

Active engagement between the CFO and the CIO in the decision making process can help overcome many hurdles



The CIO's role, which has evolved over the years, has been the subject of discussion and debate in the corporate corridors. The role and function of technology within the enterprise has changed, and, accordingly, the scope of the job at the helm has also changed. Traditionally, technology was deployed for producing MIS. The IT function was considered as the custodian of the company's information resources. MIS itself was seen as an output of

financial reports and general ledger. Thus, the reporting of a CIO into the CFO was seen as a natural extension.

However, today, the role of CIO is not limited to managing information resources. Information is now much more freely available, and the tools to create and edit them so widespread that the custodian model has become outmoded. Technology is now seen as a tool for automation, primarily enabling effective decision making. It now provides an enterprise with the tools to collate, harness and leverage knowledge rather than just data. The CIO is therefore a critical contributor to the development of the organisation's strategy, a valued member of the "C" suite, a leader who is able to lead and support major change in organisational processes, manage teams of high-performance technology staff, and is an astute judge of the potential of new technologies.

The CIO-CFO debate

The divide in the roles between the CFO and the CIO is sharper now than before. CFOs typically have the task to look at business plans and the operational goals of the organisation, and accordingly build budgets with capital allocation plans. The CFO is driven by metrics and measures investments by their returns; technology is seen as a cost centre and in the process the element of subjectivity has a likelihood of being lost.

On the contrary, CIOs are inundated with information on trends related to the latest technology and contemporary tools. Quite naturally, on many occasions, in the quest to latch on to the latest technology, the 'return on the investment' viewpoint does tend to take a backseat.

Both these, however, are quite natural and logical from their respective standpoints. The key question, therefore, is how to strike a balance, and, more importantly, what is it that the balance should ultimately result in.

Need for a balance

As roles and responsibilities converge, the key to mastering this challenge lies in achieving greater alignment and transparency between IT innovation and business strategy. This balance should achieve the following three results for an enterprise:

A Balance between short and long term objective of enterprise:

Short term technology investments should not be held back in the quest for ROIs and payback periods. Similarly, it is important not to forget about return on investment, payback and total cost of ownership ratios for long term technology investments. The aim is to enable CFOs to make faster and more informed decisions through improved visibility of metrics.

B Determining the ROI of technology investment:

Finance managers are now increasingly seeing business returns on all assets of the enterprise – be it tangible or intangible, while IT managers talk of moving technology from a cost centre to becoming a strategic asset and value creator.

The essence of the solution therefore is to come up with a useful ROI calculation that identifies all the sources of cost (hardware, software, training, downtime, etc.) as well as all of the sources of benefit (direct savings, enhancements to productivity and improvements to quality – i.e., customer satisfaction). Fortunately, experienced CFOs do understand the challenge of getting a real ROI estimate. A good strategy is to engage the CFO and the finance function in coming up with the appropriate matrix.

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C Balance between the roles of CFO & CIO:

It is important to understand that the purpose of the existence of these roles has different origins. Each role depends on the other for effective execution of the responsibilities, even while one is not a subset of the other. It is true that in the current economic scenario where the focus is on cost cutting and improving efficiency, the role of a CFO has a much larger connotation – CFOs must take ownership of the financial health of the organisation. The CIO's role, on the contrary, has a more technical orientation; nonetheless, it too focuses around the same objectives – improving efficiencies and quality of decisions through effective automation, quality of MIS and timeliness and accuracy of information.

In many ways, therefore, even while both of these roles are support functions, they reflect the two sides of the same coin. Both roles are complimentary, and both are in existence to support the larger objective of the enterprise. More importantly, the 'end-objective' of both the endeavours – be it the technology investment itself or be it the measurement of its return – are in the larger interests of the enterprise. Hence, the key to the success of a balanced model is in 'active engagement' of both the CFO and the CIO in both the decision making process and in the process of relevant measurements of their utilities.

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