectively.

With the importance of information access and business analytics on the rise, the potential for friction and the need for a stronger union are colliding. Part of the issue is the perception CFOs have toward the information they currently receive. In the latest *CFO Signals* survey, only a little over half of the CFOs said they have the information they need to effectively manage the business, and about one-third expressed a neutral opinion. In addition, about 40% of CFOs from the survey were positive about IT's enabling of insight and decisions (22% were negative) and about one-third said they get the right information to the right people at the right times (27% were negative).[5]

Then, there is also a matter of control. In many companies, control over corporate data is unclear — some see CIOs as responsible for data management given it resides in corporate IT systems. Others see the stewardship of data being the explicit domain of business users. But the issues of data ownership and control have increasingly become a source of frustration for finance in its quest for data to enhance decision making. In fact, in the 10 quarters of the *CFO Signals* survey, large-company CFOs have listed "providing information, analysis, and metrics" as their most-selected top-three challenge five times.[6]

In this quest, however, it is the CFO who is in a logical position to oversee the techniques to make business decisions. Informed by information and analytics, CFOs can make improved decisions on everything from the correct level of capital spending to the alignment of incentives. Moreover, by aligning as an enterprise around how decisions are made, the techniques employed, the analytical engines created, and the information delivery tool set used, both CFOs and CIOs can radically increase the impact they make within the organization.

### Toward a better union

Of course, just having data does not mean you are working with the data you need. Nor does it mean finance executives are asking for the correct information in the first place. What it does mean is that CFOs and CIOs need to understand the specific decisions facing their business leaders, how internal and external information can be used to help drive those decisions, and the techniques available to produce information that is easily and effectively accessed. To achieve that understanding, however, may require the following:

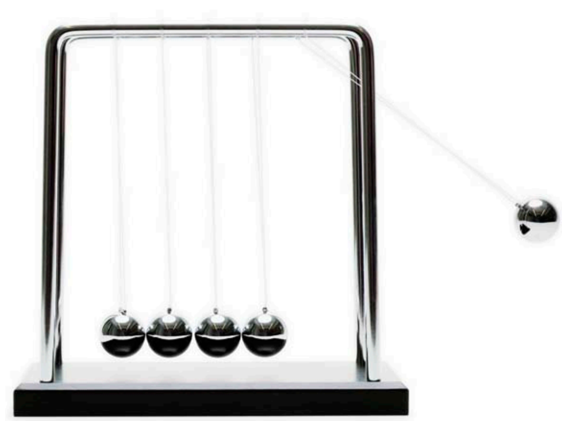
- **Business alignment.** In many companies, there may be alignment on the shared missions and objectives at the macro level, but alignment becomes more difficult to sustain as you get down into segments, business units, and divisions. In a way, the definition and use of analytics can serve as a galvanizing force to achieve common objectives around data and the alignment of incentives. It is a topic that many can rally around regardless of what function they are responsible for in an organization.

- **Shared language.** To a certain extent, analytics help define and utilize a common lexicon across the organization. For example, accounting for salaries and benefits for a global organization should take different country laws into consideration — and embed them into its systems — allowing global analytics to be based on common business definitions not just common data definitions. When the organization speaks the same language, CFOs and CIOs can be more effective in guiding decision making through getting information to the people who need it in the time and format requested, reducing the time-wasting discussions about whose number is correct.

- **Rotation.** One solution for bringing the relationship even closer is to borrow from the finance playbook: make IT executives do business rotations and vice versa. For example, we have collapsed accounting into shared services, and we are now recommending talent development pools that include rotations. In this case, the business analysts of the future are going to be those functional executives who rotate in IT and finance.

### What questions should CFOs ask?

From the CIO's perspective, the new-found focus on data represents a victory of sorts. For years, IT advocated for improved data governance and master data management — terms that could make a finance executive's eyes roll. Analytics have brought the importance of data management to the forefront in many business functions and raised the profile of IT in the process.



Despite that victory, there is still the matter of execution. To get the information and the comfort level they want, CFOs should ask the following questions:

1. **Does my CIO fundamentally understand the information that is needed from the shareholder's perspective, the board's perspective, and a day-to-day management perspective?** It may be increasingly important to involve the CIO in "decision-making events" to foster an understanding of the different perspectives of stakeholders. For example, many IT organizations build analytical solutions around data that is available, not data that is needed. The nuances of management reporting structures, timing of information, and value of the analysis should be built into tomorrow's solution sets.

2. **What is our enterprise-wide strategy for governing data?** This strategy should be as detailed as possible so that definitions are consistent across the board and the integrity of that information is well managed. CIOs can seldom drive this level of alignment without significant help from the CFO. Too often today, data governance (Master Data Management) is focused on linking various systems and tying technical data fields together. Tomorrow's data governance should include the business definition of the data as well as the technical definition. Global systems have local variations and those variations should be understood and adjusted to provide global analytical capabilities.

3. **Do we have the technology at our disposal to get the data we want?** In the last several years, corporate austerity has had a dramatic impact on IT budgets. Some even question whether or not companies may actually be falling behind because they cut back so much. Before increasing the IT budget, though, take an IT inventory to see if what you already have suits your data requirements. Many companies may find they probably have the right tool set in their arsenal, but they are not managing its use because of either technical or data limitations.

4. **Are our software investments meeting our requirements?** As it turns out, many companies own multiple tools for information access and delivery. There is often a struggle, however, with the correct way to use them, how to deploy them in the organization, and how to foster adoption. This problem is exacerbated by business users choosing their own products without sufficient thought to the overall technology strategy of the organization. IT should have accountability for defining what tools are required. But CIOs should be able to rely on the CFO to help constrict budgets or demand strong business cases to slow the proliferation of nonstandard technology.

5. **Is finance involved in setting IT priorities?** Increasingly, the answer should be yes. CFO/CIO collaboration on IT priorities is important to increasing the impact IT investment will have on information access and improved analytic capabilities. There are two easy places to start this journey. First, foster alignment on business cases and budgets to help finance understand IT's strategy and help push the rest of the organization to follow that strategy. Second, jointly create and maintain the IT upgrade and release schedule. In many companies, the release priorities are done solely by IT with little input from the business. Including finance and other business practitioners in defining release priorities dramatically increases collaboration on IT projects, budgets, and priorities.

6. **Should information be considered an asset to the organization?** Many modern companies have been operating for the past 20 years on large enterprise resource planning systems that capture volumes of data on transactions, customers, and products. Many companies that use the information in the current period and archive it do not take advantage of the hidden insights. For the first time, today's analytical systems provide the power and capabilities to uncover those insights in a timely manner. Companies should rethink their information policies and start treating this data as a strategic asset that can help them make better informed decisions tomorrow.

## Meet in the middle

In this data-driven age, CIOs and CFOs should work more closely. Basically, CIOs need to make the business aware of the information available and the way that information can be portrayed. For their part, CFOs should identify the kinds of information needed and how they want it delivered.

Of course, the challenge for CFOs does not stop with IT. It can be an organization-wide problem: a lot of companies struggle with what are the questions to ask when they are trying to make business decisions, hence they cannot articulate what information they need. But by focusing on their relationship with the CIO, CFOs can become more of an advocate of technology spend than they have been in the past, which can strengthen the CFO/CIO relationship. In addition, a focus on decision making presents an opportunity for CFOs to work the catalyst corner of the Four Faces framework.[7] And to make it work, they have simply got to meet the CIO in the middle.

**Endnotes**


1 Deloitte Global Benchmarking Center, 2012.

2 2012 Gartner Executive Programs CIO Agenda survey; Gartner Executive Programs (EXP), 2012.

3 *CFO Signals* survey, U.S. CFO Program, 1Q2011 Deloitte LLP.

4 "Making decisions that matter," Deloitte *CFO Insights*, October 11, 2012.

5 *CFO Signals* survey, U.S. CFO Program, 3Q2012 Deloitte LLP.

6 *CFO Signals* survey, U.S. CFO Program, 2Q2010-3Q2012 Deloitte LLP.

7 "Four Faces of the CFO," Deloitte CFO Program.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