

## BEST OF ENEMIES?

*It's time to bridge the gap between CFOs and CIOs, say Grant Waterfall and Tom Gunson of PricewaterhouseCoopers.*

Earlier this year, the CFO of a major company asked PwC to investigate what he believed were some major shortcomings in his business's IT function.

The CFO was holding back from signing off on a major technology-dependant investment because he had concerns about IT's ability to adequately support the business to deliver such investment. Over the previous couple of years, IT had been managing or was heavily involved in a series of failed projects, and was not delivering the quality of support, infrastructure and services that finance needed to do its job properly for the business.

However, when the consultants went in, the situation turned out to be more complex than it first appeared.

On the one side, the CFO was indeed very disenchanted with IT's performance and delivery against his (which he considered to be the one and the same as the business's) objectives. But on the other hand, while there was recognition of some 'challenging' projects in the past, the IT function in general – and the CIO in particular – had no idea that it was regarded as failing. In fact, IT thought it was doing the job required of it, and no-one had told the CIO anything different.

The message was clear: there was fault on both sides, particularly the failure to agree what success looked like, and to communicate clearly both the real business objectives of each project and IT's delivery against them.

From IT's side, the fact that it was either meeting timelines or budgets (rarely both and sometimes neither) and the projects were delivered, seemed to signal that it was meeting expectations.

From finance's side, the outcomes of these projects – in terms of managing risks, response times to resolve issues, meeting the original budget and delivering on time – were not meeting the business's needs and hence its expectations; and IT was clearly to blame.

### Fault lines

The lessons from this engagement have now been underlined by primary research conducted by PwC in collaboration with CFO Europe Research Services (see Boxout below).

The study, involving more than 130 CFOs and CIOs across Europe, highlights a mutual perception gap between the two groups of executives, suggesting that the mutual incomprehension and misunderstanding evident in the example above is far from unusual.

Put simply, CFOs say their IT colleagues lack understanding of their business's strategy, while many CIOs focus on softer skills and think finance fails to communicate goals effectively.

To play a greater role in driving business performance, both CFOs and CIOs need to close this gap by improving the relationship and communication between IT and finance and leveraging their complementary expertise more effectively.

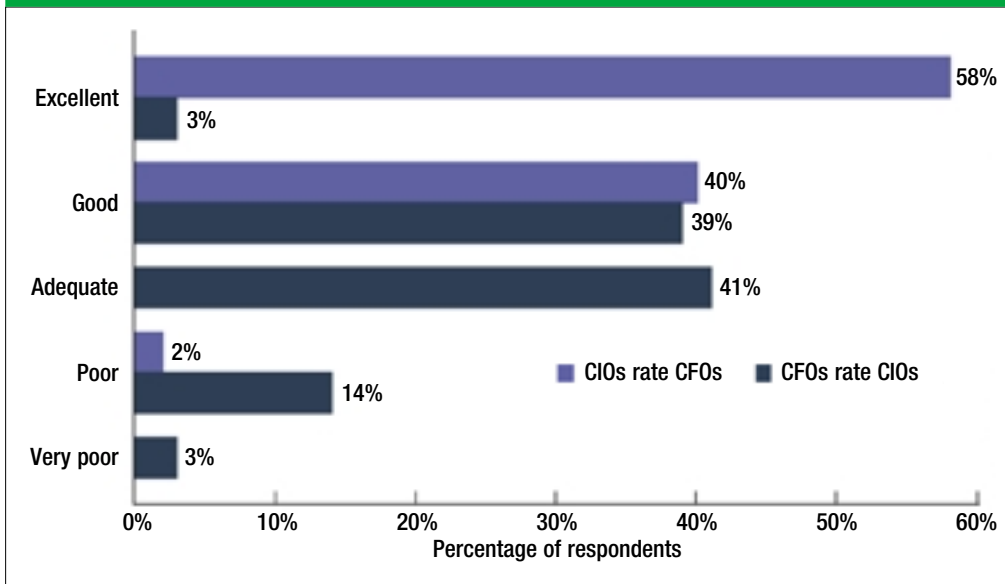
### TAKING THE TEMPERATURE OF THE FINANCE/IT RELATIONSHIP

The research study quoted in this article, *Are CFOs from Mars and CIOs from Venus? Overcoming the perception gap to enhance the finance-IT relationship*, was published jointly by PricewaterhouseCoopers LLP and CFO Europe Research Services (part of The Economist Group) in June 2008.

The report is based on an online survey of more than 130 CFOs and CIOs in Europe, plus in-depth interviews about the finance-IT relationship conducted with selected executives at 11 major companies.

The questions focused particularly on the aspects of the finance/IT leadership around the ability to collaborate and long-term strategic thinking and planning.

FIGURE 1: CFO and CIOs' rating of each other on leadership



However, while CFOs and CIOs are both under growing pressure to share the same agenda, the report also shows that neither group is clear about how best to work together to add value to their business.

An especially worrying finding is that the perception gap is not equally balanced.

Overall, CIOs express a much better opinion of CFOs than vice versa. While 98% of CIOs rate their CFOs as good or excellent leaders, only 42% of CFOs say the same about their CIO (see Figure 1).

Conversely, when questioned about their most recent collaboration, 72% of CFOs judge the last finance/IT collaboration a success, compared to just 37% of CIOs. IT's biggest complaint is a lack of communication from finance – even a sense of 'financial snobbery'. And where CIOs are reporting to CFOs rather than directly to the CEO, they feel a distinct lack of influence both at operations and board level.

The findings also highlight stark contrasts between CFOs' and CIOs' analysis of the problem and ideas for a solution. CFOs want IT to be brought 'up to scratch' so it can meet the business's needs more fully, whereas CIOs think their own departmental priorities have been sidelined, and want a more equal partnership and more frequent communications.

### Better information

The resulting perception gap is not going to go away. Rather than easing, the embedded tensions between finance and IT are now being brought to the fore by the current demand in businesses for better information to drive better decisions – known as enterprise or corporate performance management. And CPM projects cannot be delivered by either finance or IT alone.

In addition to this, there is the resurgence in ERP implementation and remediation projects. Almost three-quarters (74%) of all respondents say the main project collaboration between finance and IT in the past two years has been around ERP systems.

As our client story above shows, the need to collaborate on a project that is critical to the business and has a significant technology component, can bring the rumbling tensions between finance and IT to a head.

However, rather than being a threat to the relationship between finance and IT, this actually presents a great opportunity to grasp the nettle and redefine the partnership.

In the case cited above, we told the CFO he should work more closely with the CIO on the journey towards a new collaborative dynamic – one where finance helps IT to build up the skills, mindset and approach to become a trusted 'business partner' with finance, and thereby the rest of the organisation.

To act as a true business partner, a function needs to possess two things. The first is a pool of skills and insights covering both its own area of expertise and the strategic and operational needs of the business as a whole. The second is a customer-focused mindset and vocabulary to enable it to plan, agree objectives and execute projects collaboratively with other parts of the organisation.

These two attributes need to be underpinned by the shared values and behaviours that enable effective collaboration and communication.

## Getting the basics right

In many organisations, finance is ideally positioned to help IT make this transition, since it is a route that finance itself has been following, after it was initially pioneered by HR.

Both HR and finance have often begun this journey from a position where they have lacked credibility and relevance to the business. In many cases, both functions have made great strides towards closing this credibility gap by proving they can partner with the business to provide skills, insights and the right mindset to boost performance against the strategy.

Now it is IT's turn to make the same move to a business partner role, and claim a similarly central role in strategic decision making and value creation.

Ultimately, this is the prize that a more collaborative and equal partnership with finance offers. As soon as CFOs and CIOs speak the same language, their business agendas merge, and IT's perspectives and input begin to move to the centre of finance's business conversations and planning.

So while communication is key to transforming the relationship between finance and IT, this can be helped by developing a clear mutual understanding of respective roles, skills and what success looks like – all of which are crucial attributes for successful business partnering.

However, before a function – finance, HR, IT or any other – can move successfully towards a trusted business partnering role, experience shows that it must first get the basics right.

This means building up a proven track record of successful project delivery against time, budget and business need, thereby building credibility at all levels of the organisation. Only then can IT start to engage and collaborate more closely with finance and the business, which will feel confident that it can deliver on its promises.

## Making the first move

The breakdown in communication between finance and IT has roots on both sides. To an extent it is a product of an historic departmental alienation – IT-speak sounds strange to finance people, and CFOs use a language foreign to CIOs.

But there is now an increasingly urgent need to address this problem, and it may be down to one side or the other to move first.

With the finance function already established in (or at least moving towards) the role of trusted business partner in the organisation, and IT often suffering from a lack of credibility, our view is that IT often has more to lose than finance from a continuation of the current stalemate.

So where such a situation exists, we think the CIO should move as quickly as possible to address it, by reaching out to the CFO and starting to bridge the gap.

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