

CFO Insights

Three ways to strengthen the CFO-CIO partnership

With technology playing a larger role in driving company value and competitive advantage, it is more important than ever that CFOs collaborate closely and effectively with CIOs. Yet, in a poll taken during a recent Deloitte webcast, “Forging a new CFO-CIO partnership—The rise of the Chief Integration Officer,” fewer than one-third of respondents said the CIO and CFO at their company share a strong partnership characterized by mutual understanding.¹

Despite the challenges, CFOs and CIOs can improve their ability to align IT investment with strategic growth plans and business performance if they strengthen their partnership. Moreover, many CFOs and CIOs understand the importance of getting this relationship right: for CFOs, IT is often one of the largest budget items, and for CIOs, 22% report to their CFOs.² (See Figure 1.)

That partnership is particularly important now. In the Q1 2016 *CFO Signals™* survey, many CFOs cited efforts to improve strategies for managing IT and for providing better data and insight as their top agenda items for 2016.³ They also indicated a broad range of tactical efforts to implement, upgrade, and consolidate financial systems. In this issue of *CFO Insights*, we’ll discuss three actions critical to realizing a stronger CFO-CIO partnership: achieve mutual understanding, establish effective communications, and identify opportunities to collaborate on delivering value to the business.

How to achieve mutual understanding

CFOs can forge better mutual understanding by looking at the many commonalities that exist across the two roles. In many organizations, the CIO mandate is similar to that of the CFOs—to ensure that the current business operations are running efficiently and effectively while helping shape the strategy for future growth and stability. To understand these commonalities, CFOs can identify how the CIOs can collaborate within the “Four Faces” framework associated with the CFO’s primary roles:

Catalyst: What investments is IT making or identifying as critical for future scaling of the business?

Strategist: How is technology supporting the organization’s growth strategy?

Operator: Is IT delivering timely and accurate data that supports the delivery of predictable outcomes and insights on revenues, costs, market share, profits, and earnings?

Steward: How is IT managing security risks and protecting core assets? Is there appropriate governance for technology investments?



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Use Business Chemistry to improve communication

It is often said that a major challenge to effective communication between CFOs and CIOs is that one speaks the language of finance, the other of technology. Moreover, CFOs and CIOs tend to have different personalities. The result: differing communications styles and perspectives that could prevent understanding and create roadblocks to productive collaboration.

Understanding one's own behaviors and communication patterns as well as that of the executive you're working with can be enormously helpful in fostering collaboration. And to that end, CFOs can employ the "Business Chemistry" framework (see Figure 2) to identify patterns of behavior and communication that can help them be more effective in getting their message across—and in understanding what their CIO is trying to communicate.

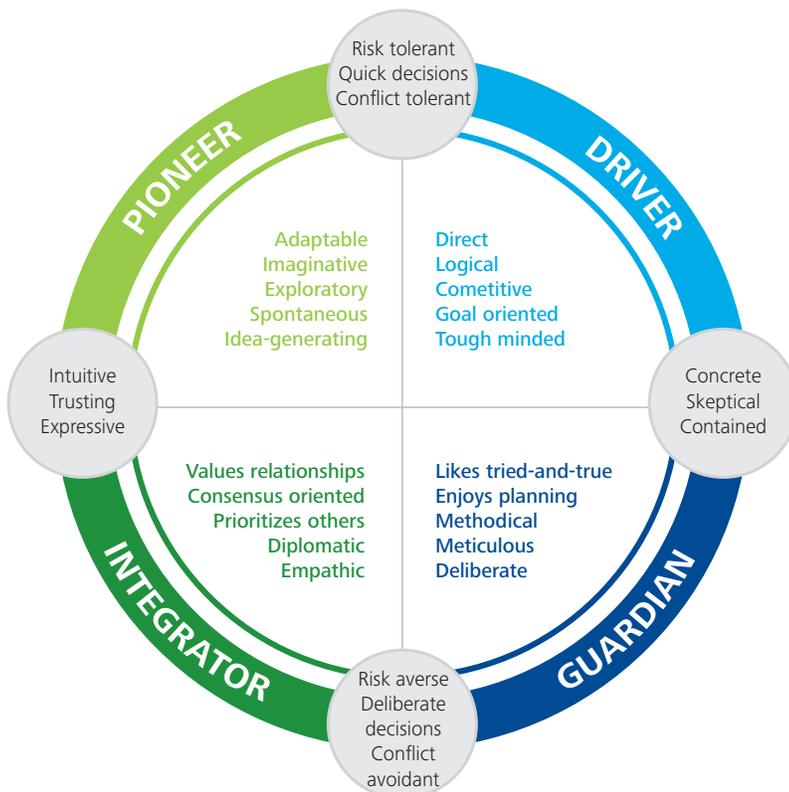
Figure 1. Who CIOs report to globally



Source: The 2015 Global CIO Survey; Deloitte CIO Program

Graphic: Deloitte University Press | DUPress.com

Figure 2. The four patterns of Business Chemistry



Source: CFO Insights: The Power of Business Chemistry.

In the four basic personality orientations, CIOs are more likely to be Pioneers and/or Integrators, while CFOs are more likely to be Guardians and Drivers. On the one hand, Pioneers are novelty-seeking—they like having a variety of possibilities, generating new ideas; Integrators value personal connection, seeing how the pieces fit together, and are big-picture thinkers. On the other hand, the Guardian personality values structure and loyalty, is much more methodical, detail-oriented, and perhaps a little more risk-averse. Drivers value direct communications over small-talk, logic, and a focus on results.

When a Driver or Guardian CFO encounters a Pioneer CIO, however, it can be challenging because the two likely have such different perspectives and communication styles. Consequently, it's important to identify those differences and adjust your own communication styles to help connect more effectively with each other. Of course, personality types can vary from the typical archetypes, but an important point is that irrespective of your counterpart's personality type, both CIOs and CFOs should be aware of the differences and the barriers that can arise from these personality differences and make conscious efforts to communicate with each other.

Collaborate to deliver value

While mutual understanding and strong communication form the basis for effective CFO-CIO collaboration, another element is to connect IT initiatives to shareholder value.

An effective approach is for CFOs and CIO to collaborate on IT investment strategies that drive shareholder value through revenue growth, operating margin, asset efficiency, and the expectations the market has about future growth. This approach can enable both executives to look at shareholder value and to show the IT systems they want to invest in can create tangible shareholder value. For example, the CIO can demonstrate that investing in middleware can create flexibility to integrate future acquisitions, which aligns to boosting revenue growth.

CFOs can also help CIOs articulate how IT impacts specific, key business processes. When discussing the sales process, for example, CFOs can help evangelize how the investment in IT will improve the information content of the process. Or, in the case of a compliance process, CFOs could work with their CIOs to identify how IT investment would impact the accuracy and timeliness of data in that process.

The importance of getting the CFO/CIO relationship right cannot be overemphasized. It requires focus on three specific areas—mutual understanding, communication, and collaboration—among others to create an overall framework for analyzing current and future IT capabilities. Steps taken in these areas can help enhance collaboration between CFOs and CIOs, as well as strengthen the future vision of IT value.

Endnotes

¹ "Forging a New CFO-CIO Partnership—The rise of the Chief Integration Officer," Dbriefs, Deloitte LLP, August 2015.

² *The 2015 Global CIO Survey: Creating legacy; CIO Program*, Deloitte LLP, November 2016.

³ *North American CFO Signals*, Q1 2016, US CFO Program, Deloitte LLP, March 2016.

A framework for IT investment governance

An important area where CFOs and CIOs can collaborate is on a common approach to IT investments that looks at strategic risks—those risks that can undermine management's assumptions or the organization's ability to achieve its strategic goals. The result: a comprehensive IT investment governance framework. Such a framework allows CFOs and CIOs to look at the opportunity of a given investment and the risk implications together, along with other key executives and possibly the board, so that risk governance isn't a compliance activity after the fact.

An effective governance framework for IT investments typically divides governance among three groups with the following responsibilities:

Business Technology Steering Committee

- Set vision/direction for technology investments
- Integrate technology in business strategy
- Define risk appetite
- Prioritize investment choices
- Monitor results and course-correct as appropriate

a. Operational Governance Council

- Evaluate/approve business case and project proposals
- Monitor program and project management activities
- Oversee execution of projects for timeliness, budget, and other requirements and effective implementation
- Provide/approve resources (people/funding)
- Monitor risks, capabilities, and benefits

b. Technical Governing Bodies

- IT strategy, planning, and budgeting
- Facilitate IT decisions
- Govern enterprise architecture
- Monitor and manage IT procurement
- Provide quality assurance and regulatory oversight

Within this framework, CFOs can focus on establishing and co-facilitating the Business Technology Steering Committee with their CIO counterparts and help set the parameters for the operational governance, while technology governance is the sole responsibility of the CIO. Perhaps the CFO's most important role is in sponsoring a governance framework around IT investments that helps the CIO bring the right stakeholders together into the investment process. Ensuring that the business leaders are active and accountable stakeholders in the IT governance process and involved in supporting decisions around investments/risks and execution are often critical to the success of IT initiatives. If the business is missing from the IT governance framework, both the CFO and CIO can inadvertently end up making decisions on behalf of the business that aren't fully informed by the business stakeholders.

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