

## CIO and CFO

As long as I have been an IT recruiter, my senior executive contacts have shared some divergent opinions about their reporting lines. Many CIO's and senior IT executives resent having to report to the Chief Financial Officer. They don't like to be observed under the magnifying glass by someone whom they perceive to be a cost-cutter, with the sole purpose of axing anything they don't understand. Rather, they feel that they should be a peer, reporting directly to the CEO, and they may be correct. In fact, many companies have already made this change to acknowledge the strategic importance of the chief IT executive. Some IT heads have told me that they would never work in a company where the CIO reports to the CFO. I wonder if that remains true in today's job market with its scarcity of opportunities. Of course, there exist those CFO's who view IT as a runaway cost center, but they are declining in number. In recent years, I have encountered an increasing number of enlightened CFOs who hire the strongest IT executive they can find to help convince the CEO that IT should be a direct report to the top. At best, I have witnessed many positive partnerships between the CFO and CIO, yet this nagging bias persists. We are dealing with a complex set of divisive issues that include perceptions, myths, evolving roles and leadership. If my wife were to read this, she would automatically know my next statement: in the midst of all the arguing and diverse opinions, the truth lies somewhere in the middle.

At least some of these thoughts should be familiar to you:

- In many companies, the old data processing department was formed in the accounting department. Years ago, I heard an industry speaker remark that when computer systems started gaining acceptance by companies, the first applications were commonly Accounts Receivable, because everyone wanted to know how much money everyone else owed them. The rest of the accounting applications were added later. Typically, the Data Processing Manager was another member of the CFO's (Vice President Finance or Controller or Treasurer) staff, along with the various accounting managers. This continues today and may exist for no other reason than "we've always done it that way" and can be due in great part to the age and mindset of the CEO and the CFO. I'm dating myself, but the old Data Processing Management Association began as the National Machine Accountants Association. You get the idea.
- In other companies, the IT function may have been formed on a stand-alone basis. I recall manufacturing clients, which had promoted a senior engineer or engineering manager to develop and organize their first data processing departments. Some were under placed under finance, while others were not.
- If the IT department was transferred to the CFO, this was in response to two causes. First, it was because top management felt the IT Director was spending too much money while delivering too few results. The Chief Executive would then ask the CFO to "get a handle on it". Second, the CEO may have been unhappy with the IT Director for any number of reasons (see the first cause), but

had a close relationship with them and did not want to go through the unpleasantness of firing them. They would then let the CFO do it after they ran some numbers that showed IT had been ineffective. This is a very common occurrence especially when a newly hired CFO is layered in between a CEO and a CIO, who have had a previously long-standing relationship that is now going sour. I call this the “Pontius Pilate” maneuver. The CEO washes their hands of a messy job and has the CFO do the dirty work. If you are the CIO and find yourself being moved under a new or hand picked CFO, update your resume and start networking immediately.

- Many CIO’s view CFO’s as mere hip-shot cost cutters, who simply axe department budgets without considering their contributions, to curry favor with the CEO and earn a larger bonus. Many CFO’s view CIO’s as free-spending technocrats who like to build big systems without considering that they must exist only to make the enterprise more competitive, profitable and efficient. Both viewpoints are accurate, at times.
- There exist top executives who don’t understand or trust their IT management. The CEO simply doesn’t have the time and patience to learn about it and delegates it to the CFO.

Take some time to consider these concepts:

- Finance and IT are inextricably woven together and will remain so. You may think that I am overly simplistic, but an IT organization is a big calculator for the enterprise. It implements the rules for moving “money” in, out and within a company. Money may be cash, inventory, claims data, call center reports, finished goods, productivity reports, etc. Every business activity is measurable and therefore can be assigned a dollar value. Any department within a corporation may set the rules for moving money, but most of them will come from the CFO’s department, or will be influenced by it.
- Of all career disciplines, finance and IT have some of the best synergy. Many IT professionals began their careers in accounting and finance. Many senior finance people started out in IT. This is not scientific, but in reviewing CIO careers for the past twenty-six years, I have found that the greatest number of business executives that cross over into IT management come from finance.
- Like that of the CIO, the role of the CFO is evolving. Many if not all CFO’s are overworked due to global competition, risk management and increased pressures to show profits. The recent Enron scandal has magnified the importance of the CFO as one of the stewards of corporate governance. The fallout from this debacle has made their job less pleasant while adding enhanced outside scrutiny by shareholders, analysts and the financial press.
- I have encountered CFO’s who would welcome having a CIO who is a true businessman or woman, visionary and leader. Within the past year I performed a CIO search for the CFO of a global high-technology manufacturer. His subordinate IT Director was a tactical executive and my client was overwhelmed with his dual role as CFO and CIO. He had convinced the CEO to move the latter

function into a peer relationship to the top executive. He and the CEO together selected and hired the best candidate to fill this elevated role.

- A significant amount of The TENG growth has come from the members of The Financial Executives Network Group. I have received many excellent referrals from CFO's who offer glowing recommendations for their IT colleagues. Virtually every new member nomination from FENG members has included some words of praise for the nominee. CFO's network too and make excellent allies.

Here are some thoughts for the future:

- The trend of having the CIO report directly to the CEO is a growing one. In my last newsletter, you may recall I quoted Mark Polansky of Korn Ferry who stated that the CEO, CFO and CIO are the only "CXO" level executives that have the best overall view of the enterprise. This is a position of power. Will all CIO's end up reporting to the CEO? Probably not.
- The role of the CIO is shifting from a more tactical emphasis to a more strategic one. An effective CIO must partner with the CEO, CFO and other C-level executives to succeed.
- If you report to the CFO, do everything you can to make them look good. By nature, CFO's are detail people and keepers of the corporate secrets. Many outsiders see them as gatekeepers and the people who always say "no". On the other hand, the relationship between a CEO and CFO can be very special. It is the CFO's job to keep the CEO and hence the enterprise, out of financial trouble. This is an especially large burden. If the CEO came up through sales or marketing, this relationship is more critical because the CFO has to train the CEO. As CIO, you can build on this by keeping the CFO out of trouble on all IT matters and train them on what they need to know to make effective decisions. Learn how they think and solve problems. When you brief them on IT issues, try to present the issues and the choices using their approach, with a menu of recommendations. Don't bog down on tech details, but give them critical facts in their language.
- At the conference from which I referenced Mark Polansky's comments, I also heard that the role of the CIO is "to partner from behind" with other top executives. In other words, what are the metrics that measure the success of the CFO, CMO, etc? An effective CIO will learn them and develop IT initiatives that will help her or his partners to achieve them. This gives the CIO increased internal advocacy at the CEO and board level for IT initiatives because they are tied to top management goals. When you help your peers hit their goals, you build strong partners. This is a sign of leadership.
- If your top management regards IT as a necessary evil, start looking for a new job. If you haven't changed their minds by now, you never will.
- Working for an enlightened, supportive CFO can be just as rewarding as working for a CEO. There may be times when you will welcome this buffer.
- Don't let your ego cloud your decision when considering an opportunity. If a potential job reports to a CFO, it behooves you at least to explore it. Turn your focus to the upside potential and challenge if you deliver with a high level of excellence.

The central issue of all this is leadership. The CIO must know business and technology making their role is an especially challenging one. To debunk the myths that exist between CFO's and CIO's, each chief IT executive must seek out opportunities that add value to the enterprise and not wait for the phone to ring. The best CIO's of the coming era will be business people; they will be technology enablers, mentors, coaches, teachers and sales people, all rolled into one person. As someone in Mark Polansky's audience commented in the spirit of 9/11, "They will run toward the fire, not away from it".  
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