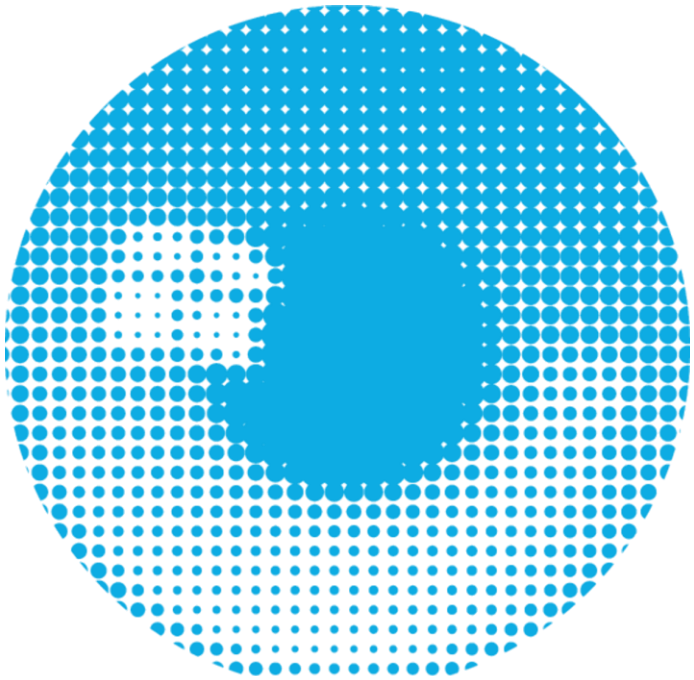


Federal CFO Insights

Three ways to strengthen the CFO-CIO partnership

The mission of a federal agency is centered on providing a service, providing oversight, or defending our nation; the CIO and CFO of an agency play a key role in helping accomplish this mission. The CIO is often responsible for large capital projects or large operational information technology programs to keep the company or agency information systems up to date. Likewise, the CFO has a fiduciary responsibility across the organization including, overseeing the agency budget, financial statement reporting, and often, gatekeeping funding for projects or missions that may not be fully understood by the CFO.

In December 2014, the Federal Information Technology Acquisition Reform Act (FITARA) was passed, and in June 2015, the Director of the Office of Management and Budget issued guidance regarding the implementation of FITARA[i]. With the passing of the law over two years ago and subsequent guidance occurring over a year ago, and consequentially requiring close collaboration between CFOs and CIOs on a variety of issues, many CFOs and CIOs have built a solid partnership and are working together to align agency IT investments and business performance.

This partnership is particularly important now. It is a good time for the CFO and CIO to reexamine and refresh the strength of their relationship, to support a smooth transition and to demonstrate that the agency is functioning well. In this issue of Federal 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 agency.

Achieving mutual understanding

CFOs can facilitate better mutual understanding by looking at the many commonalities that exist across the two roles. In many agencies, 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 a strategy which meets the needs of the mission into the future. To understand these commonalities, CFOs can identify how the CIOs can collaborate within the "Four Faces" framework (see Figure 1) associated with the CFO's primary roles:

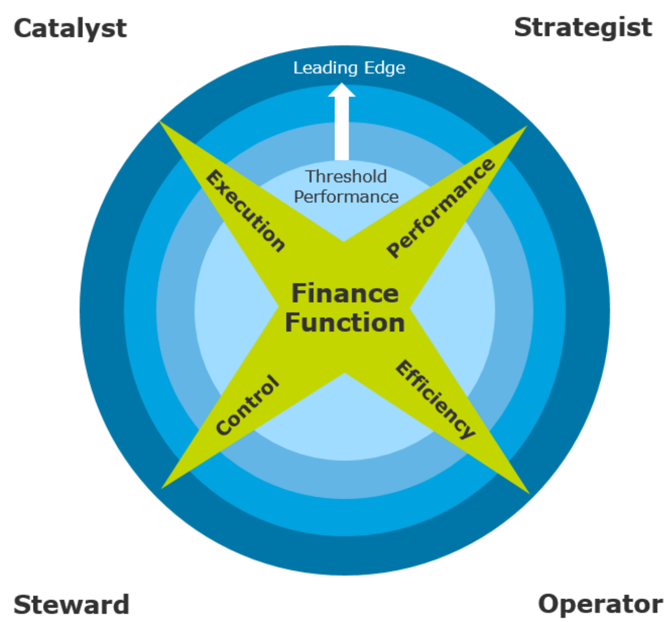
Catalyst: What investments is IT making or identifying as critical for future scaling of the agency's business?

Strategist: How is technology supporting the agency's strategy and mission?

Operator: Is IT delivering timely and accurate data that supports the delivery of predictable outcomes and insights on mission, goals, costs, and programmatic requirements and priorities?

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

Figure 1. The Four Faces of the CFO



Deloitte CFO Program: Four Faces of the CFO

Improving communication

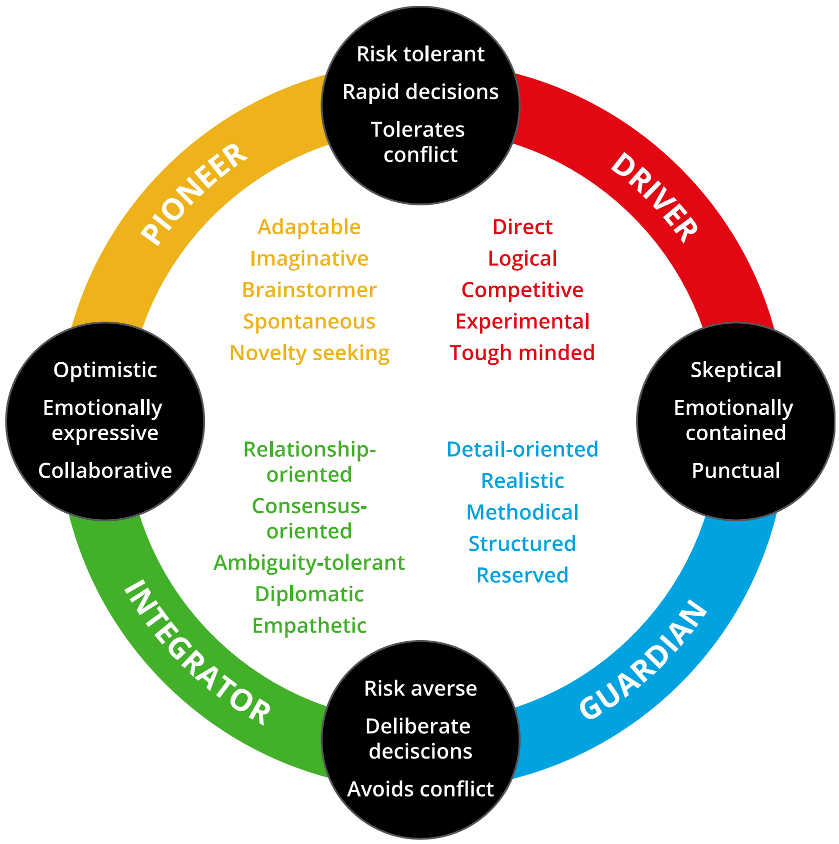
One major challenge to effective communication between CFOs and CIOs is that one speaks the language of finance, the other of technology. Moreover, all people, including CFOs and CIOs, tend to have different personalities. The result: differing communication styles and perspectives that could inhibit 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.

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

When a Driver or Guardian encounters a Pioneer, 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 personality differences and make conscious efforts to communicate clearly with each other.

Figure 2. The Four Patterns of Business Chemistry



Deloitte CFO Insights: The Power of Business Chemistry

Collaborating 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 agency mission.

An effective approach is for CFOs and CIOs to collaborate on IT investment strategies that drive the agency mission forward through process efficiency, compliance, cost savings, elimination of waste, and increase in visibility. This approach can enable both executives to evaluate IT investments based on value and alignment to agency goals; allowing for investments which provide tangible value to the agency. For example, the CIO can demonstrate that investing in the cloud can optimize system performance and the delivery of service, which aligns to process efficiency and the recognition of cost savings.

CFOs can also help CIOs articulate how IT impacts specific, key business processes. When discussing the acquisition 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 an 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 well as strengthen the future vision of IT value.

A framework for IT investment governance

An important area where CFOs and CIOs can collaborate is on a common approach to IT investments that accounts for value, risk and alignment to agency mission. The result: a comprehensive IT investment governance framework. Such a framework allows CFOs and CIOs along with other key executives to look at the opportunity and risk implications of an investment together, in order to select investments which support strategic goals and business needs.

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

a. Investment control
- Set vision/direction for technology investments
- Align business needs to business case selection
- Evaluate return on investment
- Prioritize investment choices
- Define risk appetite
- Monitor results and course-correct as appropriate

b. Technology governance
- Evaluate/approve business case and project proposals
- Assess impact of change on existing technology
- Facilitate IT decision making
- Monitor and manage IT procurement
- Maintain enterprise architecture
- Review and approve changes to IT baseline

c. Program/project oversight
- 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 and manage risks
- Coordinate steering committee approvals and oversight
- Provide quality assurance

Within this framework, CFOs and CIOs can focus jointly on managing and co-facilitating investment control activities and discussions, while the technology governance and program/project oversight activities are the sole responsibility of the CIO. One of the most significant potential benefits of including the CFO in the IT investment governance process is their ability to help the CIO bring the right set of organizational stakeholders and leaders together to support investment decisions and the execution activities surrounding those decisions. Including the organization in the IT governance framework can help the CFO and CIO make more informed decisions that are aligned to the needs and goals of the organization.

Primary contacts

Paul Sforza
Principal
Deloitte Consulting LLP
psforza@deloitte.com
Office: +1 618 222 3801

Natalie Cahill
Manager
Deloitte Consulting LLP
nacahill@deloitte.com
Office: +1 571 814 7719

Deloitte Federal CFO Insights are developed with the guidance of Roger Hill, Principal, Federal CFO Program Leader, Deloitte & Touche LLP; and Natalie Samuel, Senior Manager, Federal CFO Program Manager, Deloitte & Touche LLP.

For more information about Deloitte's Federal CFO Program, visit www.deloitte.com/us/federalcfo.

Sources

[i] M-15-14 FY2015 Management and Oversight of Federal Information Technology available at: https://management.cio.gov/implementation/#OMB-Memorandum-M-15-14

[ii] Deloitte Survey Federal S&O Finance Survey: Federal IT Investment Governance