Cloud Computing for CIOs: Getting Inside the Mind of Your CFO

As new and transformative technologies continue to hit the market at an ever-increasing pace, CIOs are faced with a substantial opportunity. No longer purely the domain of the IT group, technologies such as cloud computing have caught the attention of decision makers across the business. Forward-thinking CIOs will grasp this opportunity to initiate and drive the corporate conversation about the benefits, risks and roadmap for cloud. In doing so, they will carve out a leadership role in an empowered business unit that thrives on exploiting technology for overall business success.

A successful journey to the cloud requires intense planning and alignment across all parts of the business. CFOs have a vital role in ensuring business return for all major areas of investment—and they will be the first step in the cloud conversation. In fact, information technology investment is becoming an area that CFOs often have responsibility for or influence over. According to Gartner, 42 percent of organizations have IT reporting to the CFO, and 26 percent of IT investments require direct authorization by the CFO.[1]

In order to effectively drive the cloud conversation, CIOs will need to get inside the mind of their CFO, and learn to speak a language that the CFO will understand. Research conducted on behalf of HP of more than 550 global companies found that Cloud strategy is set by the CFO in 17% of organizations .[2]

The CIO can build this relationship to establish a combined approach to IT investment options that generates real business value for the enterprise. In doing so, savvy CIOs are positioned as demand shapers, not just order takers, for IT.

Making the Case for Cloud

The potential for increased speed and flexibility coupled with reduced operating costs makes cloud technologies a top priority for any business conversation. However, while CIOs are well versed in transformative technologies such as cloud, CFOs are still in the learning phase. CIOs have the opportunity to serve as a knowledgeable resource and educate their CFOs on cloud technologies, proactively addressing concerns and clearly defining its business value. As a result, CIOs improve opportunities for increased funding, while solidifying their strategic position as drivers for positive change.

To get inside the mind of the CFO, CIOs need to understand that business process and enablement are key issues for the CFO, and considerations for implementing cloud technologies will be viewed through this lens. There is a risk that the CFO will view cloud technologies solely in terms of return-on-investment (ROI), as a tool to replace expensive data centers and staff. Although these are

benefits of working in the cloud, the ROI conversation is complicated for a number of reasons. There are multiple business process changes and compliance issues that CFOs need help considering and navigating—and there's an enormous opportunity to fundamentally address some of the major cost and growth levers in their business, including new market expansion.

CFOs will need to be aware of any plans to shift from capital expenses to operating expenses. The transformation to metered rather than upfront costs has the potential to offer increased budget flexibility through management of more variable costs. However, there are other costs to consider, such as those related to migration of legacy systems, training of new users and adherence to regulatory guidelines. That's why this partnership—between the CIO and the CFO—is so crucial. Otherwise, the cloud implementation could be under-realized and the CIO's role misunderstood.

The best approach for CIOs is to work side-by-side with the CFO to develop a road map for cloud adoption that reduces potential disruption to the business and adopts a flexible mindset on ROI.

Business Benefits of Cloud Technologies

According to a McKinsey Global Survey, executives cite improved efficiency and effectiveness of business processes, as well as reduced IT costs, as key IT priorities.[3] CIOs should reinforce to the CFO that cloud technologies can help the business to directly address each of these priorities. Employing technologies delivered as a service (via the cloud) rather than investing in on-premise technology solutions, enables companies to take advantage of the latest technology efficiencies and innovations, while saving time and money by allowing an external cloud vendor to shoulder the burden of maintenance and hosting.

CFOs will also want to understand more about cloud adoption and its impact on regulatory compliance. Cloud technologies can also help companies reduce their environmental footprint. Rather than maintaining an expensive IT data center on site, companies can tap into a scaled data center offered by cloud vendors to minimize energy consumption and improve overall sustainability.

Another primary business driver for cloud adoption is establishing a competitive advantage. More than 80 percent of respondents to a McKinsey Global Survey indicated that their companies are using or experimenting with cloud technology. More than 60 percent stated that their companies are leveraging cloud-based applications for some aspect of day-to-day operations, and over the next 12 to 18 months, deployment and piloting is expected to increase.[4] It's important that CFOs understand that cloud computing is rapidly becoming the new normal, and companies that don't implement today will be left behind tomorrow.

In addition to purchasing cloud technologies, of significant importance is how those technologies are managed and maintained. In theory, a start-up company can use the cloud to obtain the same functionality, scale and quality as an industry leader. The differentiation lies in how an organization manages change, integrates its service portfolio and leverages the customer information generated. This is yet another opportunity for the CIO to demonstrate business value and lead the conversation.

Common Concerns about Cloud Technologies

To make the case for migrating to cloud technologies, CIOs need to anticipate and proactively address CFO concerns. When asked to rank the top three barriers to adopting cloud technology, executives in a McKinsey Global Survey cited managing security, business continuity and regulatory risks, as well as developing a compelling business case for using cloud systems.[5] The CIO must keep these concerns in mind during conversations with the CFO, and provide solid proof points as needed.

Primarily, CFOs are concerned about the financial implications of adopting new technologies, including cloud computing. Among other things, CFOs want to know the respective costs of researching and selecting a cloud vendor, implementing cloud solutions, migrating legacy systems and training employees to use new technology. Even if long-term cost savings can be demonstrated, CFOs need a clear understanding of initial costs, as well as impact to business efficiency and income while introducing these new technologies.

Security issues are another major concern and vary from company to company. Sweeping generalizations that cloud technologies are less secure than on-premise solutions should be avoided. When a company chooses a cloud solution, IT and data protection depends on the security of the technology itself, and how the cloud provider operates that technology. In many cases where companies lack the resources or funds to provide the same security support as a vendor, cloud solutions frequently may be more secure than on-premise solutions. In fact, 35% of executives site security concerns as the number one barrier to cloud adoption.[6]

Transformative technologies inherently promise substantial business benefits, but also introduce risk. The responsibility falls to the CIO and the IT team to educate the CFO, anticipate the risks and collectively outline a cloud adoption road map that achieves business goals.

Building a Road Map for Cloud Adoption

In most organizations, the CFO and CIO interact on a regular basis to finance IT and share information that supports financial processes. But with transformative technologies such as cloud, there is a greater opportunity to form a powerful alliance that generates increased business value.

The conversation should start with reviewing and prioritizing the needs of the business, followed by a side-by-side comparison of available cloud technologies that address those needs. The CIO can offer a critical look at the gaps in the company's existing technology landscape, coupled with a thoroughly researched recommendation of emerging technologies that can fill these holes. Whether addressing an existing problem or offering new capabilities, cloud technologies can be disruptive. However, the CIO and CFO can work together to develop a deployment plan that minimizes downtime while new systems are brought online, rapidly trains employees using the new technology, and establishes specific metrics for success.

It will be especially important to ensure that all groups are aligned across the business, and to reign in any "shadow IT" activities. Business users are becoming more sophisticated in technology use, and cloud applications are relatively simple to install, even for moderately savvy users. As such, splinter groups within an organization can create an end run around corporate IT to take immediate advantage of cloud technologies. To help counteract this activity, the CIO must convince the CFO of the importance of embracing new technologies such as cloud while also establishing clear ground rules and guidelines to protect corporate interests. Adoption of non-sanctioned cloud solutions will continue to be a growing concern in many organizations. In a recent study conducted by Coleman Parks on behalf of HP, 46% of respondents said there were non IT sanctioned cloud solutions running in their organizations. A startling response to the question was that 18% did not know. This paints a sobering picture into IT's ability to manage these assets and associated risks.[7]

Working Together to Drive Business Success

Given the increasingly symbiotic relationship between IT and financial functions, the CIO and CFO must develop a shared vision and approach to new technologies. The CIO can speak directly to CFO priorities by demonstrating how cloud technologies improve business processes and the overall performance of the enterprise. By understanding the mindset of the CFO, CIOs can both promote the use of new technologies and establish an economic benefit of the IT function.

With this mutual understanding, CIOs and CFOs can work together to fully leverage the benefits of cloud technologies, helping the business drive efficiencies, reduce overhead costs and develop a competitive advantage.

[1] Gartner, "The CFO's Role in Technology Investments: 2011 Gartner FEI Study," May 20, 2011

[2] "The future of Cloud" research conducted by Coleman Parks on behalf of HP, February 2012

[3] McKinsey & Company, "How IT is Managing New Demands," October 2010

[4] Ibid

[5] Ibid

[6] "The future of Cloud" research conducted by Coleman Parks on behalf of HP, February 2012

[7] "The future of Cloud" ""research conducted by Coleman Parks on behalf of HP, February 2012

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