

SHOW ME THE MONEY

Driving a digital transformation agenda requires the CIO and the CFO to communicate at a level that goes deeper than that found at a standard board meeting.

BY **RODNEY WEIDEMANN** | PHOTO: **SUPPLIED**



Digital transformation is the current industry buzzword, but like everything else, it does not happen for free. In order to make themselves ready for a digital world, organisations potentially require additional budget, and even a change in financial model – from capex to opex. This means that much deliberation and discussion will be required between the CIO and the CFO.

According to Sheldon Friedericksen, CFO at FedGroup, in a time of slow economic growth that nonetheless holds the potential for good future recovery, the CFO and CIO will have vastly differing focuses.

“For the CFO, it will be a time to focus heavily on keeping the bottom line steady and avoid spending too much. The CIO, on the other hand, will see this as the perfect time for preparing for the future, as there are fewer other challenges facing him at a time like this. So for him, it’s all about motivating for the longer term and making the CFO understand how an investment now will pay off in the future.”

“Key to this discussion is for the CFO to have at least a basic understanding of the IT space, what developments are taking place and what the organisation’s competitors are doing. Conversely, the CIO will have to have an understanding of finance and what is and is not possible within a specific budget,” he continues.

Len de Villiers, Group CIO at Telkom, says that such an understanding of finance includes the ability to translate IT-speak into financial terms, so that the conversation with the CFO makes good business sense.

“For an enterprise to truly achieve such a transformation, it will need a strong relationship

triangle between the CFO, CIO and also the CEO. The success of a technology delivery strategy will ultimately depend on the health of this triangle,” he says.

“The triangle can only balance properly if the CIO is in synch with the CEO’s vision and aspirations for the business, and mindful of the CFO’s challenge around managing the opex, capex and balance sheet. Thus, the CIO’s requirements for any transformative technology investment must be well documented and explained, so that the other two executives can understand it well.”

Friedericksen adds that obtaining the budget to drive a digital transformation agenda will depend on providing an effective cost benefit analysis.

“It’s important for the CFO to know what the finance costs will be – whether spending will be required upfront or if it will be paid off over a period – as well as intangibles like how much the business will lose if it doesn’t undertake this process, and what the competition will be doing in the meantime. In other words, a proper analysis and understanding of market trends is necessary.”

You simply cannot put a digital transformation journey in place if the CFO isn’t on board, says De Villiers, as he is ultimately the face of the business to external investors, analysts and shareholders, and will have to explain this journey to them. This means that he will have to be as involved in the digital journey as the CIO.

“Ultimately, this means that the relationship between these two has to be one of complete trust – a true digital transformation journey can only be undertaken if both pilots are flying in the same direction, with no misunderstanding in terms of their direction or destination,” he concludes. **T**

Sheldon Friedericksen,
FedGroup