

Are CFOs from Mars and CIOs from Venus?

Overcoming the perception gap to enhance the finance-IT relationship



A research report prepared by CFO Europe Research Services for PricewaterhouseCoopers

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Executive Summary

“The CFO and CIO must give serious thought to when and how they talk, and then regularly review the process to see if it's working. It's always very difficult to get to that perfect level of communication, which is mutual understanding, without swamping.”

—Nick Handy, Chief Management Information Officer, Vodafone

Widespread advances in technology and process automation lift expectations for heads of finance and IT departments. Expectation magnifies outcomes, good or bad. Success increasingly hinges on the ability to cooperate, when by nature CFOs and CIOs often compete for attention, resources and authority.

Corporate reliance on the speed and integrity of critical information also unites finance and IT as never before. Daily decisions can hone a competitive edge; an unexpected security breach can cause incalculable harm.

Managed poorly, interdepartmental friction can inflame tension and derail careers. Well-oiled collaboration, on the other hand, leverages the value of strategic thinking in rewarding ways. CEOs demand no less nowadays from senior executives with their eyes on larger strategic roles.

This challenging terrain furnished the impetus for a survey and interviews of some 130 European CFOs, CIOs and CEOs. Their replies highlight factors that facilitate effective collaboration or hamper it.

Managers who participated express high mutual regard,

> About this report

Beginning in February 2008, CFO Europe Research Services, a unit of CFO Publishing and part of The Economist Group, conducted a research project with PwC, asking senior finance and IT executives about the finance-IT relationship.

The report is based on the results of an online survey of more than 130 CFOs and CIOs in Europe, and in-depth interviews conducted with executives at the following companies:

- Alexander Forbes
- Barentz
- Bata
- Beherman
- Britvic
- Eli Lilly
- Getronics
- GoIndustry
- Ladbrokes
- Swiss Life
- Vodafone

CFO Europe Research Services and PwC developed the scope of this research jointly. PwC funded the research and publication of our findings, and we would like to acknowledge the PwC team - Grant Waterfall, Tom Gunson, Neil Eastwood, Ross LeCarpentier, Clare Thompson, Lynne Bailey and Lisa Bradburn - for its input and support. At CFO Europe Research Services, Jason Sumner managed the project and wrote the report. Cesar Bacani and Scott Payton conducted interviews and contributed case studies. Steve Mintz edited the report.

CFO Europe Research Services and PwC would like to thank the finance and IT executives who took the time to share their views with us.

nevertheless each side thinks that the other side falls short in pivotal respects.

The bottom line: many CFOs appear to be from Mars, and many CIOs from Venus. Why? Their issues say it all. CFOs believe IT lacks understanding of the business strategy, while many IT managers focus on softer skills, saying finance fails to communicate goals effectively.

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Take just two examples where views diverge: when it comes to the most recent collaboration, 72% of CFOs surveyed believe their last project with IT was successful, compared with 37% of CIOs. And when asked to rate each other on leadership, 98% of CIOs say CFOs were good or excellent leaders, while only 42% of CFOs believe the same about their CIO.

The survey also demonstrates that CFOs and CIOs part company on where credit lies for three critical goals on which they should have a collaborative agenda: providing insight to the business; creating effective controls; and driving efficiency.

In short, the survey demonstrates that after a decade or more of increasing interdependence between CFOs and CIOs, some fundamental differences remain, and in some cases the gaps are wider than ever.

That's the bad news. The good news is that the survey analysis also shows a strong correlation between collaboration and business results. But saying is not doing. Collaboration requires more than lip service. Although hard work may divert talent, time and resources from other important assignments, smart corporate leaders recognise the return on investment in a process supported by a governance structure.

Further optimism is also warranted. In nearly a dozen in-depth interviews with CFOs and CIOs in organisa-

tions where the relationship is sound, these executives advance collaboration to new levels including making it a board-level priority. But first, both sides must concur on an agenda for robust communication, then they must articulate a shared communication strategy that starts as soon as potential projects come into view.

Here is a summary of key findings from the survey and further recommendations from the in-depth interviews.

There is a perception gap between CFOs and CIOs. This hinders a shared agenda.

Questions about leadership, the ability to collaborate and long-term strategic thinking and planning elicit marked differences in the way senior finance and IT managers see each other. Overall, CIOs express a much better opinion of CFOs than vice versa. Six in ten CIOs rate their CFOs as "excellent;" only three in ten CFOs rate their CIOs as highly.

Ask us more, say CFOs. Tell us more, say CIOs.

When invited to state their biggest frustrations with CIOs, many CFOs concur that a better understanding of financial reality would help CIOs deliver more value. "Better communication" tops the wish list for most CIOs. They also cite "more frequent communication," and even, "forced communication."

There is a link between collaboration and business results.

Success rests on many factors, but interdepartmental collaboration correlates highly with the outcomes of a specific project and their subsequent impact on earnings. CFOs and CIOs from poorly performing companies tend to rate their relationship as “poor” for driving efficiency, business change and “getting results for the business.” Related data highlight a meaningful link between successful projects and boards that insist on collaboration.

When it comes to collaboration, actions speak louder than words.

To enforce meaningful collaboration, Britvic, a British soft drink distributor, has established a “corporate design authority” to manage and oversee all business change projects. Its steering committee includes members from operational, IT and finance departments, who meet regularly to evaluate the quality of collaboration. Reputations rest on rigorous presentations to committee members. Stakes are high, says John Gibney, group finance director. If a project's return falls short of expectations, the committee's bar will rise measurably the next time.

Ensure IT has a voice at the highest level.

At some companies interviewed, such as Alexander Forbes International, a leading financial services multinational, the prominence of IT warrants a seat on the executive committee for the CIO. At Britvic and Ladbrokes, a sports betting and gaming company, the CIO reports to the CFO. At Eli Lilly, a pharmaceutical manufacturer, IT managers report to operational managers. Executives we interviewed advocate differ-

ent reporting policies but a common denominator is clear, says John Gibney, Britvic's CFO: “IT must have a voice.”

Don't be afraid of natural tension in the relationship, but manage it.

CFOs and CIOs must “earn the right to say no” to each other, says Jerome Andries, European CFO at Eli Lilly. Genuine collaboration turns differences to everyone's advantage by eliciting fresh ideas or sparing a lot of wasted resources on mistakes. But a commitment to communicate candidly is only a start, warns Nick Handy, chief management information officer at Vodafone, a telecommunications giant. The CFO and CIO must exchange ideas routinely, resolve differences without rancour and regularly review the process to ensure it is working. “It's always very difficult to get to that perfect level of communication, which is mutual understanding without swamping,” says Handy.

Rotate business experts into IT, and give IT employees opportunities in the business.

It's a common problem: CFOs and CIOs in a meeting room speak different languages. To frame respective priorities in a common language, research confirms that CIOs and CFOs must lay better groundwork. But how? One way is through job rotation, a proven policy in Britvic's IT department. The company regularly moves promising IT managers out into the business for extended exposure to those decisions. At the same time, career tracks on the business side include lengthy stints in IT. “The people who come into IT understand the business and how the IT department can help the business move forward,” explains John Gibney. And vice versa.

SECTION 1 — The perception gap

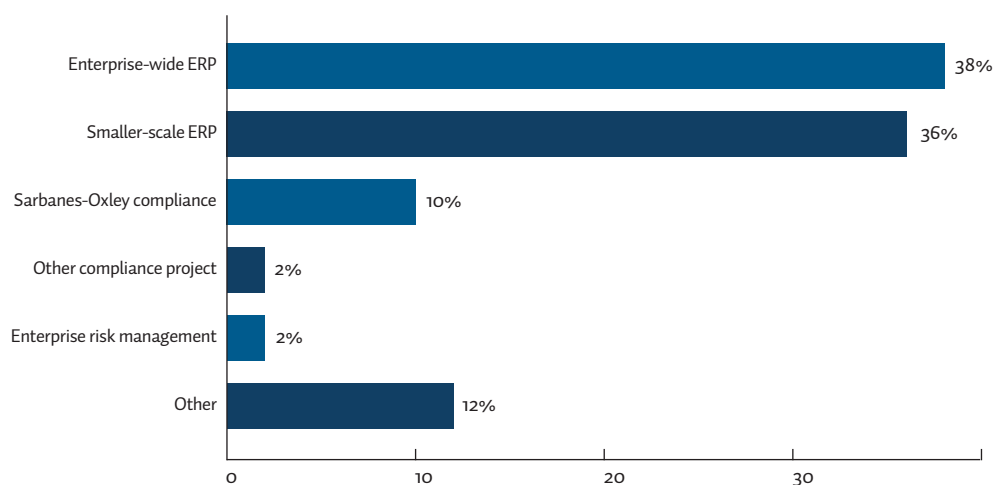
Interviews with CFOs and CIOs highlight progress toward full-fledged collaboration, but they also identify hurdles that delay, hinder or even cripple strategic goals.

As roles and responsibilities have converged in the past decade, so has the language used to implement initiatives and measure results. CFOs and CIOs both talk about challenges that encompass enterprise-wide strategies. Both cite expanded roles that retain accountability for all previous initiatives plus the big picture. Typically, finance managers talk increasingly about business partnership while IT managers talk of moving technology from a cost centre to a strategic asset.

In an era where everyone knows that a company's success, even its viability, depends on the integrity of financial data and timeliness of transmission, CFOs and CIOs must enjoy a partnership resting on collaboration. Toward this end, they describe themselves as analysts, strategic thinkers and savvy communicators with an eye to core strategies.

Mutual respect is evident. John Gibney, group finance director at Britvic, applauds a sea change in the IT department. "They used to be at the edge of the business, looking in, observing what was happening," he says. "Now they are absolutely in the middle of the business." A complete breakdown in the IT system, Gibney says, would bring the company to a grinding halt, unable to produce or deliver anything including financial data. "That core role required a massive mindset change in the IT team. It really changed the way they interact with the rest of the business."

> Chart 1 – The ERP connection: Main project collaboration in the past two years between finance and IT



Giovanni Varotto, CFO at Bata, an Italian shoemaker, likens the relationship to a clock. “All of the mechanisms must work together to provide the right time,” he says. “For me, finance and IT are the internal movements that ensure that this company tells exactly the right time.”

But there's a rub still. Common ground should promote a common cause and shared perceptions about mutual value under a strategic vision that benefits the whole company.

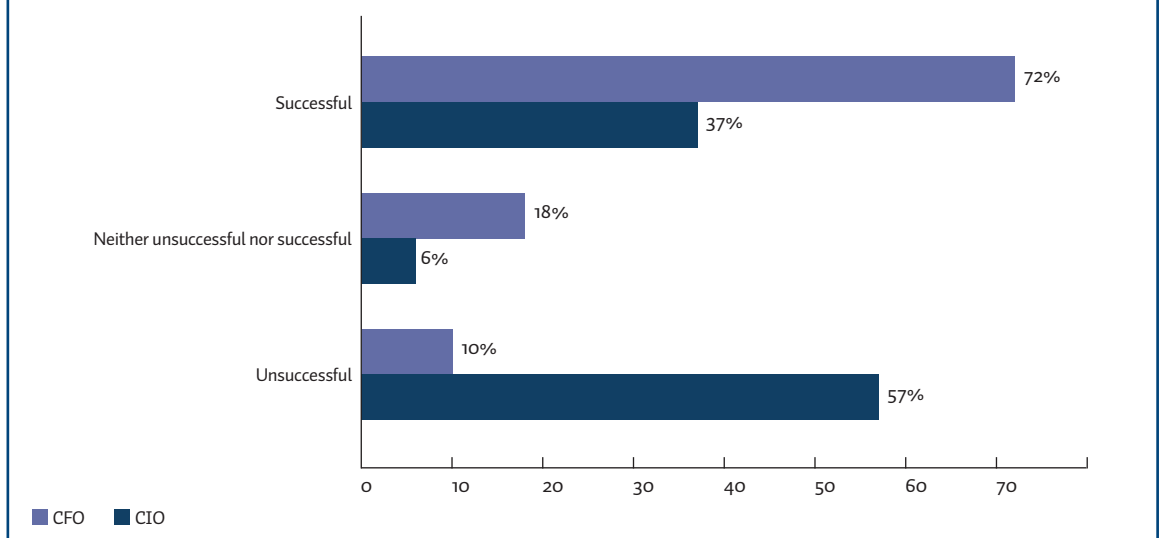
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Few companies are entirely there yet, according to our survey. A perception gap still surfaces when CIOs and CFOs are asked about each other. Bottom line, CIOs readily agree that CFOs are top notch financial managers

and CFOs heap praise on CIOs in matters concerning technology. But outside of respective areas of expertise differences emerge, for instance, on such fundamental points as appraisals of a recent collaboration or opinions of each other's overall leadership skills.

Take ERP projects, for example. The survey shows that overwhelmingly, ERP is the “main project collaboration in the past two years”. (See Chart 1.) When it comes to rating the success of the most recent project, the CFOs and CIOs differ widely in their assessments, with CFOs far more likely to be satisfied and CIOs distinctly underwhelmed with the results. (See Chart 2.)

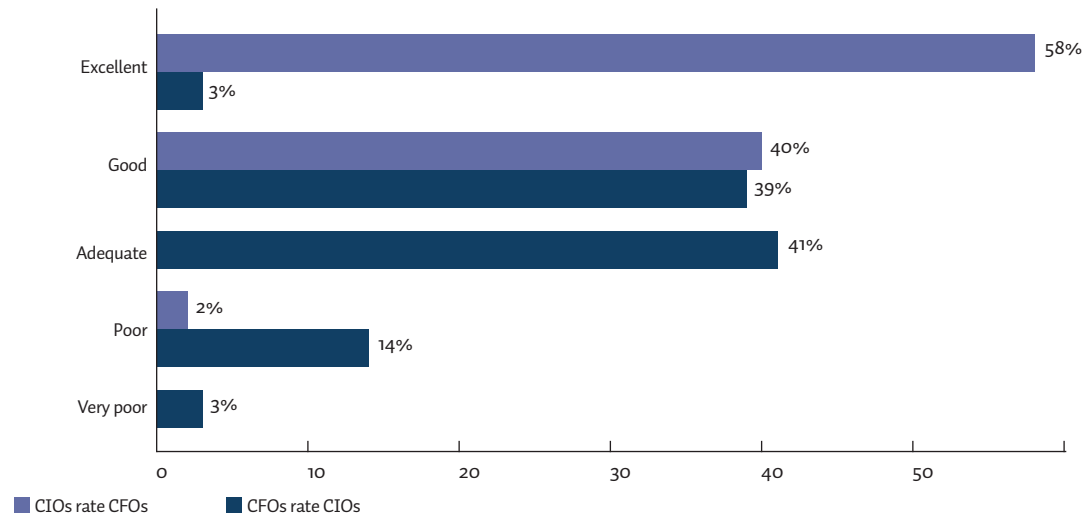
> Chart 2 – A big difference of opinion: Rating the success with the most recent collaboration



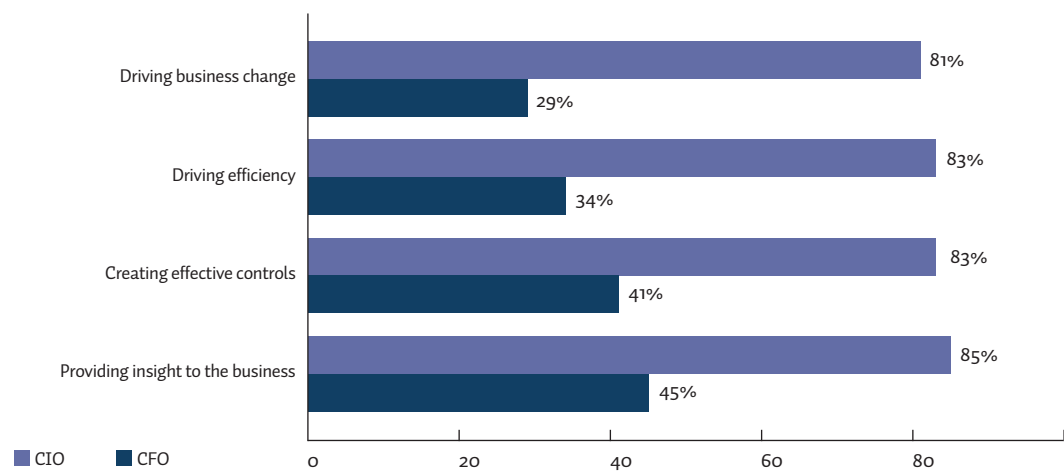
Mars and Venus

When asked to rate their counterparts in IT and finance on their leadership skills, how well they work together and what they want from each other, a wide gap separates CFOs and CIOs. Ninety-eight percent of CIOs rate their CFOs as “good” or “excellent” on leadership, while only 42% say the same of their CIO.

> Chart 3 – Rating each other on leadership



> Chart 4 – Big gaps in perception on key criteria (% saying relationship has had a good or excellent impact on the following goals)



What CIOs want from CFOs:

- “More communication”
- “Talking to each other”
- “More written communication”
- “More forced communication”
- “Better communication”
- “More flexibility”

What CFOs want from CIOs:

- “Working more closely together”
- “CIO report to CFO”
- “Finance courses for the IT people”
- “Mutual understanding of business strategy”
- “IT should deliver more value”
- “Clarify IT strategy”

“When little things happen, you slowly lose the trust, because you see IT as being a hindrance rather than as an enabler. We must make sure that we work hand in hand with IT to prevent this from happening.”

Even in companies where the gap is narrow, each group often insists that its complex work eludes the other's grasp. “I do not believe anybody [in finance] can understand the details of the barriers on the IT side because of the complexity of our IT systems,” says Nick Handy, chief management information officer at Vodafone. “Certainly the CIO has an understanding of the need, for example, for a management information structure. In terms of what kind of data should be put in place, he probably doesn't know.”

Because the nature of respective domains are so complex, as can be expected, a question CFOs and CIOs commonly ask is this one: how much should they know? The ideal level, Handy concedes, is tough to find. Broadly speaking he advocates understanding without swamping, a balance unique to every collaboration. “At our level, the problem comes when there is so much activity going on, that trying to get time in people's diaries and physically talk to them is not as easy as you might think.”

From the IT perspective, Steve Maxwell, CIO of Ladbrokes, cites the virtue of more business education for IT leaders. Knowing HTML solves technical problems, but knowing HTML and EBITDA, to oversimplify, creates enterprise solutions. Short of an MBA, hands-on experience and sleeves rolled up goes a long way toward a beneficial end. Maxwell advocates actual experience, working with an organisation to understand what people

want to achieve. Such exposure will magnify empathy when it really counts. Buy-in occurs when everyone is on the same page, says Maxwell, not by bowling someone over with technical terms.

Some people cannot or will not articulate underlying problems or the means to solve them. Instead they mistake arcane technical terminology for a mantle of leadership. Says Maxwell, “That doesn't work.” Clarity always advances the cause even when it triggers thorny questions - as it often does.

A working relationship starts with trust. GoIndustry-DoveBid plc, a global leader in the sale and evaluation of used industrial machinery and equipment, makes trust a priority - much easier said than done. Trust takes effort but without it collaboration has no future. It bridges the divide between technology and finance and promotes mutual understanding essential to any successful initiative. It keeps the wheels on when routine glitches arise or new installations refuse to cooperate. Christian McMahon, the CIO, makes finance and its language his business. “You have to appreciate what the finance department has to do and how it works in order to work with it.”

McMahon, a 20-year IT veteran and the former CIO of analyst and consulting firm Ovum Group, sits on GoIndustry's executive management committee alongside

GoIndustry's CFO. From the moment he joined GoIndustry last year, McMahon has fostered solid relationships within the company. He knows a failure to communicate would interrupt the smooth flow of new ideas and updates. In a tight spot, the company suffers when sturdy relationships that reinforce collaboration are not business as usual.

In the interest of maintaining trust, McMahon advises his CIO counterparts not to over-promise on results or underestimate costs. In a dysfunctional relationship,

says McMahon, the CIO requests the funds in exchange for everything the CFO wants - except a cost breakdown. Nothing short of that amount can deliver expected results, the CIO insists. The CFO will just have to settle for subpar results. Trust erodes from that moment on, says McMahon.

Before describing ways to enhance collaboration, the next section interprets survey results that show a link between finance-IT collaboration and the resulting benefits for the whole business.

**> Case study: Eli Lilly – Equal partners
Working together on an ERP roll-out**

The past two years have altered reporting structures for the heads of finance and IT at the British arm of Eli Lilly, a pharmaceuticals manufacturer. Previously, the CIO reported to the CFO. Now, both report directly to the CEO.

“This is really a reflection of the fact that we wanted IT to be part of the core business, which for us is to discover innovations and bring them to customers,” says Jerome Andries, CFO for Lilly's European operations. “Reporting to finance probably was not fully enabling us.”

When the two functions agree on standards, finance can assess more easily the case for local IT solutions versus network solutions. “IT, because of its fairly robust approach to project management and quality, can help us to make sure that we only go for localisation when it is absolutely necessary,” Andries says. “Their discipline complements ours in finance.”

Tensions between IT and finance still arise, he says, especially if the finance team feels that its technology issues are not getting enough attention. “When little things happen, you slowly lose the trust, because you see IT as being a hindrance rather than as an enabler,” Andries says. “We must make sure that we work hand in hand with IT to prevent this from happening.”

To forestall erosion at all levels, Lilly's CFO insists that the CIO joins committees where operational decisions are made. A fully engaged CIO is better equipped to deliver systems and processes that propel growth. “IT people would not be able to help us if they did not understand our business model.”

To ensure its IT managers design solutions relevant to the core business, Lilly encourages post rotation. “IT managers get cross-functional experience,” Andries says. “Some work in marketing, while some become a general manager for a few years then go back to IT.”

Andries and Lilly's CIO work as equal partners on the firm's current major IT project: a new, standardised ERP system for all of the firm's country divisions. “The steering committee is co-chaired by myself and my IT counterpart,” Andries says. “This means we share similar strategic objectives. It does not rule out tension - but it is healthy tension.”

The resulting push-pull relationship improves the likelihood of success for a capital investment closely watched by the CEO. Staying on target means shared goals; it also means a lid on frustration that accompanies most projects of this magnitude. “For CFOs to understand what sort of frustrations a CIO may have, they should think about their own relationship with their CEO - that will help a lot.”

SECTION 2 — The collaboration correlation

Words to Action

As expected, CFOs and CIOs agree that collaboration requires a solid foundation. Personalities and interpersonal communication often top the list of factors that support the foundation. The priority on communication stretches from executive-level, cross-functional committees to the shop floor.

“For CFOs to understand what sort of frustrations a CIO may have, they should think about their own relationship with their CEO - that will help a lot.”

At Britvic, the corporate design authority (see case study, page 13) approves all change-related IT projects. IT has occupied a top rung on the board of directors agenda for two years, says John Gibney, group FD and member of the board of directors. “We believe that IT can make a difference and it has to be at the heart of the business agenda.” This board focus has led to tangible results that spread beyond the finance function to benefit the entire enterprise. IT is at the heart of a “people enablement” drive which has led to more effective remote working. Recent and planned acquisitions are high on the agenda as well. “IT has to make sure the businesses are integrated very quickly on to our systems so we have a common business platform.”

During a recent ERP expansion at Eli Lilly, an executive staff member in the finance department serves as the project’s “business owner”, signifying end-stage

Establishing the link between collaboration and performance

CFOs and CIOs interviewed for this report readily agree that collaboration fosters better performance all around - in finance, IT systems and ultimately, on the bottom line. The survey produced correlations such as:

- **Shared strategic agendas and communication:** When shared agendas unite finance and IT, “getting results for the business” often accompanies a high level of effective communication between the CFO and CIO. Conversely, less effective communication often signals weaker results. Note that shared agendas imply a high level of communication that does not spring up overnight. Fits and starts can be expected until agendas align.
- **Partnership and performance:** Where CFOs indicated good collaboration with IT counterparts, strong correlations exist between the CFO’s overall performance and getting results for the business. Among CIO respondents, a similar correlation linked their performance to their ability to collaborate with finance.
- **Board appreciation and shared project objectives:** When Boards of Directors cultivate the relationship between finance and IT, CFOs and CIOs tend to express similar assessments of the most recent project.

accountability to upper management. An IT counterpart headed up “programme management”, which was the technical side that supervised dozens of cru-

Simple as it sounds, a steering committee with the CIO, the CFO and heads of other business units corrects a problem that often afflicts business units in large companies: a tendency to live in separate worlds. “If people are not talking to each other, then you get a problem. So we organise in such a way that people talk to each other.”

cial decisions in the course of implementation. At the top level, accountable to the CEO and the board of directors, Jerome Andries, Lilly's European CFO, and the CIO co-chair the project steering committee. (See case study, page 9.)

The shared agenda between finance and IT at Ladbrokes stems directly from previous efforts to standardise finance systems across Europe. Financial controllers and IT project managers communicate efficiently when both operate with the same standard set of accounts. “The important thing to note is that we use the same finance system across the world. What we run in Gibraltar, what we run in Spain, what we run in Italy will be what we run in Ireland,” says Steve Maxwell, the CIO. “These are all the same financial application just delivered for those countries.” A similar chart of accounts across the whole platform, says Maxwell, “allows us to roll up our accounts much more easily into a consolidated plc account.”

Getronics, an Amsterdam-headquartered ICT services company, displays another tactical approach to advance collaboration. Once managed as a cost centre, the IT department formerly made major technology decisions driven by budgetary considerations often independent of enterprise-wide goals. As a result, managers measured the department's performance not in terms of its ability to enhance the firm's operations, but much more narrowly in terms of its ability to minimise costs. Heads of other busi-

ness divisions, meanwhile, lacked a say in how IT projects were prioritised.

Policies at Getronics have changed. The CIO, along with leaders of other key business units, sits on a steering committee that collectively evaluates IT strategy. “The bridgeheads for different business lines, and different systems, now really feel that they play a part in the decision-making,” says Steven van Schilfgaarde, the CFO .

Simple as it sounds, a steering committee with the CIO, the CFO and heads of other business units corrects a problem that often afflicts business units in large companies: a tendency to live in separate worlds. “If people are not talking to each other, then you get a problem. So we organise in such a way that people talk to each other.”

This approach is paying off already. Getronics's CFO and CIO have started to develop an integrated financial system with a window on how every customer affects each business unit's P&L - even customers served independently by Getronics business units. As an example, says Schilfgaarde, one unit might shrink profitability to allow another unit to more than make up for it. The company's net bottom line, not individual units, controls the climate. “A full view of profit and loss for each customer could overcome this problem,” says Schilfgaarde, “where one division would otherwise just see a loss-making project on their books” and decide accordingly.

A Voice of Authority

After all is said and done, no single arrangement stands out as the right way for the CFO and CIO to collaborate. Reporting relationships vary widely according to executives interviewed. Respondents reach nearly universal agreement, however, that collaboration succeeds only when IT is represented at the highest levels of the company. Whether the CIO sits on the board or executive committee or relies on the CFO for representation, nothing happens without mutual confidence.

“The mindset of the people in IT has changed markedly in the last four to five years in the way they integrate themselves and interact with the rest of the business.”

For Grant Stobart, managing director of Alexander Forbes, proper representation of IT requires a seat on the firm's executive committee. Technology is too crucial to every aspect of the business to bestow less recognition on the CIO. Eli Lilly, in contrast, assigns a seat to the CIO at the level where operational decisions are made. If made at the board level, says Jerome Andries at Eli Lilly, then that is where the CIO should sit. But if another body commands operational decisions, that's where the CIO belongs.

Britvic's CIO reports to John Gibney, the group FD, and that relationship works effectively as both executives see

it. The proof, says Gibney, lies in multiple achievements over the past six years. “We've completely transformed our IT platform and the way we use it in business.” Two years ago, Lilly altered reporting relationships. The CIO formerly reported to the CFO; today the CIO reports to the chief executive. (See case study, page 9)

In the financial services industry, one prominent CIO concurs that reporting to the CEO strengthens the company. “An IT division in a financial services company reporting to the CFO will almost always be managed with too much focus on numbers and not enough focus on technology,” says Reto Himmel, CIO of Swiss Life in Switzerland, who reports to Swiss Life's CEO. If the CIO reported to the CFO, Himmel says, there would be “a high likelihood of too much outsourcing” and “a danger of irreversible loss of critical IT knowledge”. He continues, “IT needs to be managed professionally and - particularly in financial services companies - it needs to be dealt with as a core competence.”

The CFOs and CIOs we interviewed understand the need to collaborate, but they stopped short of endorsing “perfection” in the relationship. There will always be a “love-hate” relationship between IT and finance, concedes Jerome Andries of Eli Lilly. “I can't live without IT,” he says. “And I'm not talking about the computer I use for my email now. I'm talking about my ERP system.” If they do their job correctly, Andries says, it means IT will have to say no. “But as in any productive relationship, if you earn the right to say no, it's ok to say no because it's for a good reason.”

**> Case study: Britvic – IT’s revolving door
Fostering a connection between operations and IT**

Leading companies often rotate managers to season them for wider responsibilities. Britvic Soft Drinks, Britain's second-largest soft drinks business, goes even further. It “seconds” selected managers to the IT department for a year or longer before returning them to operations roles. “This builds relationships between IT and its customers inside the business and also with external service providers,” says John Gibney, group finance director John Gibney.

As careers progress, rotation pays lasting dividends. “The manager who supports the supply chain gets a very clear view about SAP,” says Gibney, citing one Britvic software vendor. Then that manager can help his colleagues decide whether an application suits Britvic.

Founded in the mid-1800s, Britvic management today realises that IT is central to business in the 21st century. Case in point, the soft drinks distributor launched a business transformation programme ahead of the company's 2005 listing on the London Stock Exchange.

Operations and back-office systems have been overhauled, supported by a complete change in the IT infrastructure and implementation of software from SAP and Siebel. “IT has been very much at the heart of what we have debated on the board over the past two years,” says Gibney, who is a board member as head of the finance function. “We believe that IT can make a difference and it has to be at the heart of the business agenda.”

A decade ago the CIO occupied a seat on the board of directors alongside the CFO. Both executives reported to the CEO. Today, the CIO reports to the CFO who retains a board seat. But because the two divisions work so closely, Britvic concluded that their best interests were served by putting IT under the finance umbrella.

Gibney pushed for the transformation. When he advocates for IT at the Board level, new initiatives have the combined force of IT and finance. That usually streamlines approval. The current CIO, who has been with Britvic for 11 years, is nearing retirement. “He’s been on quite a journey as well,” says

Gibney. “When he retires, he will have left a great legacy.” That legacy includes pulling IT from the periphery into the centre of the action. “IT used to be at the edge of the business, looking in, observing what was happening,” says Gibney. “Over the years we have done a lot of work to make sure that the corporate structure is very much understood by the IT team, and they understand as well what they need to deliver and equally what they can influence to accelerate the ambition we have as a business. I can say that the mindset of the people in IT has changed markedly in the last four to five years in the way they integrate themselves and interact with the rest of the business.”

This was achieved in part by the rotation of non-IT technical people into the IT department and the resulting cross-pollination of ideas. Three to four IT staff also sit on the Design Authority, a multi-function body chaired by Gibney that effectively manages and oversees all business change projects, most of which have an IT element associated with them. Was there resistance from the techies? “I think it starts with me and the CIO,” says Gibney. As it became clear that the senior IT team embraced the challenge, everyone was motivated to move out of their comfort zone into the larger arena of becoming part of the entire business.

The design authority is currently overseeing the implementation of an IT-rich people-enablement project to help staff work more effectively in a mobile way. Going forward, Gibney expects IT to play a key role in Britvic's M&A programme. Last year, the company bought the soft drinks and distribution businesses of C&C Group, which owns leading brands in the Republic of Ireland and Northern Ireland as well as the rights to the Pepsi and 7Up brands.

Finance is doing its part. “We will probably exceed the budget for IT this year by around 50% [compared to last year],” says Gibney. “Part of that is down to the acquisition in Ireland, part of it is down to the initiatives driven by the business. We worked through that [with IT] and we both agreed that they were good projects and would give good returns for the business, so we found a way to make sure we [at finance] accommodated them.”

Conclusion

Put plainly, there are aspects of this research that could give cause for concern. After all, following a decade in which finance and IT have become more interdependent than ever before, it seems the gaps in perception and perspective loom large.

It's understandable then that this perception gap is difficult to bridge; hence the Mars-Venus analogy. With most CFOs we surveyed indicating they want more business focus from their technology, and most CIOs calling for more communication above all, the research confirms that CFOs and CIOs simply look at the world differently.

Yet collaboration is too important to let the matter rest there. This is where the research gives reason for optimism. Yes, the survey highlights the gaps, but it also shows the way forward. The analysis demonstrates clear correlations - between collaboration and communication, and business results.

Our in-depth interviews show that many companies have made progress by understanding the fundamental differences and then actively trying to bridge the gaps. A key lesson is that harmony should not rule out tension. Sometimes intrinsic objectives compete. Typically, IT aims for perfect technological solutions, finance must balance perfect solutions with bottom-line considerations while operations chiefs look for tailored solutions that fit their own goals. One propensity, points out Grant Stobart, managing director of

Alexander Forbes, is for the business to want immediate delivery at the lowest possible cost, and, very often, for IT to want to install a future-proof, robust solution that complies with standards. Even if sound in and of themselves, solutions out of step with a corporation's overarching goals cause friction.

The solution, for Stobart, who as managing director oversees both IT and finance, is more communication, and specifically, "joint sign-off at the outset of projects." With that, he says, "you have a higher degree of accountability and inevitably more effective solutions." This apparently simple step isn't happening at many companies we surveyed, even though there is a strong desire on the part of CIOs for more communication from their CFOs. It's clear that best-practice companies in this research take communication seriously. They have set up regular, structured meetings between the functions - they don't just rely on ad hoc emails or chance encounters in the corridor.

If CIOs need more understanding of the business, some organisations rotate IT employees out into the business, and others only promote CIOs that have a firm grasp of strategy and management.

Above all, this research demonstrates that natural tension in the relationship cannot and should not be eliminated, but that it can and should be managed in a way that brings lasting value to both functions and the organisation as a whole.

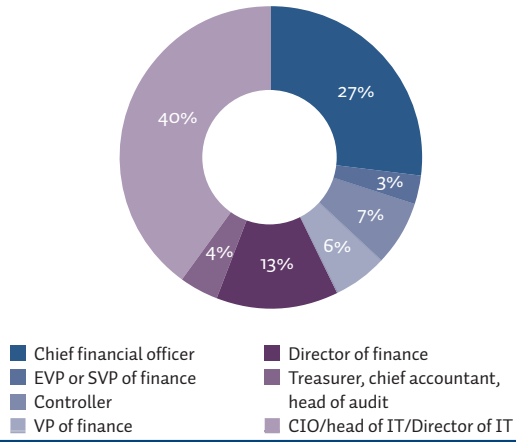
Study Methodology

In March 2008, survey responses from 53 senior IT executives and 80 senior finance executives were collected through online self-completion and telephone interviews.

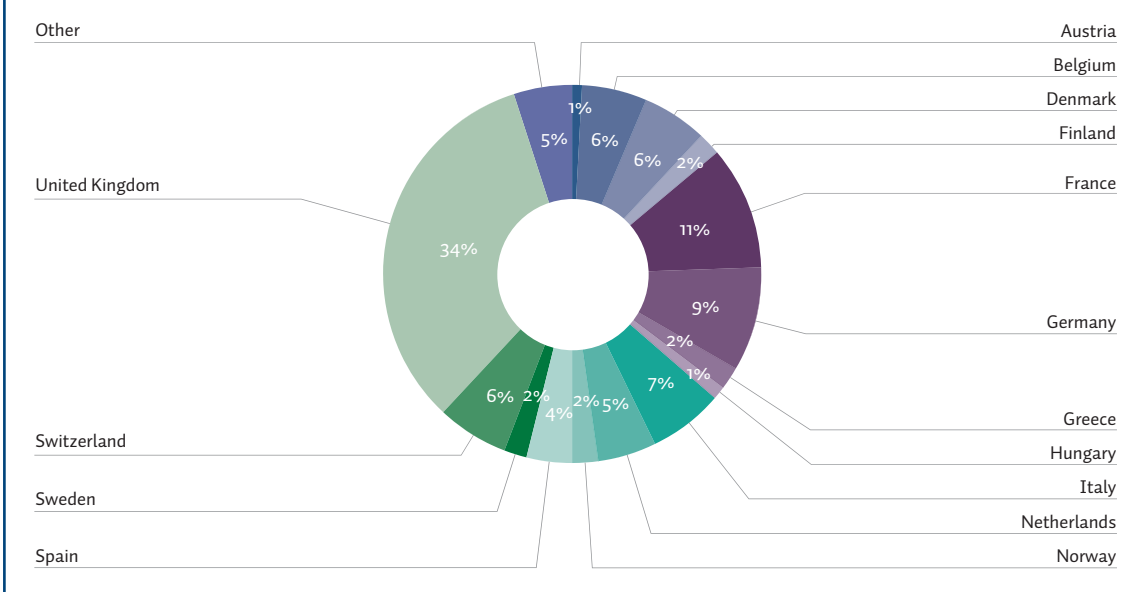
All are from Europe, and all hold top positions in their organisations. Among the IT executives we contacted, some 80% report to the CEO and 70% are on the board of directors. All major industries are represented.

The following is more detailed demographic information about the survey respondents.

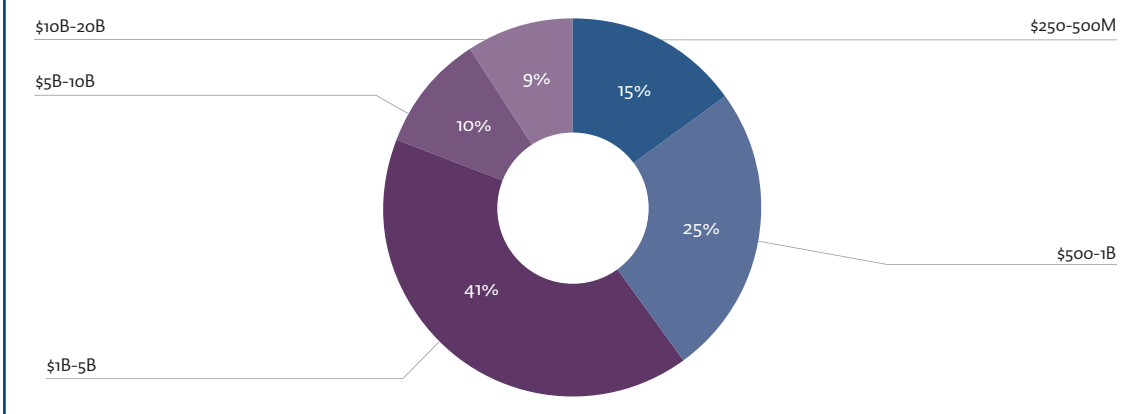
> Chart 5 – Job title



> Chart 6 – Location



> Chart 7 – Revenues



CFOs and CIOs need to work on their relationship. The differences can be a source of inefficiency and potential conflict. If common ground can be found, then the differences can be leveraged to achieve better business performance, as is evident from the most successful companies in the survey.

Their ability to work together effectively to achieve common business goals is already critical, and it will only become more so. Collaboration on ERPs is relatively easy compared to the challenges ahead. Organisations are now attempting to solve both the management information and data challenges of the business, and this is an area where the respective responsibilities are much more blurred between IT and finance. Therefore the scope for conflict, confusion and ineffectiveness is much greater, but when you get it right, the upside is much greater as well - tangible improvements to business results.

The relationship between the CIO and the CFO has the potential to impede or accelerate overall business performance. Accepting the status quo looks like a sure-fire route to a marriage of convenience rather than a beautiful friendship.

Successful collaboration between CFOs and CIOs has a direct impact on improving overall business performance by delivering the critical requirements of effective control, efficiency and business insight. But CFOs and CIOs also need to think longer term about how business developments and change will require them to work together in the future. Both CFOs and CIOs could miss an opportunity to work their way to the top and be business leaders of the next decade.

Getting to the heart of the problem

CFOs and CIOs tend to look at the world differently and these differences in perception make it difficult to develop a shared agenda, or even to identify mutual areas of cooperation at a basic level. This is further compounded by the historical difficulties that many businesses have faced in linking their IT organisation, systems and

technology with the underlying business drivers. And whereas finance is by definition about measurement, IT has traditionally been seen as difficult to measure with metrics that are relevant to the business and its strategic goals.

Team building

CFOs and CIOs are part of a wider team - the overall business - with common goals and objectives to achieve. Put simply, these are the business strategy and the underlying drivers of value. Working towards achieving those means that each party has to appreciate their respective roles and responsibilities and, crucially, identify strengths and gaps that each brings to driving towards those common business goals.

We often find that relationships between finance and IT lack that understanding. But when the functions are able to come together and engage in an open conversation, they frequently identify considerable common ground - as well as wide gaps - between the skills and capabilities that each possesses. Once this awareness is achieved, three issues need to be addressed:

- Organisation: what is the most effective structure and process for decision-making?
- Communication: what does the world look like from the other's point of view?
- Metrics: what is success and how is it measured?

None of this is difficult to grasp in concept and the complexities of building effective relationships and teams are well understood. But the biggest challenge is not conceptual. Executing the steps necessary to develop the right relationships is where the majority fail. So to move forward, those CFOs and CIOs dissatisfied with their present relationship need to take practical steps that address these three fundamental building blocks: organisation, communication and metrics.

Organising for success

The organisational hierarchy can prove a sticking point, with the focus on who reports to whom often getting in the way of achieving a more consensual and collaborative working relationship. IT must, of course, have a voice. But it is less important how that voice is heard. There is no blueprint and no single reporting relationship

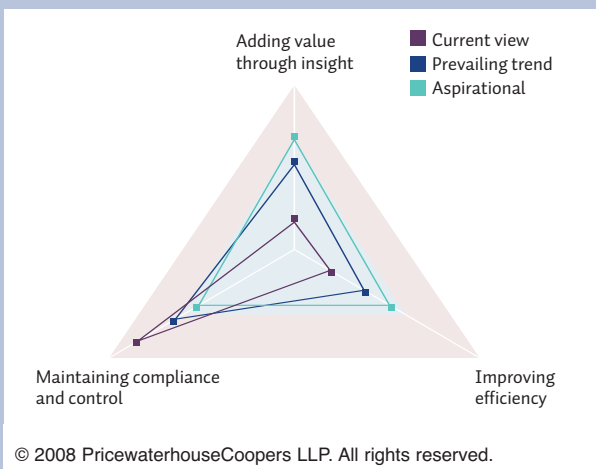
Finance & IT: The shared agenda

Once there is acceptance that improvements in the relationship need to be made, what then?

From our experience, building trust between the two teams by getting the basics right is key when thinking about developing a shared agenda. Getting the balance between the three inter-related themes (see chart) although not straightforward, is a major driver in delivering focused solutions to the business.

In seeking to improve the relationship and a shared agenda the following actions should be strongly considered:

- Confirm that there is a shared understanding of business strategy.
- Define (shared) objectives/projects that need cooperation of finance and IT in order to deliver the



business strategy. If finance and IT have not worked together successfully before then they may want to pick one objective/project as a pilot.

- Understand the different attributes/skills of each function and then define clear roles and responsibilities on the shared objectives/projects. Also consistent with any successful relationship, you need to understand each other's language - how does the other communicate and want to be communicated to.
- Adopt an organisation structure that best reflects the requirements to deliver against the above objectives, eg: shared business services or centres of excellence as opposed the old or traditional function structure.
- Set up cross-functional steering committees for shared projects.
- Clearly define benefits and track delivery.
- Measure success and put in place rewards that reflect the right culture and behaviours.

to guarantee success. Some CIOs may report directly to the board, others to the CFO. Both offer potentially credible routes to ensure that the IT function's role and contribution is understood and that it is able to align itself to achieving strategic goals and driving value.

But not all CIOs are the same. Depending on the business context and needs, some will focus more on the fulfillment and maintenance of technical requirements. Others will take a more strategic and business-focused approach. Some organisations have established a CAO (Chief Administration Officer) role which covers more than one of the traditional back office functions, some have created specific governance and steering committees across the two functions to make sure that IT and finance are effectively integrated and aligned with corporate strategy. Others, such as Britvic, have gone fur-

ther and actively rotate IT and finance personnel between the two functions to ensure that relationships are built and knowledge is shared. The full rotation of staff between finance and IT is not easy to achieve. Knowledge and experience sharing is important and whether this is achieved by finance staff spending time in IT or the CIO developing into a CAO, it is establishing effective reporting lines in the right structure which should be the focus.

Learning a common language

As the survey shows, CFOs and CIOs see the world through different lenses. Rather than being a sticking point, it should be drawn upon as a source of strength. If each can see the other's point of view they can complement each other. This research helps to shed light on a known issue and shows that contrasting points of

view aid collaboration. In other words, differences can be a source of value.

There is no single path to establishing a positive and collaborative working relationship. But there are common principles that underpin how successful relationships work and chief among these is mutual understanding. It is important that CFOs and CIOs develop a shared platform to discuss and agree how they need to work together. And that means that they have to speak the same language. One feature of the survey's findings is the extent to which CIOs are reaching out for more communication. They are sending a clear signal that they want more engagement. It's a call that should not go unheeded. In response, some businesses, such as Vodafone, carry out regular reviews of communication to make sure that the dialogue is operating effectively.

Measured progress

It is always difficult to manage what cannot be measured. And as technology is likely to rank among the top two or three items of corporate spending, the scale of investment means that there has to be a way to reflect its true cost and be clear about what it contributes across the business. Making sure that CFOs and CIOs understand what success looks like for their collaboration requires them to develop the right metrics. The metrics that have traditionally determined how IT operates have tended to be focused on internal goals. Of course it is important that technology is consistently available, and that IT projects are delivered on time and to budget, but business focused performance measures need to be embedded into all components of an organisation (technical, functional, operational and cultural) and directly linked to business strategy.

But new metrics that illuminate how technology can drive productivity in other parts of the business and demonstrate the returns on investment are becoming increasingly important. Here again, IT and finance should work together to identify the measures that mat-

ter to the business and the mechanisms to ensure that they can be successfully captured and communicated. The board needs to have management information that provides a single version of the truth.

The model for the future

What will the relationship between finance and IT look like in the future? We see a number of trends. Convergence between the two will continue. And that emphasises the need for CFOs and CIOs, who want to drive business change and who are ambitious, to speak the same language and share common goals. Other issues, such as sustainability, will have an increasingly powerful influence as companies address their environmental footprint as a core element of strategy. Of course, the fundamentals have to be in place first, but one eye also needs to be kept on the horizon to identify changes in the competitive landscape that will be future determinants of success.

The relationship between the CIO and the CFO has the potential to impede or accelerate overall business performance. Understanding how to dismantle the barriers between them today and then build a platform for collaboration will be key to their mutual success. Accepting the status quo, on the other hand, looks like a sure-fire route to a marriage of convenience rather than a beautiful friendship.

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