Should a CIO report to the CFO?

Posted by dgillies - 2009/06/15 18:10

My answer to this question is "absolutely not". In my searches for CIO's over the years, I have heard some very good arguments as to why the CIO needs to be included in the Board Room.

Here are the best reasons I have heard:

1. There is no way a CFO without technical experience can accurately translate the problems he/she hears from the other executives in the Board Room. So, the CIO has no accurate way of planning a strategy, because his/her information is based on "hearsay", as it is called in the legal system. It is "inadmissible" in court, so why is it admissible in the corporate scene? Kind of a joke there, but hopefully you get me.

2. When other Board Room executives stand up to explain various initiatives, how is a CFO going to understand what kind of technology is behind the initiative? So many Board Room executives are blind sided when they start an initiative, only to be told the amount of technology needed to make the initiative into a reality is going to be cost prohibitive. The cost can blow budgets...and of course, IT gets the blame. You need a CIO in the Board Room to pipe up when executives are unknowingly walking in to these black holes.

I would love to hear your comments...pro or con.

- David

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Re:Should a CIO report to the CFO?

Posted by RedConn - 2009/06/16 10:29

Agreed that the board needs some tech chops. That's particularly true for the audit committee, seeing how so many companies these days rely on software to help with Sarbox Sec. 404 compliance.

But my basic inclination is that the company CIO should report to the CFO. Tech can be a real cost-center, and the only person who will put the brakes on that spending is a finance chief. Limiting scope creep can save a company millions.

The problem here, as you mentioned, is the CFO often does not understand the technology behind IT initiatives. Companies with larger finance staffs would be wise to hire one person with an IT background, then train them up on the finance side of things. A ringer, if you will.

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Re:Should a CIO report to the CFO?

Posted by MQuinn - 2009/06/16 13:10

Are we talking about access to the board or an actual board seat here? Seems to me that this would be on a company-by-company basis. I think it might make sense to have a CIO on a board if the company embarks on big, mission critical tech initiatives on a regular basis (I would also think that if a company is like this, the CFO might have a pretty good working knowledge). But if it's only semi-regularly, I would certainly hope that the CIO has access to the board, though on a case by case basis. I'd also think that if a project blows a budget, while IT will take blame, the CFO would take the fall in the board room since the responsibility ultimately falls on his/her shoulders. I'm sure the CIO wouldn't always mind that.

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Re:Should a CIO report to the CFO?

Posted by cfellen - 2009/06/16 17:49

No. Typically, the CEO owns the Mission and Vision of the corporate entity. The CIO enables that Vision, and it is always business that is enabled through varieties of technologies, not the reverse.

The goals and objectives of the CFO are dramatically different when enabling the Vision; that is, to maintain cost targets and appropriate returns to the investors, vs. technology strategies. The CIO needs to keep business enablement topics clear, focus on the core. At this level the CIO & CFO need to be tightly-coupled on shared and mutual goals and cross-

performance objectives.

Yes, it is a tight-rope walk between the CIO & CFO, but a mandatory walk that must be respectively earned through thought-leadership and elasticity of approach and tactics by both.

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Re:Should a CIO report to the CFO?

Posted by RedConn - 2009/06/17 17:40

If the tech function is a sizeable cost-center, then the company finance chief is almost always going to ride shotgun on that group. Can't see that changing in the near future.

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Re:Should a CIO report to the CFO?

Posted by MQuinn - 2009/06/18 13:27

I tend to agree with this:

http://www.ciozone.com/index.php?option=com_myblog&show=Member-of-the-Board.html&blogger=yoonsie&Itemid=716

In particular:

"Today, he believes, a small portion of companies (maybe 20 percent of the market) could truly benefit from having a CIO on the board-not necessarily tech companies, but companies where IT is critical in pulling off the mission. At those companies, a strong CIO on the board could weigh in on the right strategic investments, think outside the box, and offer a practical view of IT projects-whether they're feasible in the time and budget proposed, for example.

Boards today aren't against having CIOs as members, Sigurdson emphasizes; they're against having just any CIO on the board."

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Re:Should a CIO report to the CFO?

Posted by jurali - 2009/08/26 05:04

Thank you for interesting topic!

This is my point of view:
CIO should report to CFO only about IT budget and other finance part of IT. But about all other areas CIO should report to CEO.
Unefortunately I found, that it's not so in many companies.
I guess everyone here will be glad to see CIO in the Board Room of every company. And we have a lot of reasons, why it is only CIO, who could explain a lot of thing there. We need to prove it for Board Rooms now :)

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Re:Should a CIO report to the CFO?

Posted by scarr - 2009/08/26 08:27

Many times the CFO of the organization not the CIO is given profit & loss responsibility therefore making the CIO report to the CFO makes sense. Someone has to contain costs within the organization. This however does not imply that the CFO will dictate any broad level corporate IT policies, just financial guidance.

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Re:Should a CIO report to the CFO?

Posted by Bill Wilson - 2009/09/02 14:33

I agree, I have been CIO in several companies and it is best to report to the CEO, with some financial responsibilities to the CFO for budgets. The CEO and CIO are better suited to set strategic direction for the company and able to do so collaborate more effectively when the finance side of the equation does not squelch the conversations and planning. There is always plenty of time to consult with the CFO.

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Re:Should a CIO report to the CFO?

Posted by jurali - 2009/09/03 08:29

BTW, I think CFO also sometimes should report to CIO areas related to IT.

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Re:Should a CIO report to the CFO?

Posted by Mridul - 2009/09/10 10:18

Three major job objectives of CIO are.
1. Change Perception.

2. New IT Investments.

3.Continuous improvements.

For 2, 3 objectives, CIO don't need to be in the board. But should be familiar with growth strategies and finance availability. He can very well report to CFO.

Now objective 1, which is most important as of today. That is Aligning IT with Business growth and strategy . If CIO can able to do so, he has all the rights to be on the board.

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Re:Should a CIO report to the CFO?

Posted by Mridul - 2009/09/10 10:22

No one in the board discuss the technical problems. It is the business problems which take the place. CIO major job is to solve the business problems with technical expertise.

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Re:Should a CIO report to the CFO?

Posted by scarr - 2009/09/10 14:26

Increasingly, I think you will see CIO representation on many of the boards of SMB's, mostly because they can implement quick short term fixes for what are perceived to be big problems identified by board members. The CFO can not easily address the ability of the operations groups and the underlying information systems to shift course and make significant systems changes.

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Re:Should a CIO report to the CFO?

Posted by Bill Wilson - 2009/09/10 14:32

I agree with scarr, just look what has transpired over the last year in the financial markets, and the M & A of so many financial firms and their back office processing systems. It is the CIO not the CFO that has the vision to see the proper integration path to a successful merger. I suppose it does depend on what is going on in a company's industry at the particular point in time, if you are in growth mode you want the CIO steering the cart, if you are in retrenchment then who better than the CFO.

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Re:Should a CIO report to the CFO?
Posted by jimfinnan97 - 2009/11/16 08:52

If you want a quick turnaround in business operations you need to let the CIO lead - he or she is the one with the keys to the systems that can lead an organization to both change the way business is run and minimize where capitol $$ are spent. If you want long term sustainable growth then you need the CFO to take the lead and create the capital infrastructure necessary to chart a new strategic path for the company.

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Re:Should a CIO report to the CFO?
Posted by Bill Wilson - 2009/11/18 08:53

If you ask a CIO they will tell you no, if you ask a CFO they will tell you yes. I think is really does depend on the size and type of company you are running, a financial services company? then yes, a technology based solutions provider then the answer is no.

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Re:Should a CIO report to the CFO?
Posted by ronkost - 2009/11/18 09:59

I'd have to agree with Mr. Wilson. It should be based on the size and nature of the company. Turf wars are bound to happen, but in some instances it may make sense to have the CIO report to the CFO and in some instances it may not. Ultimately they are both in charge of managing budgets and personnel and they both have to effectively hit targets and goals for the company.

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Re:Should a CIO report to the CFO?
Posted by searley - 2009/11/24 10:26

In many companies the CIO reports to an operationally centric role such as CAO (Chief Administration Officer) with a dotted line to the CFO who needs to control spending.

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Re:Should a CIO report to the CFO?
Posted by yoonsie - 2009/11/29 17:41

This question is a bit of a toughie for me. There are lots of good points here arguing both ways. I think my ultimate opinion is that as a C-level leader, the CIO should in theory report to the CEO, but in practice they need to show they deserve it, to put it bluntly. Look, the reality is that no C-level executive wants to report to anyone but the CEO. The ones that do are the ones that can speak the CEO's language, i.e. business and financial terms. Many CIOs can do this, but many do not, and until they can demonstrate their understanding of the organization's big-picture mission and goals, CIOs should report to the CFO. And frankly, reporting to the CFO could be valuable exercise in reaching that level of business understanding and communication mastery.

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Re:Should a CIO report to the CFO?
Posted by jimfinnan97 - 2009/12/08 08:56

Agreed, the only one the CIO will really wish to report to is the CEO, introducing another layer with the CFO will only

make sense in certain situations where the CFO has assumed much of the P & L responsibilities. For the CIO to be effective he or she needs to be able to lead their teams and projects with the knowledge that the CEO supports their agenda.

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Re:Should a CIO report to the CFO?

Posted by caragarretson - 2009/12/09 09:12

Agreed. In order for the CIO to strategically align IT with business goals, he or she must report directly to the CEO. Having the CIO report to the CFO could result in a company losing sight of the importance of IT, and it becomes a line item.

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Re:Should a CIO report to the CFO?

Posted by yoonsie - 2009/12/10 04:25

I must respectfully disagree. First, CFOs today are pretty savvy about technology and increasingly more of them consider an understanding of IT to be an integral part of their jobs and career success. CFOs are also, like it or not, closer to the CEO's ear than CIOs and are therefore in a better position, given their appreciation of the necessity for technology investments, to promote the importance of IT to the company.

Yesterday morning I had a frank discussion with a consultant who has worked with IT leaders for 20 years, and he said what might be painful to hear: "CIO is a second-class C-level position." One way to gain more respect in the C-suite, he said, is by working with the CFO.

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Re:Should a CIO report to the CFO?

Posted by caragarretson - 2009/12/11 09:17

Doesn't that depend on the CFO? What if the CFO isn't technology savvy? And if the CIO is a second-class C-level position, working directly with the CEO might be the best way to change that.

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Re:Should a CIO report to the CFO?

Posted by yoonsie - 2009/12/20 11:03

But even if the CFO is not tech savvy (though that kind of CFO is dying out), aren't the chances pretty good that the CIO isn't financially conversant? And being financially conversant is much more important to the CIO if that CIO wants to be effective, since others in the executive suite are unlikely to take the time to learn tech jargon.

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Re:Should a CIO report to the CFO?

Posted by caragarretson - 2009/12/22 08:10

Good point - in this day and age the CIO should be financially savvy and the CFO should be tech savvy...wonder if that's actually the case in most organizations?

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Re:Should a CIO report to the CFO?

Posted by searley - 2009/12/23 09:39

Today's CIO is required to have a much deeper knowledge of CFO concerns. Cost cutting, creative depreciation and

project ROI are key contributions to corporate bottom line. If the CIO wishes to manage up the chain, they will concentrate more on communication with business leads rather than leading from any technological point of view.

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Re:Should a CIO report to the CFO?

Posted by RDLewis - 2009/12/24 16:30

The definitive answer is: It depends.

Mostly, it depends on the CEO's personal focus and on how the top tier of the company is organized.

Some CEOs are market-facing rain-makers and have no interest in internal organizational effectiveness. In companies like this, the CIO shouldn't report to the CEO because the CEO won't care about IT in the slightest. Under those circumstances, the CIO should report to ...

The COO, if there is one, because IT's primary impact is on internal organizational effectiveness. If there's no COO (for example, because the company is organized into lines of business rather than functionally), then the CIO should either report to ...
The CAO (chief administrative officer) or ...
The CFO, depending on which of the two has a better understanding of technology issues and how they relate to the organization's success.

All of the above posts that talk about the board of directors are, I'm afraid, red herrings. The CIO can be three layers down in the organization and still talk directly to the board when the situation calls for it. And, the CIO can report directly to the CEO and still be kept away from the board, if that's what the CEO prefers.

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Re:Should a CIO report to the CFO?

Posted by meggebrecht - 2010/05/04 15:28

Some interesting new numbers on this subject. According to a survey from Gartner and the Financial Executives Research Foundation (FERF), 42 percent of companies have the head of their IT organization reporting to the CFO.

CEOs were the second leading position for CIOs to report into, at 33 percent, followed by the COO (16 percent), the CAO (2 percent) and others (7 percent).

In surveying nearly 500 senior finance managers, Gartner and the FERF also found that CFOs play a "vital role" in determining IT investments at 75 percent of companies.

There's a new poll up on the CIOZone homepage (about halfway down the right-hand column). Let us know who the head of your IT department is reporting into ...

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Re:Should a CIO report to the CFO?

Posted by pgalen - 2010/05/05 13:28

I have no problem reporting to the CFO, after all they hold the purse strings.

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Re:Should a CIO report to the CFO?

Posted by ciony - 2010/05/12 07:59

As the posts here have pointed out, many different types of reporting relationships can be effective and there is a lot of truth in "it depends". However, in my opinion, the default assumption should be that the CIO reports to the CEO. There are many ways to ensure alignment between the CIO and CFO without requiring a direct reporting relationship. If the CIO is going to live up to the potential of his/her role in an organization, they would benefit from unfettered access to the CEO

and Board; the individual CIO may not maximize this opportunity, but frankly doesn't that hold true for any C-level executive? Boards may not want just any CIO at the table, but frankly that should be the expectation for everyone seated at that table...it is the individual and not the role that should be in question.

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Re:Should a CIO report to the CFO?

Posted by jimfinnan97 - 2011/12/01 20:40

This discussion seems to keep coming back to life, now it is stimulated by the ongoing shift in cloud computing.

When CIOs ask for more money, CFOs are asking for more justification. At best, such a relationship is organizationally dysfunctional; at worst, it is an institutionalized competitive disadvantage.

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Re:Should a CIO report to the CFO?

Posted by tsheehan - 2012/02/17 22:50

I came across this post about the role of the CIO and thought it worth sharing..

CIOs today have a top operational and strategic priority (not technology priority) to support the mission of the business through the application of technology. While they are under pressure to reduce costs, CIOs must deliver agility and efficiency to the organization. The CIO is also VERY concerned about risk. CIOs donâ€™t want to disrupt whatâ€™s working while chasing new opportunities.

Think of the CIO as managing a portfolio of applications, technologies, people and processes. The technology portfolio is allocated to initiatives that are designed to 1) Run the business 2) Grow the business and 3) Transform the business.
Like a good portfolio manager, the CIO must balance risk and reward by allocating resources in a balanced manner. The degree of risk is a function of the objectives of the board of directors and the strategic plan and operating plans of the companies.

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