Safe Systems

Communicating the Value of Technology to your CFO

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Becoming a Business Partner with the CFnO

- It's all about communication
- We speak two different languages
- CFO wants to see spreadsheets and quantifiable analysis– not always easy
- Looking through the CFO's eyes– the 3 headed beast: Balance Sheet, Income Statement, Cash Flows

The IT/CFnO Translation App

- IT Speak:
- CFO Speak:

Cost Center or Business Partner?

- Gartner Group Study: 65% of companies will grossly mismanage IT complexity and risk thus inflating costs by 25%.
- Do you have an IT Strategy? 1 year, 3 year?
- Is it aligned with the business strategy and budget of the company?

Top 5 Obstacles to IT Spending Decisions

1. Lack of time, attention and resources.
2. Organizational resistance to change.
3. Lack of a standardized approach to IT spending decision making.
4. Lack of IT strategy/shared understanding of the role of technology.
5. Lack of communication among finance, operations and/or IT.

The Portfolio Management Approach

- Classify your IT spending requests.
- Know what mode your institution is in: Cost Reduction, Maintain, Growth.
- Mode drives acceptance of quantitative vs. qualitative payback analysis.
- Cost reduction mode– looking for quicker payback.

IT Decision Matrix

Mission Critical (Must Haves)	Positive ROI (Needs)	Future Potential (Wants)
1. Mitigate or Reduce Regulatory Risk	1. Improves Efficiency	1. Customer Acquisition
2. Systems/Data Security	2. Boosts Productivity	2. Supports New Products
3. Customer Retention	3. Improves Customer Experience	3. Purchase of New Systems
4. Maintenance of Existing Systems	4. Modernization of Existing Equipment	4. Upgrades/Replacements of Employee Laptops/ Desktops
5. Financial Visibility	5. Improves Existing Forecasting/Planning	

ROI/ PAYBACK ANALYSIS

Getting Your IT Projects Approved

- TCO, ROI and Payback– what is the CFO looking for?
- Analysis Do's and Don'ts:
- Compare the before and after picture
  - Use as much actual data (based on your specific situation) as you can
  - Fill in gaps with industry standards
- Include all costs:
  - Hardware
  - Software licensing
  - Annual maintenance
  - Labor time for testing
  - Labor time for training
  - Cost for any downtime
  - Labor cost associated with increased change control
  - Power/cooling costs
  - Bandwidth
  - Write off of existing CAPX

Getting Your IT Projects Approved

- TCO/ ROI Analysis Do's and Don'ts continued:
- Correlate to customers/revenue where possible
- Tips to avoid errors your CFO will see:
  - Don't overestimate the benefits
  - Be able to back up your numbers and assumptions
  - Use caution when making assumptions
  - Use financial terms
  - Don't mix quantitative and qualitative data together
  - Don't forget the intangibles:
    - Opportunity cost
    - Customer need
    - Reputation risk
    - Employee morale
    - Future opportunity
    - Risk of future obsolescence
  - At the end you should have a comprehensive analysis --Not all data/justification is quantitative, if it's not quantifiable, be sure you can articulate the business case that aligns with the overall company/IT strategy

Controlling IT Costs

- CFO Magazine survey of IT and Finance Execs: What are the areas you can improve in to control IT costs:

1. Reduce Energy Spending (cooling costs) for every $1 spent on a new server, you will spend an additional .67 on power and cooling
2. Unused software licenses (most common cause for overspending)
3. Redundant systems
4. Excess data storage (data analysis)
5. Too frequent HW replacement
6. Optimizing IT service delivery– (outsourcing maintenance)
7. Optimizing data center infrastructure– Server consolidation and or virtualization (network assessment)

Questions/Discussion