



Financial & Legal



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4 Ways to Turn Your CFO into an Ally

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A Battle or a Partnership?

Every year, CIOs prepare to discuss financials with their CFO, in what has become a classic battle that both hopes to win. Battle-scarred CIOs who have survived this process in the past know how to prepare documents for budget review that provide accurate

detail regarding their spending plans (both CapEx and Expense), and effective CFO's review IT's submissions with piercing eyes in order to ensure that every contingency is covered. (No one want to see that deer in the headlights look when 6 months into a project the CIO discovers that they didn't account for half a million dollars in CapEx equipment and another quarter million in operating expenses.)

This process shouldn't be a battle that both sides prepare strategies for, and even go so far as to send spies into enemy territory so they'll be prepared on game day. Smart CIOs and CFOs have learned how to partner together ahead of time to accomplish their goals, and beat the system that causes so much frustration in companies across the globe. "How?" you ask. How can CIOs become more effective at delivering content the CFO will respect? *For once, you say, I'd like to leave the budget meeting in full control of my destiny, instead of feeling like I've been stripped down to bare bones.*

4 Steps to Thinking Like a CFO

I have a few suggestions to help you in the journey to financial domination, and to encourage you to "Think Like a CFO."

1. First, you will need to know your numbers. What are your corporate targets? What is your operating overhead? How much capital have you invested in your department and in others? What are the company's expenses (in and outside of IT)? Where do those expenses need to be reduced? What was last years EBITDA? What are this year's performance goals? It's difficult for you to have a conversation with the CFO, much less win in a budget negotiation, if you can't speak financial terms and discuss the

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company's financial position both inside and outside of your department.

Too many of us make the mistake of creating self-absorbed budgets that don't take into consideration what's happening in the rest of the company. You won't fall into that trap if you know the answers to the questions above and make sure you've accounted for that in your budget preparation.

2. Second, you'll need to know the information you should be exchanging with the CFO. In their research on "Building a Powerful Alliance with Your CFO," Gartner suggests that just as your primary concern as a CIO is the enterprise architecture for the organization, the CFO's primary concern is the economic architecture for the organization. Understanding how to work with the CFO to achieve business goals financially as well as technologically will put you ahead in the game. You should be helping the CFO receive and process the information needed to gain a solid grip on the company's financial position.

3. Third, you need to understand and flow in the role you have in the C-Suite. Continuing their explanation regarding C-level relationships in their article, Gartner goes on to explain that while CFOs focus on economic architecture, and CIOs focus on enterprise architecture, *the CEO focuses on results and strategy*. What you have then, is a CEO who needs a performance alliance between the CFO and CIO where the CIO provides information and technology to achieve business goals, and the CFO provides the funding required to finance IT.

While maintaining a performance alliance with you, the CFO will create a value alliance with the CEO, focusing on target and results. While you maintain a performance alliance with the CFO, you should create a strategy alliance with the CEO, focusing on requirements and demonstration of technology deliverables. As shown below, this multi-faceted relationship maximizes the potential of each role in the C-Suite to deliver overall business benefit.

4. Fourth, you'll want to build on shared beliefs. Gartner further explains in their article that CIOs and CFOs have similar orientations when it comes to their appetite for risk and their organizational mind-set. According to Gartner analysts, both individuals have a medium to low appetite for risk, but a high desire to set organizational strategy. Joining you in this mindset is the COO. You'll find that line executives, your CEO and corporate strategists will also want to work hard to set corporate strategy, but they'll each be willing to take a lot more risk than you're comfortable with. On the opposite end of the spectrum, Sales and Marketing teams will be great at taking risk, but may want

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to be more tactical than strategic. Risk managers, internal auditors and your controller will also want to be tactical, but will still want to maintain a low degree of risk.

Survive the CFO Firing Squad

Learning how to effectively present information that your CFO is looking for will gain you a powerful ally in your organization. This is a relationship you'll want to actively work to build and maintain, because being on the same page with him means having more control over your financial destiny. This will allow you to produce what the CFO is looking for in financial review, even if he or she must maintain their firing squad personality in front of your peers. Don't worry if they have to do that... they do, after all, have to maintain their tough exterior. But you'll know that when they get to you, even though they still "shoot," they'll only be shooting blanks.

Now it's Your Turn

As we conclude our time together this session, you have another homework assignment. Please complete and post your responses to items 2 & 3 here. I'm sure they will prompt a lively discussion.

1. Identify your company's financial performance for last year (in IT and overall). What are this year's targets?
2. Identify what areas of common interest you and your CFO might share.
3. Determine the top 5 financial topics you should be able to intelligently discuss with your CFO at any given time.

References: Gartner: Building a Powerful Alliance With Your CFO, 1 August 2008 | ID:G00160834

Comments



Fernando Gonzalez, Byer California - Dec 20, 2010 9:56am

I also think you need to present your budget in way that explains how it is helping the other departments to meet their goals. There are very few systems that are for IT alone. So the budget should reflect the needs of the other organizations for service and/or systems how you need to show how the IT budget meets these demands. Then the discussion is not about IT needs but about the service and systems the other Cs want to provide to the organization.