7 Statements
Your CFO or CEO
Needs to Hear to
Increase IT Spending

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When company budgets are tight, IT is often the first department to be hit with cuts. And things have been even tougher for IT managers during the most recent economic downturn. Organizations are changing the way IT spending gets approved, and CIOs and IT managers need to make changes as well to be sure their departments are given the resources they need.

One thing that’s changing is who signs off on IT budgets and projects. A 2011 Gartner survey found that IT department leaders report directly to the CFO at 42% of organizations. Another 53% of CFOs said they’d like to move to this reporting arrangement.

To control costs, CFOs are being given more authority over IT spending. At 26% of businesses, the CFO has complete power to approve IT investments – that’s up from 18% in a similar survey from the previous year. Just 5% of CIOs have total authority over their budget.

Even in organizations where the head of IT reports to the CEO or another executive, the message behind the trend is clear: Now more than ever, IT managers must be able to explain themselves and their projects to Finance.

Not always on the same page

Unfortunately, that continues to be a challenge in many organizations. In the Gartner survey, just 30% of CFOs said they believe their company’s IT department is truly fulfilling its mission of providing business benefits. And only 32% view the head of the IT department as a strategic partner.

Those figures help explain why getting approval for new projects or budget increases is so often an uphill battle for IT managers.

But there are things that can be done – changing the way IT talks to the CFO or CEO can have a big impact on whether IT investments are approved.

The next time your department needs a budget increase, keep in mind these seven statements CFOs and CEOs need to hear to
increase IT spending.

1 | “We understand the impact our plan will have on the business”

IT needs to be a strategic partner to the rest of the business, which means IT managers need to understand how their proposals will affect other departments and the organization as a whole.

That includes both positive and negative consequences — for example, how the proposed project will cut costs or boost the company’s competitive edge, as well as the initial costs required and work that may be temporarily disrupted.

To get this message across, IT has to fully understand how the business works — including how the company makes money and how IT supports those profit centers. Also, it helps to have an understanding of the company’s financial status. Asking for a budget increase that’s wildly out of line with the company’s rate or growth could make a CFO do a double take. It won’t necessarily kill your proposal if it’s justified, but it could make things more difficult.

2 | “The project will be expertly managed”

Some research has convinced finance folks that IT projects fail at higher rates than other types of business initiatives. In fact, one study conducted by Oxford University looked at nearly 1,500 public and private IT projects over the last decade and found that one in six finished incomplete. In addition, more than half took longer than anticipated and ran an average of 27% over budget.

That could be one reason CFOs and other execs are cautious about approving IT projects. IT managers can help ease these fears by planning thoroughly and explaining the plans when the investment is requested — that includes deciding who’s in charge of the project and why they’re qualified, as well as what problems may be encountered and how the department is prepared to deal with them.

Being honest and realistic will convince your CFO that you’re aware of potential problems and have done what’s needed to prevent them.
3 | “We take full responsibility and ownership of the project”

Due to the rate of failure of many IT projects, it’s also important for the person approving an investment to know that IT is taking full responsibility and ownership of the project. That includes deciding who in the department will be in charge of the project and held accountable for its success, and how the project will be managed to make sure it stays on track.

4 | “This will make everyone’s job easier”

In a 2011 survey conducted by staffing firm Robert Half, CFOs were asked to list their top concerns at the moment. The third biggest worry, after dealing with rising healthcare costs and controlling spending: improving staff morale and motivation.

That concern relates back to cost control: CFOs want their companies’ employees to be motivated and productive so the organization can get the most out of its workforce and avoid losing top talent to competitors.

It’s also an area where IT has a big impact, because that’s the department that supplies the technology most employees need to get their jobs done. Proposals for many IT investments can be presented in terms of how they will make employees’ jobs easier throughout the company.

One way to help make this case is to get employees and business managers on board and have them offer testimonials supporting the project. The more organizational backing you can get, the greater the likelihood of impressing the CFO or CEO.

5 | “No, we can’t do more with what we have”

IT departments are constantly being pressed to do more with less or to make do with the budget and resources that are currently available. That’s often the first thing a CFO will say when an IT manager asks for an increase in spending, so it’s important that IT does its homework first.
Before asking for something, try to figure out if there are ways to make do with what you have. And if there aren’t, prove that’s the case by explaining what options you considered and why they won’t work.

It will also help if you’ve established a reputation as a proactive cost-cutter. By showing the CFO what cuts you’ve already made, you can make it clear that your department is cost-conscious and that it will only ask for an increase when it’s necessary.

6 | “This is what it means for the company – in English”

Getting caught up in technical terminology is an easy way to lose the people who must approve an IT budget and prevent them from understanding the benefits a proposal will have on the business. When making a proposal, it’s important to know your audience and use the appropriate vocabulary. Be careful not to talk down to the executive by over-explaining things he or she already knows.

This doesn’t mean you need to teach technology to your CFO. You may need to briefly explain how a tech tool or piece of software works, but turning a request for a spending increase into a technical lecture will only make things more confusing.

Instead, decide what information the CFO needs and explain it as clearly as possible – and be prepared to answer questions. Be sure to use lay terms and avoid acronyms and tech jargon.

7 | “Here’s what’s changed since last year”

Sometimes, the CFO or other person approving an IT budget may not understand why an increase over the budget that was approved a year ago is needed. It’s up to the IT manager to provide context for why the increase is necessary – for example, significant changes in the price of certain technologies or components, or big increases in server workloads that necessitate upgrades.

It can help to provide a review of last year’s budget and point out which items must be changed and point to the specific reasons why.
That review can also give IT managers an opportunity to show the CFO how well the department managed last year’s budget – as long there are good explanations for things that didn’t go according to plan.

**Conclusion: Stay tuned in**

The most important thing IT leaders can do when talking to the CFO or CEO is understand executives’ biggest current concerns and the organization’s short- and long-term goals. Addressing those concerns, being prepared and staying honest about likely outcomes and issues, and getting support from elsewhere in the company will pay off when it comes time to ask for a spending increase.