

Dream team? ERP transformation and the changing relationship between CIOs and CFOs

Many see the relationship between CIOs and CFOs as critical to the success of transformative and business critical IT projects.

Like the inspired Beatles partnership between John Lennon and Paul McCartney, a strong connection between CFOs and CIOs can help each party excel in their role by providing complementary skills and new perspectives.

CIOs can source and integrate technologies including ERP, analytics, and artificial intelligence into business processes to help CFOs understand increasing amounts of real-time data, assess and mitigate risks, and improve forecasting.

CFOs are responsible for identifying how businesses and lines of business need to change, including financial reporting and replace with ERP requirements. The CFO will also oversee company wide change.

A CIO must ensure that an ERP transformation can help the CFO deliver all the above. The CIO and CFO must work closely together to help all parts of their business adapt to the changes (technological, business processes and ways of working) sparked by ERP transformation. Often, however, the relationship is far from optimal, research suggests.

Nearly a quarter of CFOs feel they either have no effective collaboration or only limited collaboration with the CIO, when compared to other executives at their organisations, according to research published in 2020 by EY.

The CIO view of CFOs

Enterprises are in a state of constant digital transformation. As an increasing number of organisations transform their ERP approach – often as part of company-wide digital transformation project – how is the CIO-CFO relationship bearing up and changing?

To find out, Oracle recently commissioned an independent research agency to interview CIOs at large companies that 'have either planned, undergone, or have recently finished ERP transformations'.

The CIOs were working in industries including logistics, consultancy, manufacturing and industrial. Their reasons for ERP transformations varied. There were also mixed views among the CIOs about their relationship with their CFO and the CFO role, including in ERP transformation.

ERP used to be the preserve of the finance department and the CFO. In recent years, however, as companies have digitised all parts of their operations and ERP transformations are rolled into bigger digital transformation projects, the projects are getting even bigger and more complex.

Because ERP transformation impacts all parts of a business, CIOs and CFOs must work closely to involve and engage a wider range of stakeholders.



Power shift

In our interview with the CIO of a large European manufacturing company, their relationship with the CFO was complicated by the company's ERP transformation project.

The CIO recognised that new ERP systems and infrastructure was necessary – to help their company develop more digital services for customers and streamline disjointed and inefficient ERP.

However, this would require the CFO to relinquish control, the CIO was keen to avoid any tension with the CFO or unnecessary departmental ill feeling.

“It is a difficult start to the project because the executive sponsor for previous ERP programs was the CFO as the main purpose was standardisation on the finance side,” the CIO said.

Finance won't lead the ERP transformation because the project will have more impact on customers and business operations outside the finance department.

“Other people [outside the finance department] need to take over and there is a little bit of a political game going on as to who wants to take on the responsibility.”

For the new ERP project, executives in the company's logistics and supply chain departments will play a bigger role in deciding software features, how business processes will change because of the new ERP, and in monitoring the project's progress.

This contrasts with previous ERP projects where the main purpose was to standardise procedures and increase efficiency of the finance department, the CIO said.

Building the business case

For other CIOs we interviewed, the relationship with the CFO was more straightforward and focused on getting the CFO to approve the ERP project budget.

“When it comes to money there is always resistance from the CFO,” a CIO at a global logistics company told us.

After the initial budget for the ERP project had been agreed the CIO told the CFO and CEO to “please keep three per cent to five per cent additional money allocated for delays and other unknowns.”

ERP transformation projects are increasingly classed as business rather than technological projects, CIOs are dealing with a wider range of business leaders, rather than mainly the CFO, as used to be the case.

As the CIO at a large consultancy put it: “The ERP transformation should be positioned as a business-driven project, not technology-driven. If that is done right the CIO should not be any different from other C-level stakeholders. CFO, operational director, talent, marketing, anybody else who is in the management, in the board... play pretty much equal roles in deploying ERP.”



Speed read:

- The CIO-CFO relationship is still important in business and technology projects, but it is changing
- CFOs are involved in ERP transformation projects but now lead them less than they used to
- Other C-suite executives are often of equal importance in approving and overseeing ERP transformation projects – a reflection that these projects are seen as business projects, rather than ones led by the IT or finance department

Oracle is committed to supporting IT leaders on their ERP transformation journey. Visit our [ERP transformation self-assessment tool](#) to receive tailored advice on how to make your ERP cloud modernisation a smoother journey with Oracle.