2021 CFO Peer Insights:
Digital Transformation and IT Spending Priorities

A Global CFO Survey

dimensional research

Sponsored by Rimini Street

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Dimensional Research | April 2021

Introduction

In 2020, businesses saw first-hand the impact of technology on their performance as companies sought to rapidly transition to remote work, support new customer interaction channels, and manage supply chain disruptions. Digital transformation rapidly became part of the CFO's vocabulary.

Yet to move beyond resilience to growth and innovation, CFOs must be technology savvy as well as financially grounded. Innovations, such as artificial intelligence (AI) and machine learning, cloud, robotic process automation (RPA), mobile technologies, and headless commerce, are no longer just the CIO's parlance. Today's CFOs must partner with CIOs to guide investments in their companies' digital transformation agendas to maximize returns and mitigate risk.

This survey examines digital transformation and IT spending trends from the CFO's perspective and endeavors to answer important questions: What do modern CFOs think of digital transformation? Which IT initiatives are considered most valuable, and which ones are deemed a waste of time and resources? How do CFOs prioritize IT investments overall? How do they think about ROI and measure their returns on technology investments? How has the CFO-CIO relationship evolved, and what are the key factors for a strong CFO-CIO partnership?

The following report, sponsored by Rimini Street, is based on a global online survey conducted by Dimensional Research. More than 1,500 CFOs or equivalent top finance professionals from 13 countries, representing companies with at least $200 million (US$) in annual revenue, participated in the survey.

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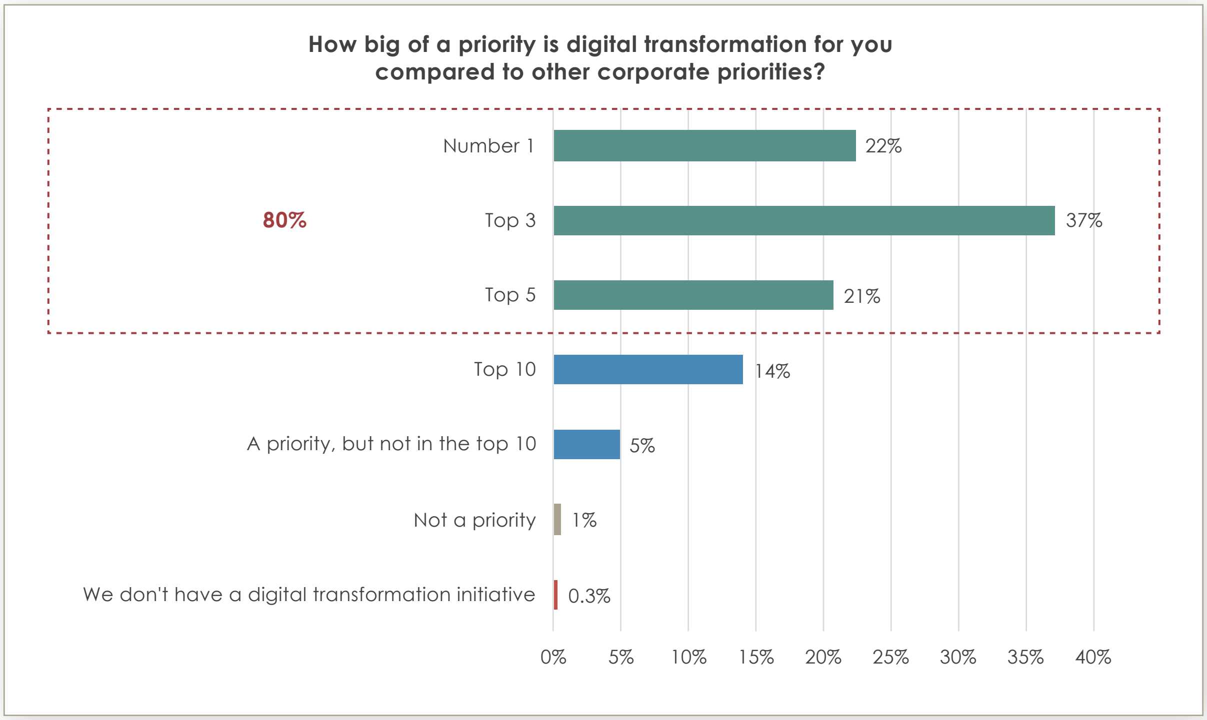
Key Findings

- **Digital transformation is a top CFO priority**
  - 80% report digital transformation is a top-five corporate priority
  - 71% say digital transformation is key to their company's success
  - New digital transformation investments are the top driver of increased technology spending
  - 95% agree technology investments are vital to recovering from COVID-19
  - 73% say COVID-19 has increased their digital transformation investment
- **IT spending priorities must be tied to business value**
  - CFOs prefer IT projects that optimize existing investments (44%), generate revenue (40%), and improve process and efficiency (39%)
  - 67% refuse to waste precious dollars on IT investments that don't "move the needle" for their business, and 70% want to cut spending on non-essential IT investments
  - 77% of CFOs will fund digital transformation initiatives with strong ROI
- **Strong CFO-CIO partnerships benefit the business**
  - 92% agree that a successful CFO has a great relationship with their CIO counterpart
  - 77% of CFOs improved their relationship with their CIO in 2020
  - 23% of CFOs that reported a worse relationship with their CIO cited the CIOs' lack of expertise in key areas (33%), inflexibility (32%), and plans with no demonstrated ROI (31%) as the top reasons

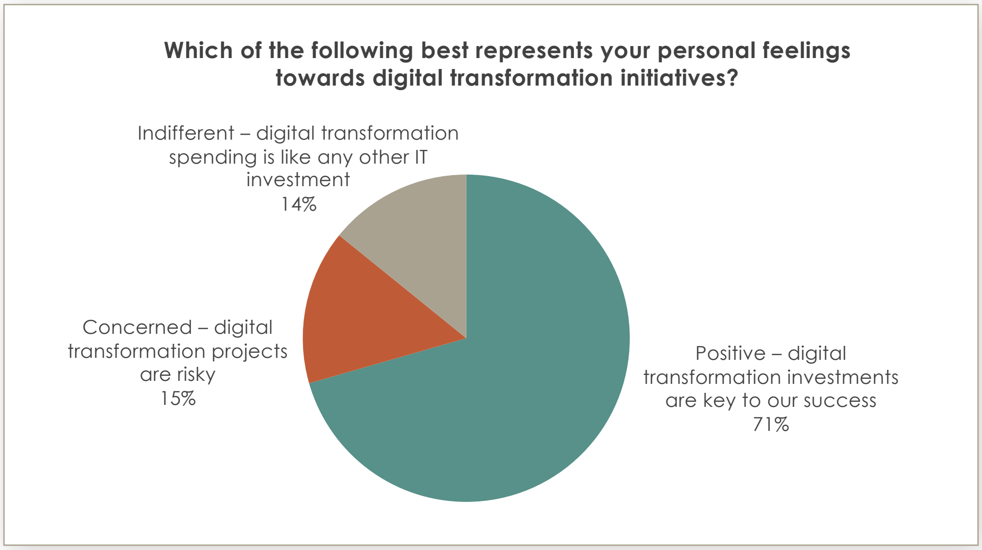
Detailed Findings: Digital transformation is a top CFO priority

CFOs are bullish about digital transformation

In contrast to the traditional CFO, who was frequently seen as an IT budget gatekeeper, today's modern CFO's level of understanding of technology and its potential for delivering returns — as well as its risks — is expected to be higher than ever. Beyond just a buzzword, digital transformation is definitely on the CFO priority list. When asked how significant digital transformation compares to their other corporate initiatives, 80% of CFOs report it is a top-five priority, and 59% say it is a top-three priority.

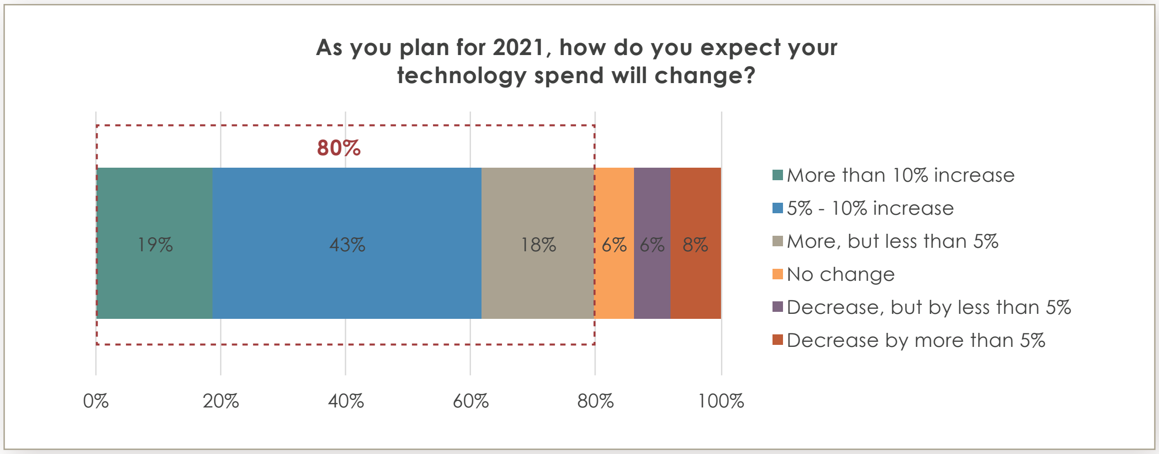


The CFO's increasing level of technology savviness and understanding of its impact on business performance is reflected in their personal views of digital transformation as well. Specifically, 71% of CFOs state that they personally believe digital transformation is key to their company's success.

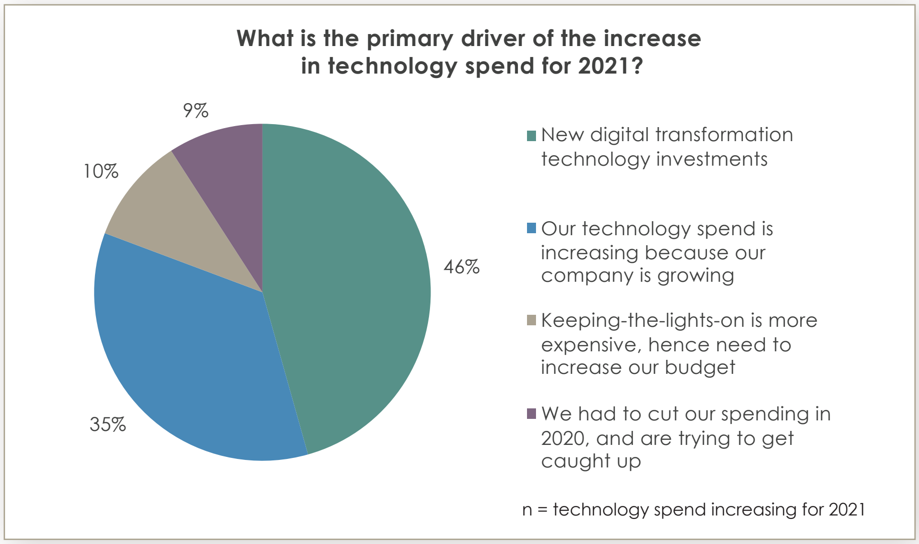


Technology spending is expected to increase in 2021

Although positive feelings about digital transformation don't always translate into increased budgets, CFOs' spending plans on technology for 2021 do reflect their views of the business-critical nature of digital transformation, with 80% of CFOs expecting their technology spending to increase this year.



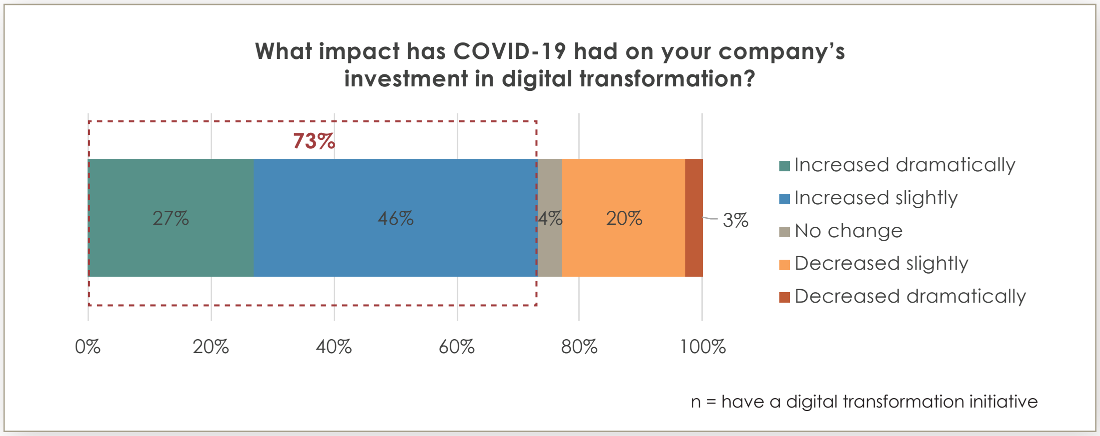
Interestingly, when asked what is primarily driving the increase in technology spending for 2021, almost half of CFOs (46%) say new digital transformation investments are driving it. And there is notably more than a third (35%) of CFOs who say technology spending is increasing due to overall company growth.



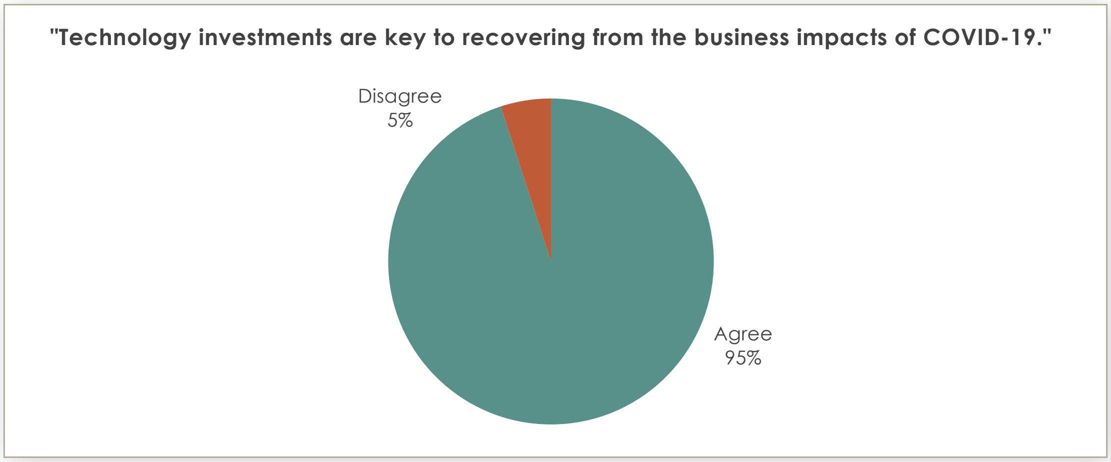
COVID-19 has accelerated digital transformation

Technology investments are consistently an enabler for rapid change and ongoing flexibility. Although digital transformation was on the roadmap for many companies before 2020, COVID-19 significantly accelerated technology adoption to support new business-critical requirements, from remote work to virtual customer interactions to supply chain sourcing.

Almost three in four (73%) CFOs state that COVID-19 increased their digital transformation investment. This number includes more than a quarter (27%) of companies that "dramatically" increased their digital transformation investment within the past year.



The vast majority (95%) agree that technology investments are key to recovering from the business impacts of COVID-19.

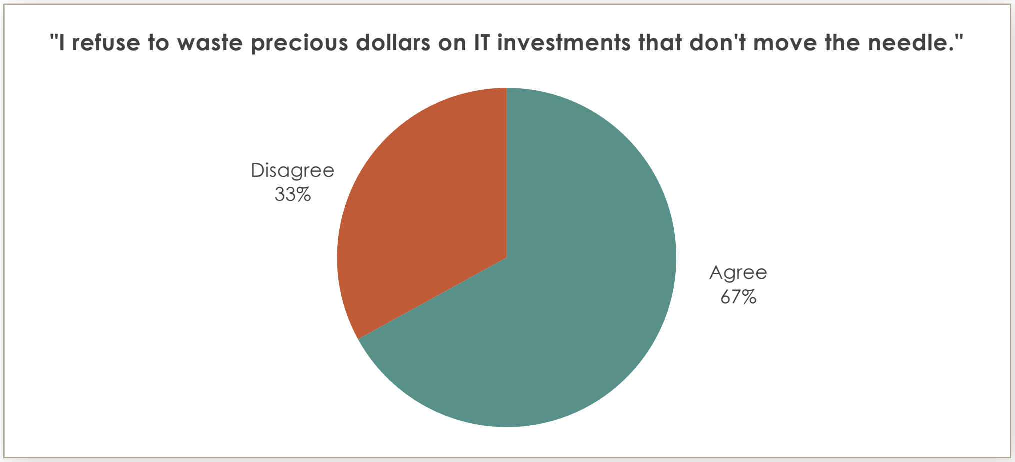


Detailed Findings: IT spending priorities must be tied to business value

Beyond the broader theme of digital transformation and the impact of COVID-19, this research also found that CFOs have clear views about the value technology investments must deliver and the types of projects most likely to be funded based on business value and impact.

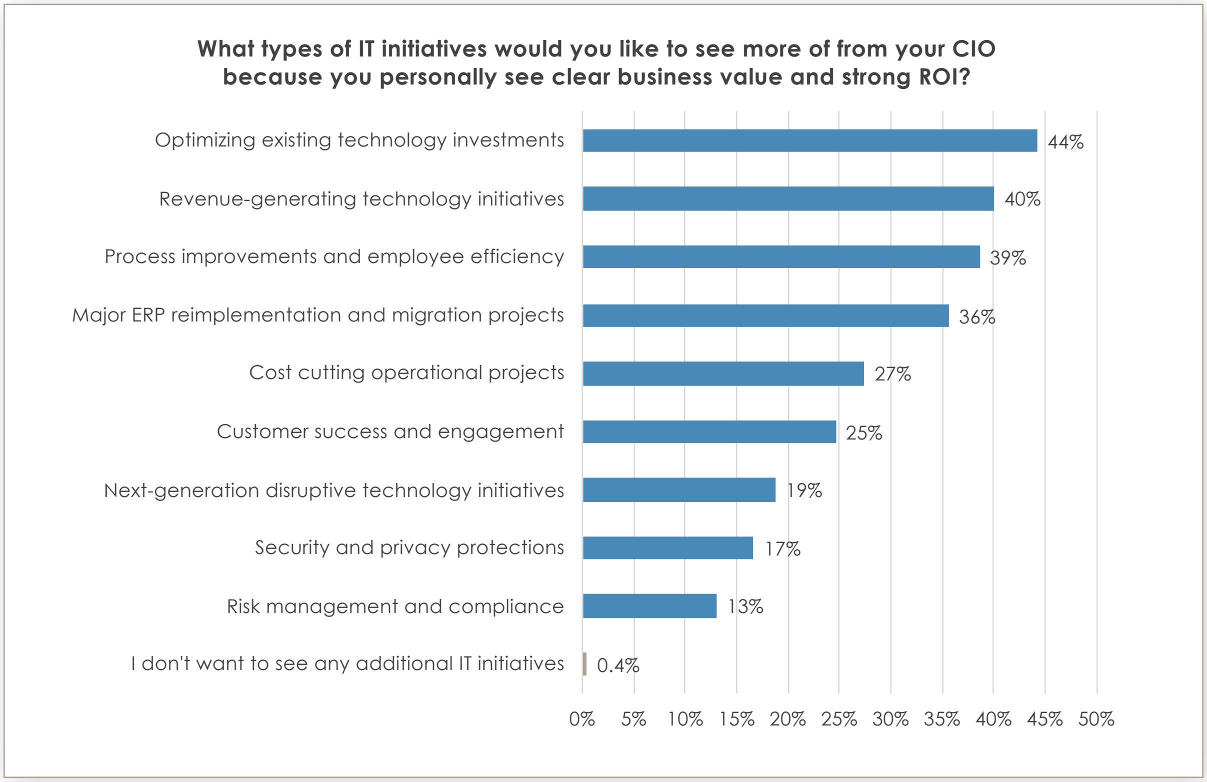
CFOs expect technology investments to have clear business value and strong ROI

While CFOs have long been the creators of cost structures and the keepers of the checkbook, the task of controlling costs has become increasingly complicated. Funding strategic IT priorities can be difficult at companies where rising costs outpace revenue, making it challenging to sustain growth and profitability. Many legacy cost items that were once seen as necessary, such as managing data centers, maintaining software licenses, or undertaking expensive and disruptive vendor-directed upgrades, are now coming under scrutiny. One of the CFO's critical considerations for IT spending is prioritizing those projects that yield positive business outcomes, with 67% of CFOs agreeing that they cannot afford to waste money on IT projects that don't "move the needle."



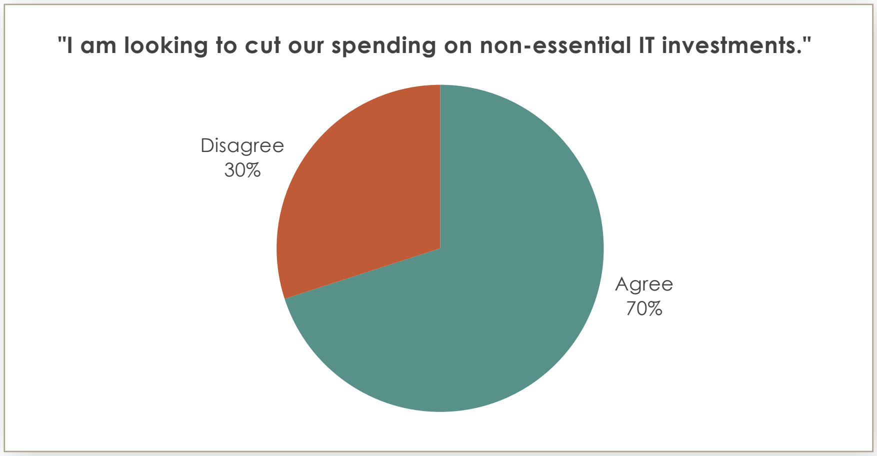
CIOs who continually optimize their IT operations are in a solid position to create and secure new funding and resourcing options for strategic IT investments aligned with business priorities. Resources — budget, staff, and time — that become available from strategic savings can be adeptly reallocated to critical new revenue-generating initiatives to help navigate the organization through a survive or stabilize mode or accelerate through a thrive mode.

CFOs expect their CIO counterparts to present technology investment proposals that demonstrate business value and strong ROI. When asked about what types of IT projects they personally want to see more of from their CIOs because of the value, three types of investments jumped to the top of the list, including optimizing existing technology investments (44%), revenue-generating technology initiatives (40%), and process improvements and employee efficiency (39%).

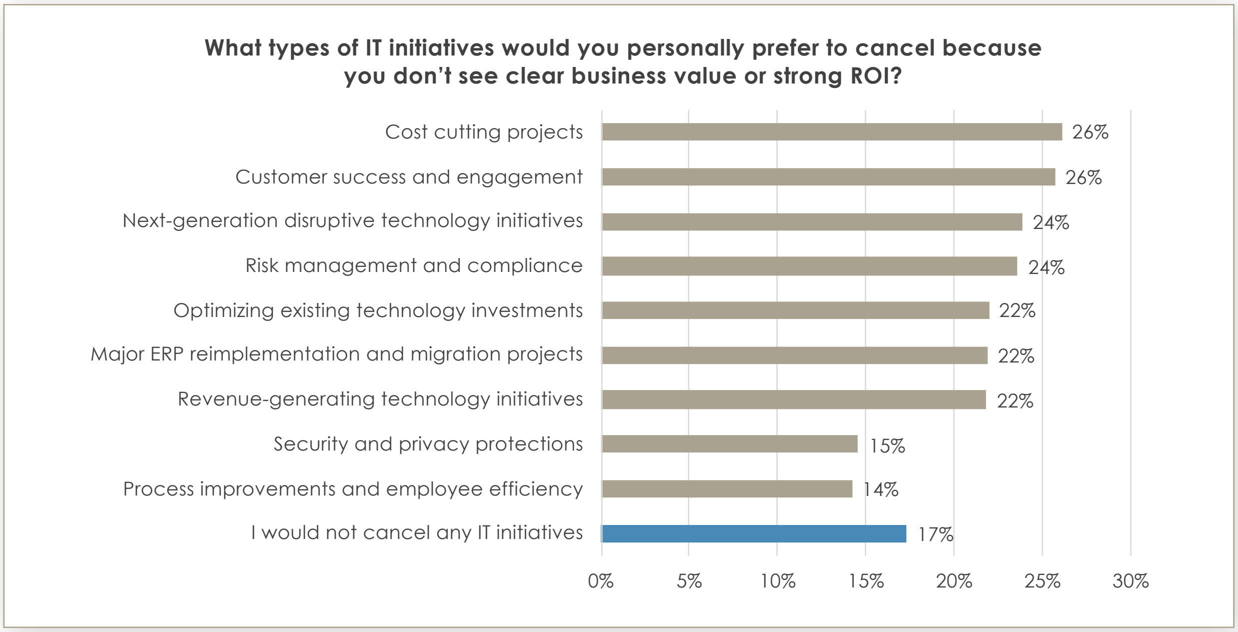


CFOs don't cut costs just for the sake of cutting costs

While CFOs will support the right technology investments, they are not acting as a blank checkbook. CFOs and finance leaders are on the corporate front line helping their companies navigate economic ups and downs, and business efficiency is top of mind. As such, 70% of CFOs say they do want to cut spending on non-essential IT investments. This response suggests that companies must prioritize every IT investment to deliver improved business results and optimize processes.

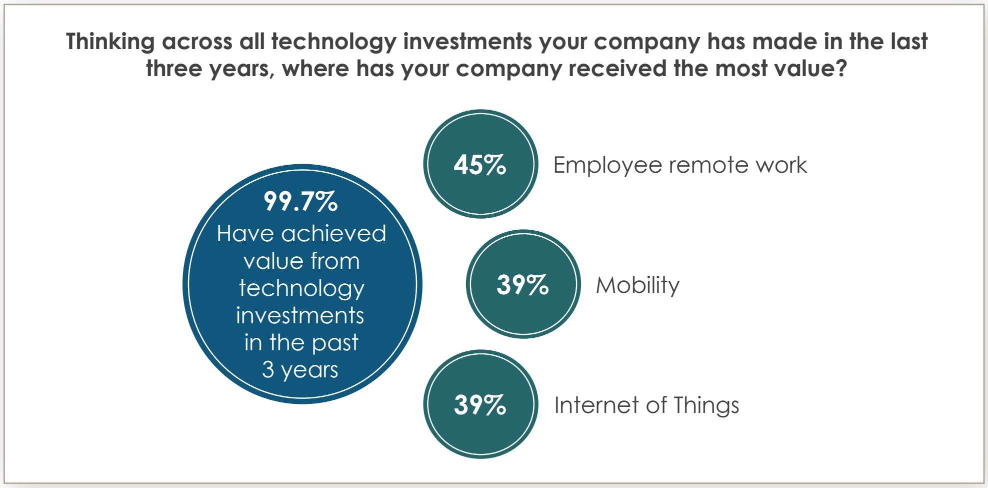


However, CFOs do not want to cut costs, just to say they cut costs. Any cuts made must be a positive move for overall business outcomes. Interestingly, when CFOs are asked about the types of IT initiatives they would prefer to cancel, it is cost-cutting projects (26%) that top the list, indicating that these are often not high-value efforts and could potentially be detrimental to the business.

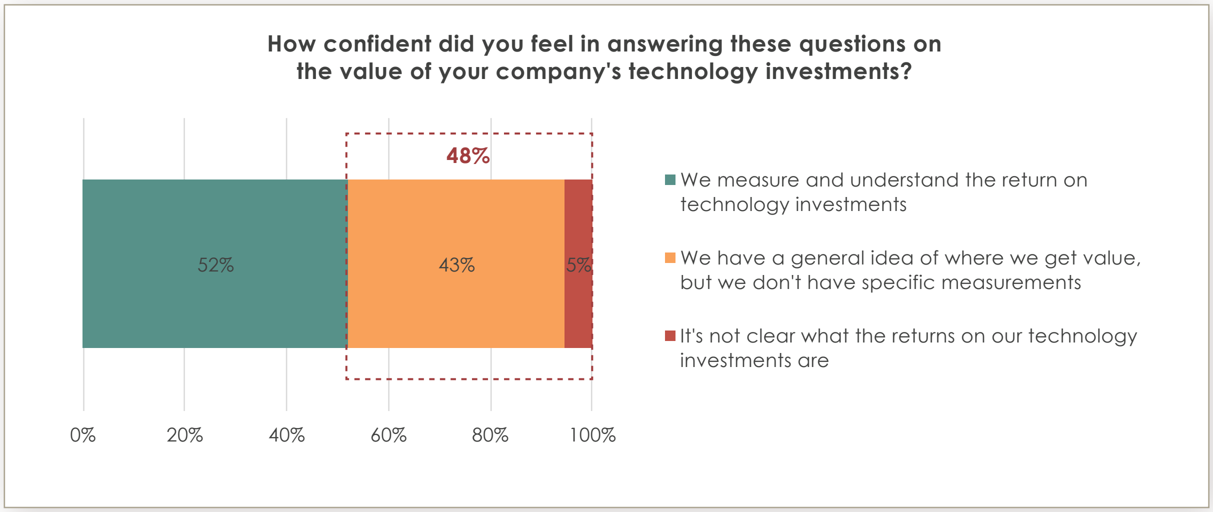


Most technology investments have paid off in the last three years

Today's CFOs not only record and report on company results, but they must also help drive the technological changes that create value for the business. Now more than ever, they must make the right technology spending decisions that provide measurable ROI in the near and long term. When asked about whether they have achieved value from their technology investments in the last three years, almost every CFO (99.7%) says that they believe technology investments have paid off. In particular, the types of technology investments achieving the most value include employee remote work (45%), mobility (39%), and the Internet of Things (39%). Other areas cited as driving value include shifting infrastructure to the cloud (27%), customer-facing SaaS technologies (27%), business intelligence and data analytics (24%), and security technologies (21%).

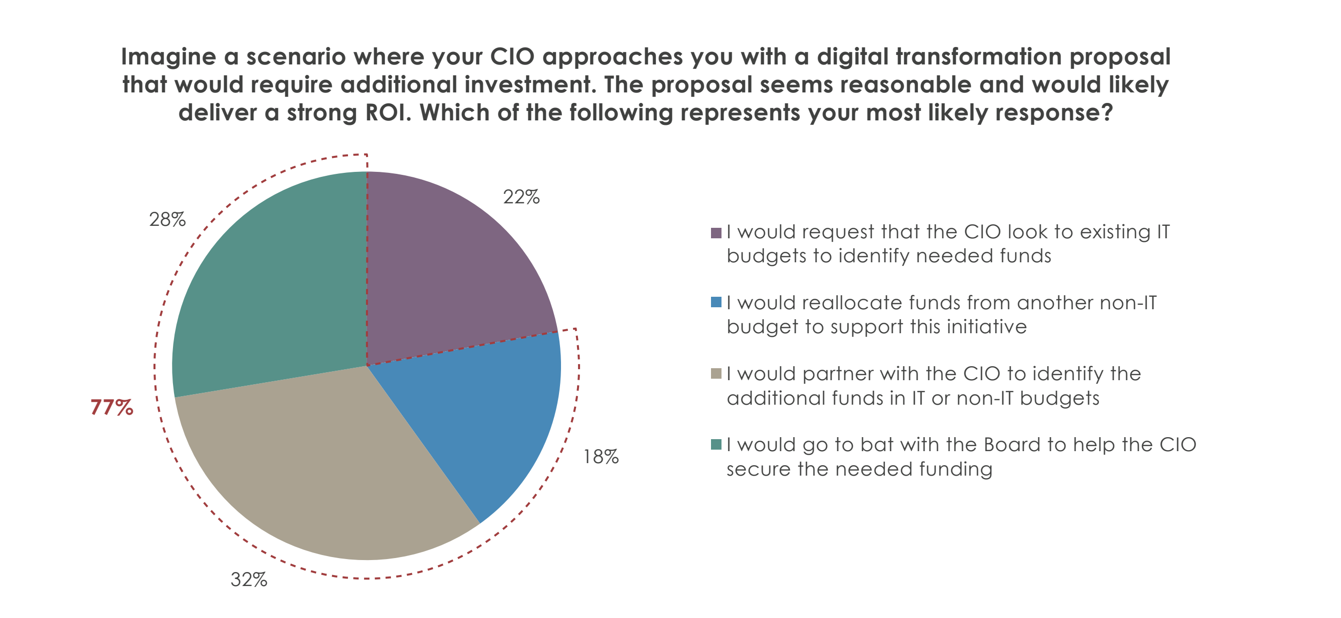


While digital transformation is visibly one of the most crucial technology investment areas, what is less obvious, according to CFOs, is the actual ROI achieved on their spending. A worrisome half (48%) of CFOs report they cannot accurately evaluate the ROI on their technology spending.

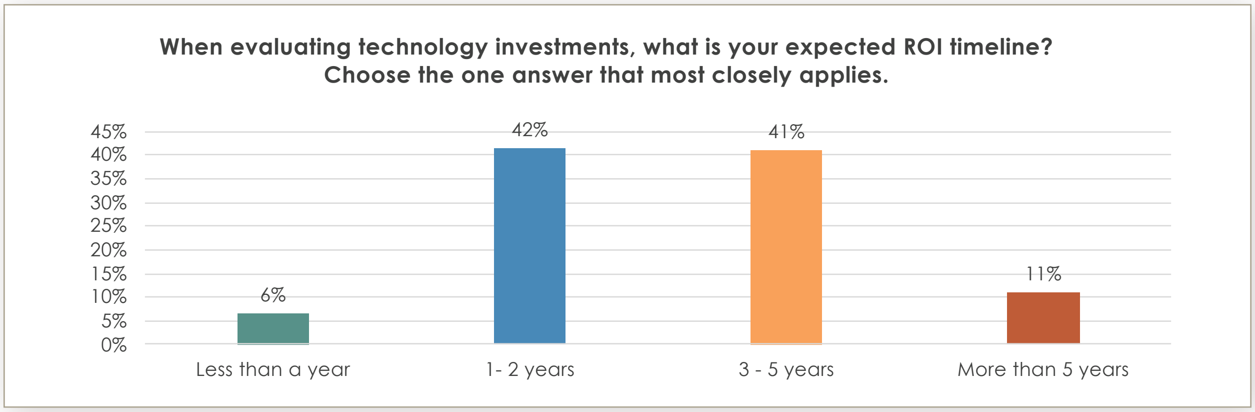


CFOs will fund compelling digital transformation

CFOs' growing acceptance of digital transformation initiatives, coupled with their willingness to support projects with clear business outcomes, means they are increasingly willing to lead funding efforts for projects that meet their primary value objective. Modern finance executives are on the fast track to being potential change agents within their organizations. By funding key digital transformation and technology initiatives, they prioritize critical resources for innovation and strategic moves that grow investor value. One of the key takeaways of this research is that 77% of CFOs will fund a new project presented by their CIOs if there is a strong business case. And a remarkable 28% will even go to bat with the board to secure the needed funding. This finding indicates that the stronger the CIO's business case, the more likely the project will be funded with a new budget rather than from the CIO's existing IT budget.



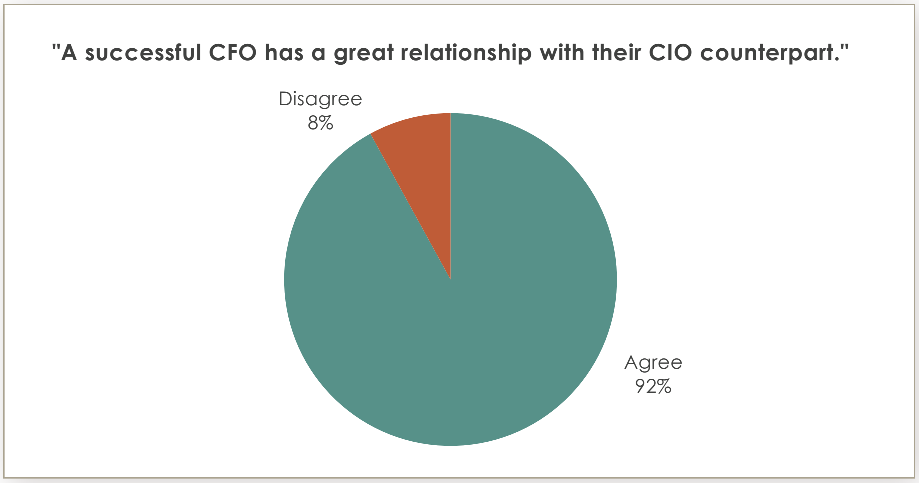
Subsequently, CFOs also anticipate the ROI on technology spending to be swift. In particular, 46% of CFOs want an ROI on their technology investment within two years. While this timeline may seem rapid and may not be realistic for significant initiatives given the pace of technology innovation, it's not unreasonable. CFOs who demand a short ROI timeframe should consider recommending their CIOs adopt a phased or self-funding approach that tracks and builds on fast and demonstrable wins. When this is impossible — for example, multi-year project proposals for ERP migrations or upgrades — CFOs may need to partner with their CIOs to back up their funding requests with a clear business case and ROI timeline.



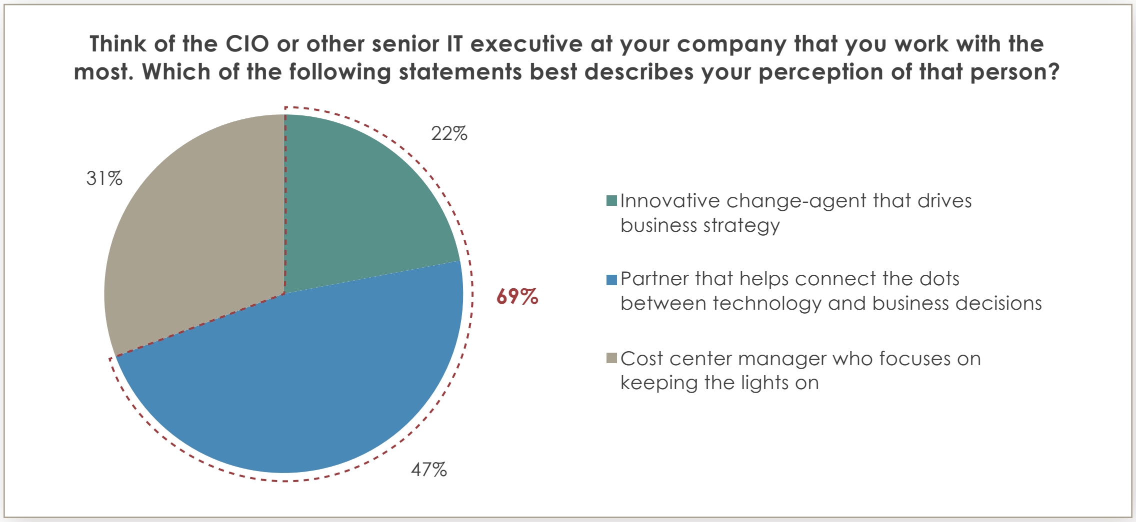
Detailed Findings: Strong CFO-CIO partnerships benefit the business

The CIO relationship is critical to success

Technology is expanding the roles that CFOs and CIOs play in an organization and calling for closer collaboration between IT and finance. More than just handling the financials, today's CFOs must have a solid understanding of customers and markets and technology's role in connecting with them. And, if both roles collaborate and ask meaningful questions, they can be a very productive team. CFOs couldn't agree more, with 92% believing that a great relationship with their CIO counterpart is key to success.

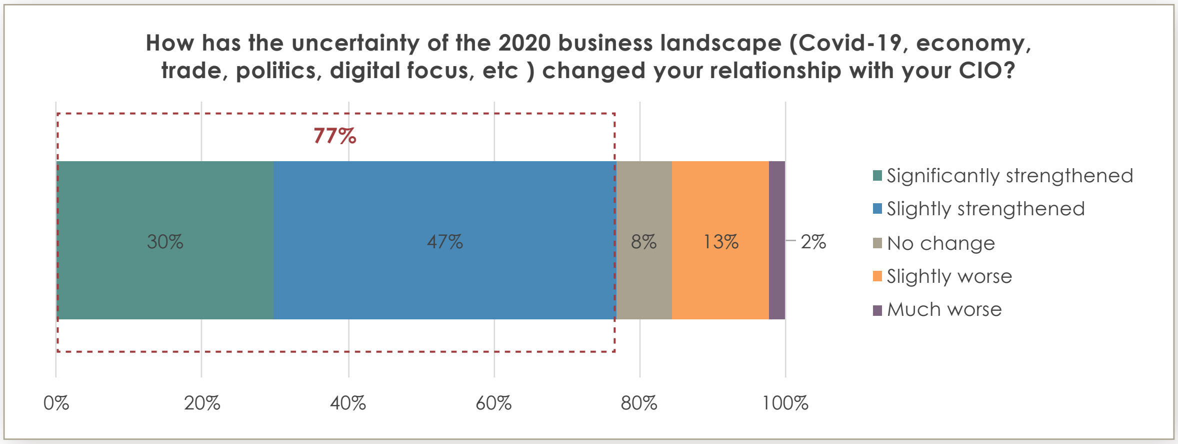


This research reveals that 69% of CFOs have a favorable view of their CIO partners, with 47% stating that their CIO is a partner who helps connect the dots between technology and business decisions, and 22% praising their CIO as an innovative change agent who drives business strategy. With more than two-thirds of CFOs painting a positive picture of their CIO, this strong relationship can enable CFO-CIO partners to drive digital transformation and lead board efforts.

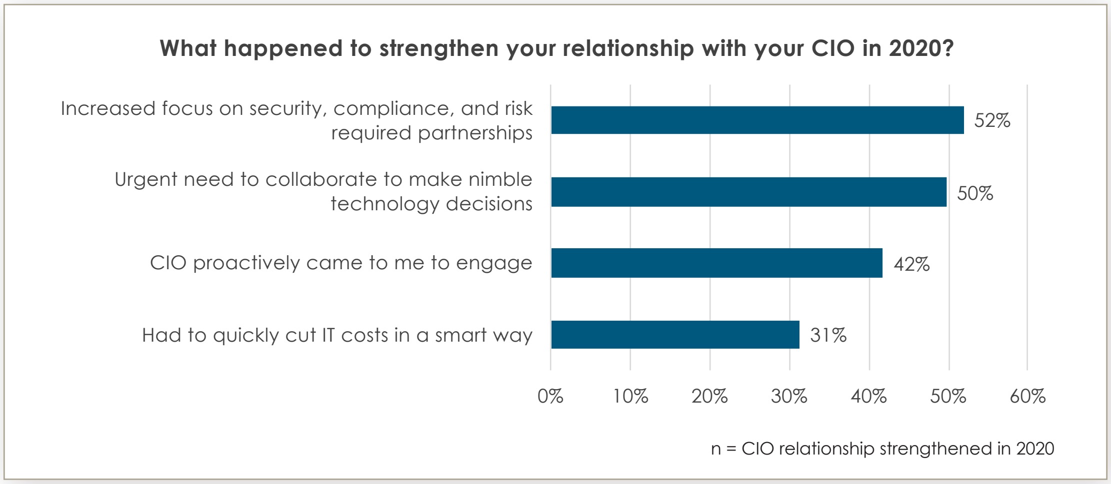


The disruption of 2020 has strengthened the CFO-CIO relationship

One of this survey's bright takeaways is how the disruption of 2020 due to COVID-19, trade, economy, and political uncertainty has fortified the CFO-CIO relationship. More than three in four (77%) CFOs share how last year's challenging business landscape has strengthened their relationship with their CIO.

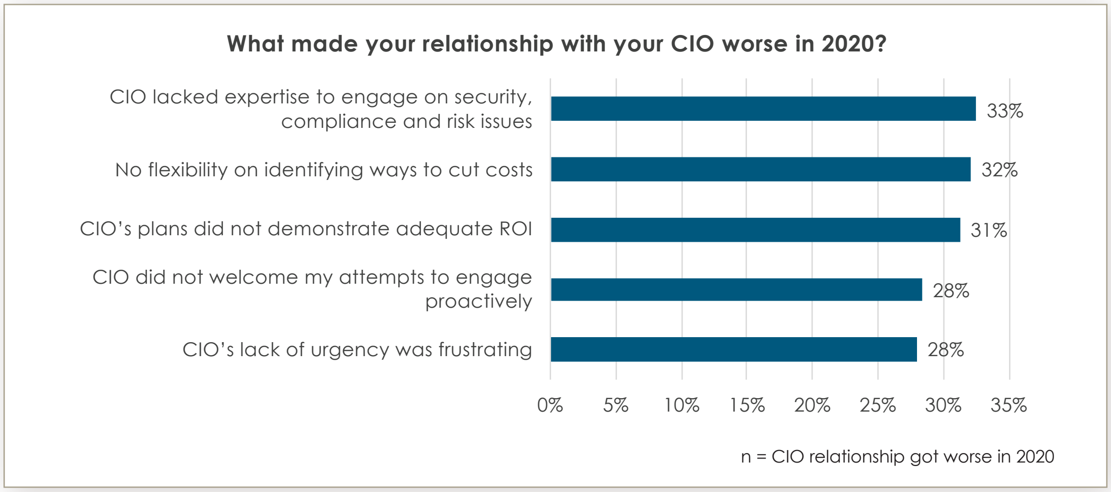


When we drill down to uncover what has boosted the CFO-CIO relationship in 2020, our research shows it's about far more than just cost-cutting measures. More specifically, CFOs primarily attribute this change due to an increased focus on security, compliance, and risk that required growth in their partnership (52%), the urgent need to collaborate to make nimble technology decisions (50%), and the CIO's proactive engagement with them (42%).

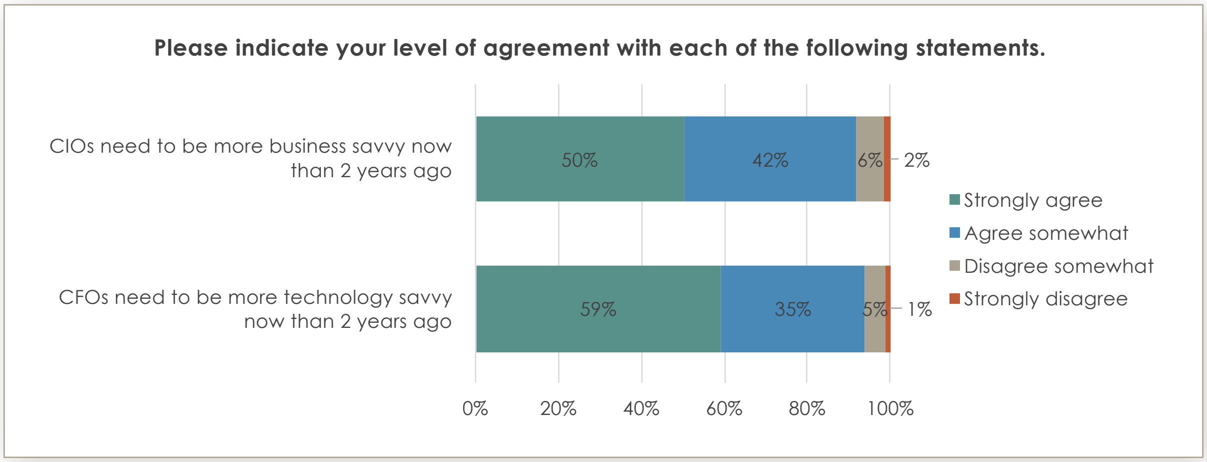


For those CFOs who noted a worsening relationship with their CIOs last year, a wide range of reasons were cited. These were the CIO lacking the expertise to engage on security, compliance, and risk issues (33%), complete lack of flexibility in identifying ways to cut costs (32%), a lack of demonstrated ROI in plans (31%), rejection of attempts to engage proactively (28%), and the CIO's lack of urgency (28%).

Although some of these factors are beyond the CFO's sphere of influence, it can be helpful to institute consistent business case tools and templates to help bring more structure to the CFO-CIO relationship and enable IT teams to gain a clearer perspective of CFO expectations. At the same time, growing technology sophistication on the part of many CFOs can broaden the conversation beyond budget dollars and create a platform for more ongoing collaboration beyond budget review time.

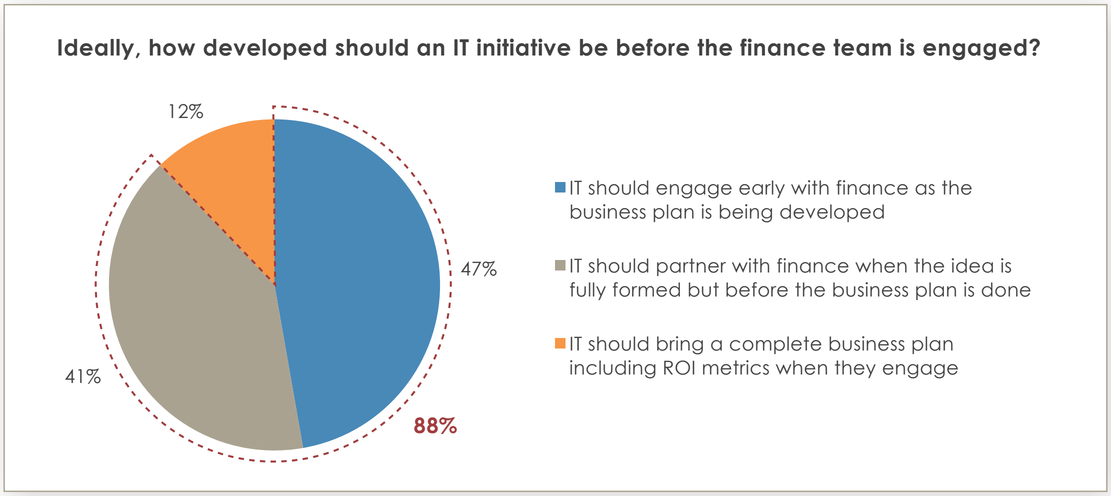


While the CFO-CIO relationship is interconnected, sometimes it can become divided as both may speak different "languages" about the same topic. For example, CIOs sometimes struggle to communicate IT project ROI, business priorities, and costs because they focus more on the technological know-how to get the job done. Conversely, CFOs expect their CIOs to present a clear business case but don't always understand the technology to make the right financial decisions. According to the research, 92% of CFOs say that CIOs need to learn more about the business now than two years ago. They also must take ownership of their part in the relationship, with 94% agreeing that CFOs need to be more tech savvy.



Most CFOs prefer to engage with their CIO before plans are finalized

Timing can be critical when CFOs and CIOs engage in a significant new IT initiative. Most CFOs (88%) prefer that CIOs involve them before the business plan is fully crafted. In particular, 47% would rather have the CIO engage as the business plan is being developed, and 41% want IT to partner with finance when the idea is fully formed but before the business plan is completed.



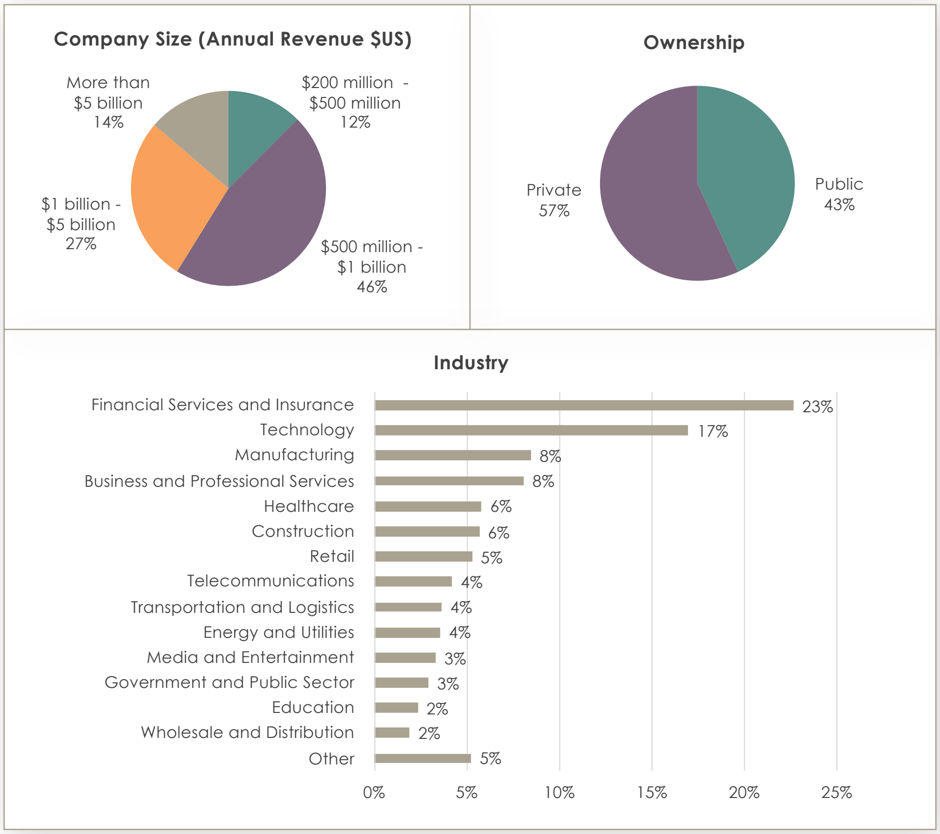
Conclusion

With digital transformation high on the priority list of most CFOs, a strong CFO-CIO partnership is more important than ever. This means financial decision makers should learn the language of technology, and to be successful, CIOs must learn more of the CFO mindset. In a broad context, whether it's digital transformation or infrastructure, this means taking a critical look at operational expenses and treating every line item in the IT budget as one that should demonstrate value.

The past year has taught both CFOs and CIOs lessons about flexibility, collaboration, and the importance of technology for both resilience and innovation. As we look to 2021 and beyond, closer collaboration between IT and finance, with a focus on driving value through digital transformation, will be the touchpoints of a successful strategy for both CFOs and CIOs.

Survey Methodology and Participant Demographics

In December 2020, an online survey was sent to independent sources of finance executives who lived in the United States, Mexico, Brazil, United Kingdom, Germany, France, Poland, Israel, Australia, New Zealand, Japan, Singapore, Malaysia, and South Korea. A total of 1,572 qualified individuals completed the survey. All participants were the CFO or equivalent top financial executive at a company with at least $200 million (US$) in annual revenue. Participants represented a wide range of company sizes and industries from both the public and private sectors.



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