Mind the Gap

As information technology trends such as cloud computing and virtualization change the IT delivery model, CFOs are being asked to bridge the divide between systems and strategy.

By Kristine Blenkhorn Rodriguez

Steve Romero remembers a time long ago, one in which the CFO of most large organizations paid little attention to the IT department. The "IT guys" (and yes, back then most of them were men) dwelled in cubicles somewhere beneath the main executive floor—a far cry from today's portable office in a laptop. You called IT only if you got an error message that wouldn't go away, no matter how hard you pounded the keyboard. The IT budget was relatively small, used mainly to purchase hardware and software licenses and fund a team of "fix-it" technicians.

Romero, the IT Governance Evangelist (you read that correctly) at CA Technologies and author of *Eliminating "Us and Them": Making IT and the Business One,* says his mission is to help enterprises realize the full potential of their IT investments. So, while appearing firmly entrenched on the technology side, he thinks like a c-suite executive—one that talks with the speed of a bullet train. And while he remembers the old days, he is glad they are long gone.

The Power Shift

Why IT's transition to the CFO's domain? Largely, because of big IT budgets.

"Generally, when the CIO reports to the CFO, it's because IT is looked at as a cost to be managed. That's old school. That may be because you have a company with a dated view of the world. Or it may be because you have a CIO who describes everything in technical terms rather than in terms of business value. Either way, not so great. IT needs to be viewed as a means to meet enterprise goals, as a competitive advantage and as a source of innovation."

As a CIO with the Center for Systems Innovation (c4si), Michael Hugos sees that many of his peers are downgrading their own influence because they still view their job as being to build a great corporate website rather than using IT to shore up core competencies and execute the business model.

"Installing the new Windows upgrade makes you overhead, and the trend of downward influence continues . . . Don't get stuck tinkering with the technology. Use it to make or save the company money," he cautions.

Author of *Business Agility: Sustainable Prosperity in a Relentlessly Competitive World,* Hugos used this philosophy as CIO of a national cooperative of distribution companies, developing a suite of supply chain and eBusiness applications that transformed the company's operations and revenue model.

"I went out with the salesforce and spent time with our biggest customers," he says. "I found all sorts of ways to provide new services and cut transactions costs. I found ways to increase the value of the products we delivered to our customers. I had delegated the running of servers and patching of software; that's not a CIO's task."

Although he experienced pushback from other company executives, he went on to win the CIO 100 Award twice for boldness and resourcefulness and the InformationWeek 500 Award for innovation.

"The role of IT is to increase the business agility of a company. The agility dividend is usually about 2 to 4 percent. You have to find it as a CIO. CFOs expect it," he says.

Hugos is right, if a 2011 Gartner and Financial Executives International study is anything to go by. The study of 344 North American executives across a variety of industries found that only 25 percent of CFOs see the CIO as a key player in determining business strategy. The study further states that 42 percent of IT organizations now report to the CFO—and that number is expected to rise. For the majority of executives surveyed, business partnering and sound project management continue to have more of an impact on IT investment success than technological prowess. Senior financial executives were asked how to ensure that the relationship between the business and IT is successful and effective. Their responses pointed to a clear ownership of the project (38 percent), the business case for the project (37 percent) and the project management (36 percent), all business issues that apply to any area of the company, not just IT.

"Clearly, these results indicate a more educated CFO who wants to leverage the technology portfolio more than has been done in the past," says Gartner analyst John Van Decker. "Many times the emphasis of IT is around technologies rather than close to the business. If you're not going to get close to the business as a CIO, you'll alienate yourself."

Van Decker adds that in times of economic downturn, particularly if IT has become a "runaway cost center" in the eyes of a CFO, the reins are held more tightly. A CFO's oversight becomes a cautionary measure to ensure cost effectiveness. And yet, a 2010 IBM study of more than 1,900 CFOs flies in the face of the increased number of CIOs reporting to CFOs. While 74 percent of respondents feel that driving information across the enterprise is a major priority for them, only 39 percent say they're good at doing that. Anyone sensing a disconnect? Perhaps a need for couples counseling in the c-suite?

Business-altering Technology Trends

Which technology trends are savvy CFOs watching? Cloud computing is the one unilateral response from our experts, with virtualization and social media running a close second and third.

"It's all about the consumerization of IT," says Romero. "As a CFO, you've got to understand the implications of that in order to ask the right questions of your CIO."

For those of you about to Google the phrase, we'll save you the time. At its most basic level, the consumerization of IT is the introduction of consumer-oriented technology and behaviors into the realm of enterprise IT. Employees are now integrating technologies like iPhones, Flip Video cameras, Skype, Facebook and Twitter—originally consumer-targeted technologies—into the workplace.

Convenience. Flexibility. Connectedness. All are increasing in the consumer arena thanks to new forms of technology; and we are now expecting the same at work. Customers and clients are wielding power like never before. (If you're a nonbeliever, simply think of the last time you saw a company trashed on Facebook or Twitter via viral vitriol—it's not pretty.)

Fueling this consumerization of IT is cloud computing, a technology that allows companies to pay for capacity as and when they need it—a vast change from the old days of intensive capital investment in servers to handle peak loads (even if those peak loads occurred only once or twice a year). As *CIO* magazine put it in its June 14 article, "How the Cloud Changes the CIO–CFO Conversation," because of cloud computing, "what was once a capital expenditure pitch [from the CIO to the CFO] has suddenly become an operational one, highlighting IT costs in starkly different terms. Paying for software and services 'by the drink' really drives home just how thirsty your users have become." In other words, when capital spending becomes a predictable operational expense, IT departments become service providers that facilitate a process rather than a part of the infrastructure. Forward-looking CIOs have already changed their thinking in this respect, says Romero.

Zoovy CFO Tom Saftig relies on his CIO to identify technology hot spots for him. However, it's then up to Saftig as CFO to do the due diligence. "If your company is in rapid-growth mode and your CIO is telling you that it needs a block of servers, your job is to question that without being offensive. Do we need them? What are the alternatives? If we do need them, what peripherals come as part of the package and how much do those cost? It would be nice if you could just trust cart blanche, but you will always have to know enough to ask the right questions."

Romero puts it another way: "Delegation is not synonymous with abdication. You still need to know the average spend for your industry and why what your CIO is requesting is above or below that."

Grasping IT Standards

While most CFOs shouldn't have to be experts in IT standards, a basic understanding of them and their potential impact on the finance function is an absolute must. Here's a primer:

Public Key Infrastructure (PKI). PKI is a computer security architecture based on message encryption. It allows executives to exchange private information over public networks.

Electronic Data Interchange (EDI). EDI forms the foundation of B2B eCommerce.

eXtensible Markup Language (XML). XML was created by the Worldwide Web Consortium (W3C) to allow users to load data from incompatible systems without crashing their computers.

eXtensible Business Reporting Language (XBRL). Based on XML, XBRL allows executives to find and extract business reports based on semantic meaning, saving hours of searching with the naked eye.

Payment Card Industry (PCI). A set of standard security processes instituted by credit card providers to protect cardholder information.

Advanced Encryption Standard (AES). Adopted by the US government, this standard consists of symmetric-key encryption.

Structured Query Language (SQL). A computer language designed to manage data in relational database management systems.

What's a CFO to do?

A productive CFO-CIO relationship marries the business plan with technologies that will enable and even revolutionize processes to make them faster, cheaper and smarter. To achieve that productive relationship, our experts suggest that you,

Get to know each other. While it sounds oddly old-fashioned in today's online world, a personal relationship goes a long way toward smoothing the road for future success. Step away from the keyboard, put your PDA away, and opt instead to meet with your CIO face to face.

Make it clear that systems support strategy. At the same time, involve your CIO in high-level strategy talks so that he or she becomes a vested stakeholder in its success.

Learn about the cloud and virtualization. Technology trends come with the rapidity of a dust storm, and you'll have to know enough to ride them out—and through—to success.

Ask your CIO how IT standards affect finance. Ensure the bases are covered in a way that won't come back to bite you.

Embed IT in your business. If your IT group is still a knot of people sitting somewhere in a cubicle, you're behind the times. "You need to embed technology people in the business units, but technology people who speak your language and 'get' strategy," says Hugos.

"Without people on the ground for you, you are fighting a nowin battle," he adds. "These are the people who will come to know the parts of your business as well as they know technology. That's when the real magic happens."