



TBM COUNCIL

Evolving the CFO of IT Competency Model **TBM Council CFO of IT Workgroup 2017 Findings**

Executive Summary

This executive brief explores the key findings from the CFO of IT workgroup meetings held in 2017. The goal of the workgroup was to evolve the CFO of IT Competency Model, which was introduced by the TBM Council's CFO of IT workgroup in 2014. Through the work of five cohorts (teams of three to seven professionals), each focused on a different role played by CFOs of IT, the workgroup identified concerns and recommendations to be addressed by version 2.0 of the competency model. This paper was authored by: Priyu Suryawanshi, Director, TBM Office, Group Insurance, Prudential Financial; Korey Barnard, Financial Analysis Practice Lead, ISG; Bryan Mueller, Director, ISG; and Todd Tucker, VP, Standards, Research & Education, TBM Council.



**TBM Council Alliance Partner and
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Executive Overview

At the annual [TBM Conference](#) hosted in Las Vegas, Nevada, in November 2017, more than 150 conference delegates took part in the Technology Business Management (TBM) Council's CFO of IT Workgroup meeting. The session included small group discussions focused on the CFO of IT competency model, with the purpose of sharing findings that came out of the workgroup over the course of the year.



CFO of IT Workgroup Meeting, TBM Conference 2017 (Las Vegas, NV)

In this paper, we will share some of the key findings of the workgroup, including the discussions and survey results that took place at the TBM Conference meeting.

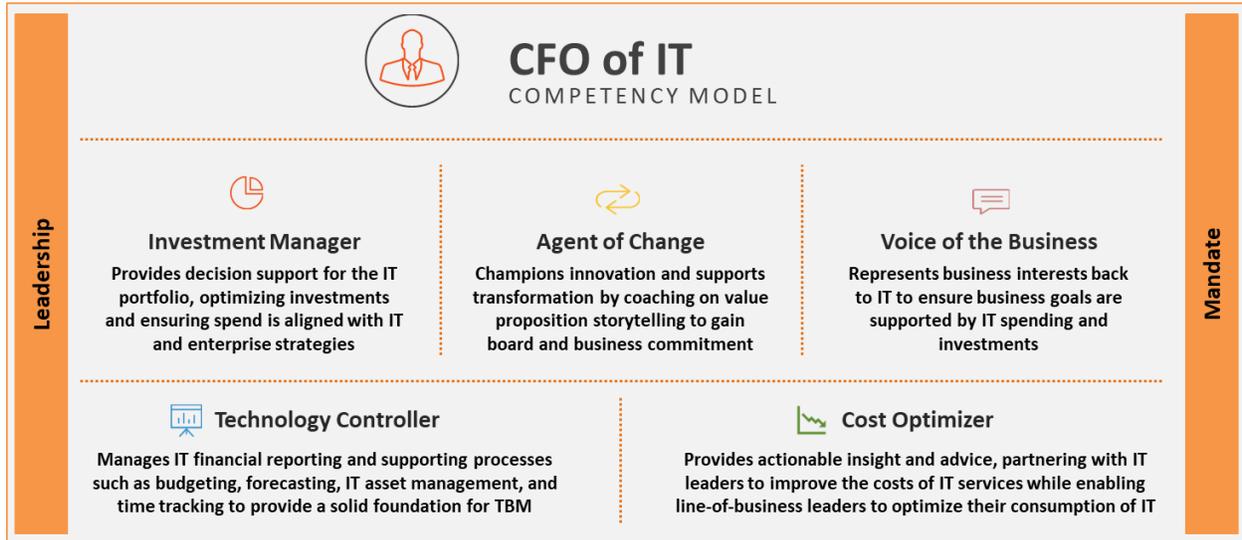
The Need for Stronger IT Financial Management Leadership

Spending on technology is growing at a rate faster than that of worldwide GDP. According to Gartner, global IT spending in 2018 will exceed \$3.7 trillion, an increase of 4.5 percent (Gartner, 2018). Technology has changed how we transact business in the modern day and has become a significant factor in corporate performance. In fact, research by Rubin Worldwide shows that top performing companies spend more on their technology investments than their lower performing peers with 25 percent more on “Grow The Business”, 55 percent more on technology in relation to operating expenses and 46 percent more on technology per employee (Rubin, 2017). Technology-savvy companies demonstrate they are outcome-focused and have the required transparency to measure and benchmark their performance. Moreover, they can drive down infrastructure costs to boost their operating efficiencies.

Gone are the days when IT operated as an expense center. CIOs and CTOs must shift from cutting costs to making the case for a bigger budget by providing a decision-making framework for organizations to get the most value from their IT spending and resources. For many organizations, those executives depend on their CFO of IT to establish the framework for managing IT-related investments and fund innovations that deliver competitive advantage. The CFO of IT role builds upon the foundational practices of accounting and expense management — what we call the Technology Controller and Cost Optimizer roles — to drive the greatest returns, improve business alignment and accelerate change for

their enterprises. The CFO of IT — or whatever the title of the executive who leads the business management of IT — is not just a financial leader; he or she often is essential to the success of the technology organization and the business that depends on exceptional technologies and innovations.

An effective CFO of IT (or the equivalent) fulfills at least five different roles, as described by updated the Competency Model below.



CFO of IT Competency Model (V2.0)

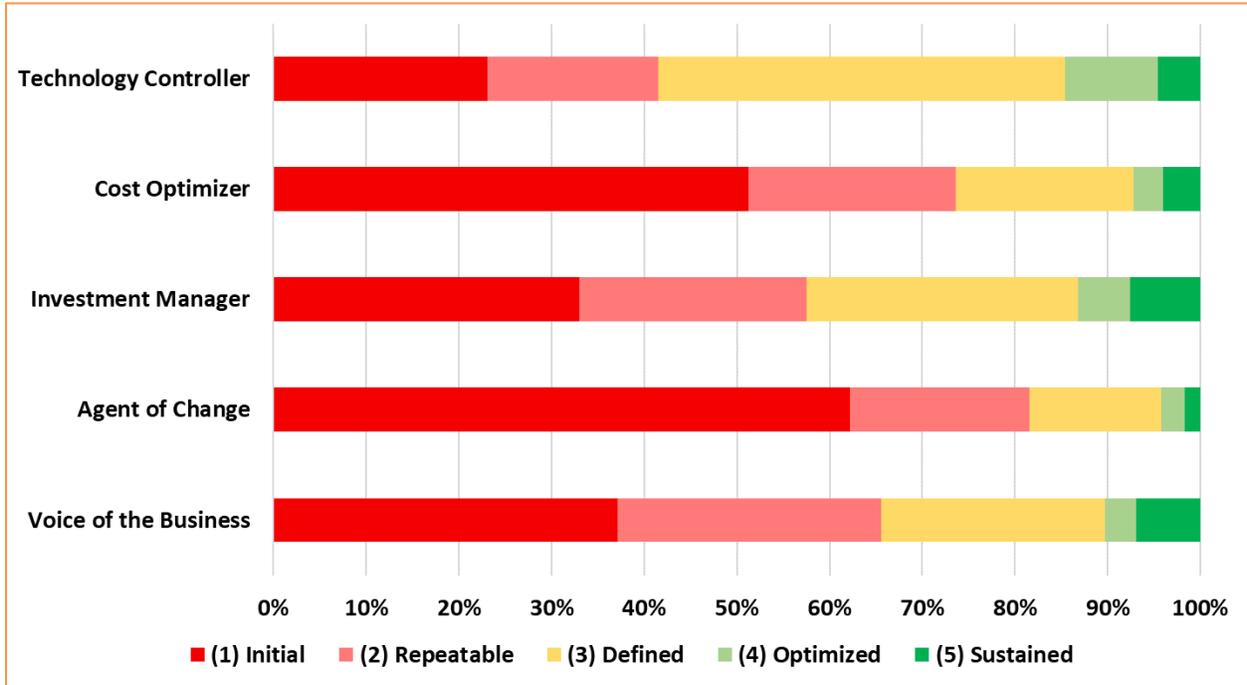
Given the importance of these roles, the CFO of IT workgroup spent time in 2017 updating this model — originally introduced by the TBM Council in 2014. The workgroup met through a series of physical and virtual meetings hosted by the TBM Council and sponsored by ISG. Members included IT finance leaders and other VPs, directors, and managers responsible for IT financial management and/or TBM program success.

To meet the workgroup’s research objectives, the workgroup assembled cohorts of three to seven members to discuss each of the five competency model roles. Each cohort was led by a senior workgroup member (Angela Cobb from the U.S. Federal Government, Jan-Willem Ligthart from Cargill, Sebastien Masclat from Hearst Technology, Russ Mills from Stanley Black & Decker, and Carol Wyatt from BlueShield of California). Once established, these cohorts met on their own to discuss, debate and further refine the role that each had been assigned. Furthermore, the group completed assigned tasks associated with their role throughout the year.

Note that the updated (V2.0) version of the model includes a new competency model role, the *Cost Optimizer*. The group recognized that cost optimization did not appear to fit within any of the existing roles, and that it represented a key set of skills, conversations, and capabilities for IT financial management leaders that warranted inclusion.

The Current State of CFO of IT Competencies

Most organizations fail to fulfill the CFO of IT roles. According to a survey of our workgroup members at the TBM Conference in November 2017, the maturity of each role ranged from 1.62 (Agent of Change) to 2.55 (Technology Controller) on a scale of 1 (Initial) to 5 (Sustained).



CFO of IT Role Maturity Survey Results (from November 2017. Average N = 119.2)

The following sections detail the workgroup’s findings regarding each role.

Technology Controller

According to the workgroup, more than half of companies (54.3 percent) reported that the Technology Controller role is fulfilled by multiple people and about a third (33.2 percent) of companies reported it is fulfilled by one person within the company. A few (13.2 percent) reported that no one fulfills the role.

The top five functions of the Technology Controller role, per the workgroup, are:

1. Govern and manage IT financial planning, budget and forecasting
2. Charge and/or show back to the lines of business their consumption and cost drivers to influence consumer behavior
3. Manage the system of internal controls and financial policy compliance to allow value preservation
4. Provide a thermometer of spend and investment to improve IT’s credibility with the CFO and Chief Operating Officer (COO)
5. Drive total cost of ownership (TCO) and transparency

In the group’s discussions, participants shared the following challenges:

- Roles, responsibilities and processes are often missing for this role. This is exacerbated by frequent organizational changes within the C-suite.
- The data needed for strong controllership often is missing or the quality of data is poor, and processes for data governance often are insufficient or non-existent.
- Strong financial acumen often is missing within the IT organization. IT leaders need more financial management training.
- Lines of communication regarding financial matters often are unclear and the metrics needed for managing financial outcomes (between stakeholders) are missing or poorly defined.

Recommendations and Observation: CFOs of IT will have to drive improvement in these areas; they will not be able to count on others to do so. Strong leaders can define this role, implement the systems and data needed, roll out an education program for their IT leaders, establish metrics and formalize reporting. This role is foundational to the CFO of IT. When the Technology Controller role can ensure accuracy of the data and integrity of the processes, he or she builds trust with IT and the business.

Cost Optimizer

The Cost Optimizer role is not just one person's job — more than half of companies (52.8 percent) surveyed reported that it is fulfilled by multiple people. Surprisingly, however, about one third (33.6 percent) of our workgroup participants reported that *no one* fulfills this role. When the group was surveyed about the tactics used to optimize costs and create operating leverage, they named the following top five:

1. Shifting to cloud hosting
2. Implementing new, more efficient technologies
3. Rationalizing and consolidating applications
4. Shifting to Software-as-a-Service (SaaS) solutions
5. Rationalizing vendors

In the group's discussions, participants shared the following challenges:

- Organizational change management, governance and accountability often are needed to drive cost efficiency. This must start at the top but must be addressed by key leaders throughout the organization, not a single person or group.
- IT must provide transparency to the lines of business about the services or technologies they consume, how much it costs and what options they can take. Business demand remains a significant lever for driving great efficiency and value.
- Metrics are an important but often-missing tool for driving cost optimization. Service owners, project managers and end consumers must be given the proper metrics to understand the impact of their decisions and drive the right outcomes.

- Chargeback or other methods that drive financial accountability are important tools for optimization.

Recommendations and Observation: CFOs of IT must collaborate with the key leaders in the office of the CIO as well as the corporate CFO and finance organization to drive the necessary changes. Cost optimization depends on a clear financial accountability model, which is missing in many IT/tech organizations. Establishing it will take time and patience. CFOs of IT should position themselves as trusted advisors: optimizing costs does not come naturally to most IT leaders who often succeed by showing technical and organizational management proficiencies, not financial management ones.

Investment Manager

According to our survey, more than half of companies (58.3 percent) fulfill the Investment Manager role with multiple people; and less than a quarter (18.5 percent) fulfill it with a single person. About one quarter (24.1 percent) reported that no one fulfills this role. According to the workgroup participants, this role creates value in the following six ways:

1. By helping the CIO convey the value of IT investments in business terms
2. By implementing portfolio management techniques to optimize IT spending
3. By developing strong partnerships with Finance to support IT budgeting and forecasting
4. By helping the CIO secure funding for IT investments
5. By helping the CIO identify cost savings opportunities
6. By implementing and managing strong IT project financial management practices

In the group's discussions, participants shared the following challenges:

- Training is needed for both IT and non-IT leaders, including corporate finance. This will not only improve skillsets but help address the disconnect that often exists between IT, line-of-business and finance leaders regarding investments and priorities.
- Better processes and metrics are needed for prioritization of investments, especially regarding risks, business cases and budgets.
- IT leaders need better processes and metrics around vendors to drive consolidation, management of performance and cost optimization – and to help negotiate contracts.
- Value itself must be better defined, especially in the context of business outcomes and how it is measured. Categories of value should be created to help show alignment of IT spending and resources to business strategy.

Recommendations and Observation: CFOs of IT must create and roll out a financially oriented model for managing IT portfolios. In the modern era of “as-a-Service” delivery, the IT investment management model should encompass not only new IT investments, such as software development and acquisition (i.e., capital expenditures), but also the costs to run or operate the business. In other words, a service

portfolio perspective is needed, especially as more technologies are acquired and agile or product-oriented development methods upend traditional project-oriented management approaches.

Agent of Change

Per the CFO of IT workgroup, almost half of companies (47.9 percent) fail to fulfill the Agent of Change role. The other half (42.2 percent) fulfill it with multiple people. According to the workgroup participants, this role creates value in the following five ways:

1. Champion innovation and transformative initiatives that can move the needle on cost structure
2. Enable alignment between business and IT strategies to create positive economic value
3. Communicate progress on delivery of promised business benefits of major initiatives/programs
4. Partner with the CIO to articulate new strategic direction and build the case to get it funded
5. Influence and manage the “brand” of IT to include financial and business outcomes

In the group’s discussions, participants shared the following challenges:

- Stakeholders and key relationships must be identified early in the transformation, and the right partnerships must be built.
- Training is needed to refine roles and accountability, followed by refresher training and continuous engagement. This training along with results and value should extend to business partners.
- IT should use transparency to show the TCO of legacy and/or aging applications and technologies and drive toward modern, more efficient technologies or higher business value capabilities.

Recommendations and Observation: CFOs of IT must understand the role they play in the transformation of IT and/or the business. Almost all types of transformation (e.g., IT-as-a-Service, digital, cloud) depend on an effective financial model to drive the right outcomes and accountability. Here, the CFO of IT can play a truly strategic role for the organization and the business.

Voice of the Business

Often, the Voice of the Business role is played by more than one person with 63.6 percent of respondents reporting their company filled the role this way. However, more than a quarter (27.1 percent) report that it goes unfulfilled. According to the workgroup participants, this role creates value in the following four ways:

1. Ensure budget and goal alignment between IT and the business
2. Work with IT to communicate technology changes that may impact the business
3. Participate in governance and demand management processes
4. Support business choices and decisions regarding consumption

In the group's discussions, participants shared the following challenges:

- CFOs of IT should be able to connect business services and capabilities with IT costs and components. This allows IT and business leaders to understand tradeoffs in the context of business outcomes.
- Most organizations need improved governance processes and metrics. For many, this means doing a better job of understanding business goals and priorities and translating them into sound IT strategies and financial constraints.
- CFOs of IT must help IT provide the business with better levers regarding cost, consumption and performance of IT services.
- IT must create a cadence of having the right conversations with their business partners.

Recommendations and Observation: CFOs of IT must seek to understand – at both a macro and strategic level – the needs of line-of-business partners and other executive stakeholders (e.g., corporate CFO, CEO, COO). They should have regular discussions with key leaders to establish the right financial management model for IT. They should also evaluate how IT engages with the business and how others (e.g., business relationship managers, enterprise architects, portfolio managers) capture and communicate business requirements.

In Closing

The CFO of IT role, whether formal or informal, is a critical business partner for the CIO or CTO in driving transformation, optimizing costs, ensuring business alignment and improving credibility with line-of-business partners and corporate leaders. But, for most organizations, this role needs attention and represents a significant opportunity for improvement.

Moving forward in 2018, the CFO of IT workgroup will continue to explore this role and its specific competencies and skillsets. We intend to provide IT financial management leaders and their superiors with a clear roadmap for improving their processes, skillsets and capabilities to take advantage of today's dynamic business environment.

To get involved in the 2018 TBM Council CFO of IT Workgroup, please visit www.tbmcouncil.org/cfo-it-workgroup.

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