The Importance of the CFO – CIO Partnership

The Value of the CFO – CIO Partnership

Growing SMBs typically first look to the services of a CFO for several obvious reasons:

- A growing business needs clear cash flow planning, access to capital, and the necessary experience to obtain and manage these financial resources.
- Financial systems that have supported the business to date are reaching their limitations. The CFO brings the expertise to select the proper replacement.
- The existing accounting staff is overwhelmed and needs guidance. The staff is focused on the tactical aspects of keeping the business running and not able to provide business intelligence needed to make decisions.
- The financial aspects of the business are the responsibility of someone in the business (often the owner) who does not have the experience or skillset to manage effectively, and their time is much more valuable elsewhere in the business.
- Relationships with key external stakeholders (investors) or providers (banks, CPA, insurance) are not optimized.
- Financial and KPI reporting are simply not timely and accurate or reliable.

While these are excellent reasons to focus on obtaining a CFO or a fractional service, another, equally important business area is being ignored.

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The Value of the CFO – CIO Partnership

Technology is in every business area – even if it is not immediately obvious. All the same growing pains being experienced by finance are present in IT as well – they just may not present as clearly:

- Existing IT staff has been with the business since the beginning and may even not be primarily IT but moved from another area to fill the technology gap.
- Infrastructure is not standardized and is likely not current or consistent with business needs and future growth.
- Software licensing is likely not optimized.
- Security is complicated in our digital world today. It is very difficult for an internal staff member to stay current on trends or to keep systems updated while staying ahead of the hacker who wants to disrupt business/gain access.

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The Value of the CFO – CIO Partnership

Technology is not something a growing business leader really wants or likes to talk about because it does mean an investment.

Just like expertise in financial systems is required to move to a new finance system, the reality is that any changes to business systems, including finance, are going to require a stable IT infrastructure (hardware, systems, resources) to be implemented successfully. These business changes necessitate the assistance of an experienced IT leader.

Once infrastructure deficiencies are uncovered, the CFO should prioritize interfacing with the CIO. If there is not one, they should recommend that one be engaged (full time or fractional). Cementing this partnership early will make transitions smoother for the business.

Together this team can mutually determine critical needs and prioritize initiatives requiring funding.

The following use case outlines a real-world example of a CFO cooperating with the CIO to help move the business in the direction management has set.

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Roadmap from beginning state to new evolved organization

- The company's financial system is end of life and not designed to handle the volume it is being tasked with.
- The accounting staff is completely utilized doing manual work and not able to provide business reporting.
- The IT Team is completely focused on the day-to-day systems operations and not able to assist financial team or undertake any future planning.

- CIO analyzes all internal IT costs
- CIO develops a plan for infrastructure renewal
- CFO & CIO develop strategy to execute
- CIO develops roadmap and works with CFO on needs and financial support

- Managed Service Provider (MSP) selected
- Licensing rationalized
- Infrastructure stabilized
- Antiquated systems removed

- CFO/CIO and teams select new system.

- Pandemic hits in the US
- Plans implemented allowed seamless business continuity
- New financial system implemented

Financial System

Changes completed

Roadmap Executed

Before CFO-CIO Partnership

CIO Onboarded

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Starting state – before CFO – CIO partnership
CFO on-boarded

- The existing financial system was not only outdated but certainly outgrown
- The accounting team was running the business on a system that needed a huge amount of manual support documents
- The accounting team was spending hours prepare financial reports that barely met the needs of the business
- There was no facility for customizing financial reports that were tailored to the current concerns of the business
- Consolidations of multiple entities could not be accomplished within the accounting system so the error-prone use of Excel became relied upon
- All modeling and forecasting needed to be done in custom-built, manually updated Excel models

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CIO On-boarded

- An in-depth study of all IT:
  - All IT Infrastructure was reviewed, including , networks, PCs & servers, telephone systems, and printers and copiers
  - The internal IT staffing was reviewed and compared with IT requirements gained from the business
  - Software licenses for all company products to determine is the proper licensing had been obtained and any unnecessary licenses released.
  - A Managed Service Provider (MSP) was selected to manage all IT products as well as internet needs.
  - Primary customers were consulted to make sure they were receiving the services and information they expected
    - What are their needs?
    - What issues are requiring the most attention?
  - Key vendors were consulted to make sure all products were up to date.
  - Internal interviews were conducted to determine criticality and usage of information as well as gaps that needed to be filled. These were prioritized and work was scheduled.
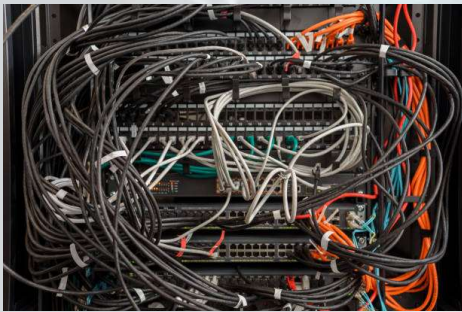
CIO On-boarded

- **Results**
  - IT Infrastructure was aging and needed replacement
    - Severs were end of life and totally underpowered.
    - Telephone systems were being maintained with parts from eBay.
    - All 12 remote offices were connected in an inefficient manner and were the cause of constant work.
    - Current shared disk storage was maintained on an end of life storage system.
    - PCs, printers, and copiers were not standardized and mostly out of date.
    - Software security software was not well maintained and caused many instances of software infections.
  - IT staff was over-committed – having to support 200 users, maintain systems and security, and maintain existing infrastructure
  - Software licenses were duplicated and not optimized
  - There was no availability of IT teams to provide enhanced reporting for any customer department

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Cost-Benefit Analysis
[kós(t)-'be-na-,fit a-'na-la-sas]
A systematic process of evaluating the desirability of a decision by weighing its potential benefits and costs.
Investopedia

- The CIO prepared:
  - Detailed cost analysis of the existing state of each area of IT.
  - A strategic plan, with recommended timelines, to move to an optimal state for hardware, software, and staffing was developed and shared with the CFO. The plan included detailed cost estimates for each stage of the plan as well as future business needs as defines by executive management.
  - The plan included a model to demonstrate how the evolution will reduce over all costs to the organization and provide much needed IT services currently lacking. The model also allowed for a complete understanding of the cost of technology for each team member.
- The CFO and the CIO developed a feasible roadmap to achieve target state, including an ROI calculation and then presented this to Executive leadership.

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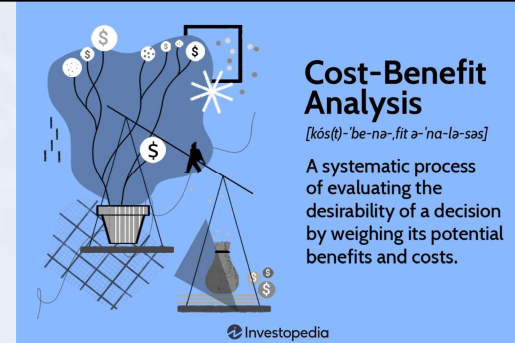
Roadmap Executed

- The first step on the roadmap was the selection of a Managed Services Provider (MSP) to handle:

    - A complete O365 migration with included optimized licensing.

    - Aging storage systems were migrated to SharePoint which not only eliminated the existing storage system but allowed all users to access data without a dedicated VPN connection.

    - Ageing servers were migrated to Azure instances including a backup strategy which did not exist.

    - The existing financial system was moved to Azure in preparation for its replacement.

    - Ageing telephone systems were replaced with a Microsoft Teams phone solution, which allowed complete mobility for the user community. This became critical in the months following the implementation

    - Repetitive tasks and level one support calls were funneled to the new MSP which allowed the IT staff to start to address outstanding items from the business.

    - A new dedicated resource was on-boarded to develop solutions for customers with an organized plan.

Financial System

After stabilizing underlying infrastructure as well as the support for it:

- Collaboratively, CFO and CIO did a systems discovery for a financial systems replacement
- All needs for today's business and future growth based on plan from Executive management were accounted for.
- Potential solutions identified and due diligence performed on each option. Detailed proposals were solicited for multiple vendors.
- A solution was selected and an implementation plan with a budget was established.
- Collaborative implementation completed on budget with minimal delays

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Changes Completed

- When March 2020 arrived:
  - The CEO told all staff to start working from home. The lights were turned off in all offices. Not a single call was missed. Not a document was missed, and the helpdesk received no additional calls
  - The CFO was able to provide on demand analytics to the business leaders
  - Internal finance team processes were optimized for the new system and the new working reality (CV-19)
  - The CFO-CIO team was able to tailor employee process to enhance their new working experience

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Crisis Averted

- The business experienced a 45% decline in revenue, significant employee furloughs, and reductions before it started to recover

- Had the CFO-CIO partnership not engaged with executive support, all indications are that the business would likely have been a casualty of the pandemic

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