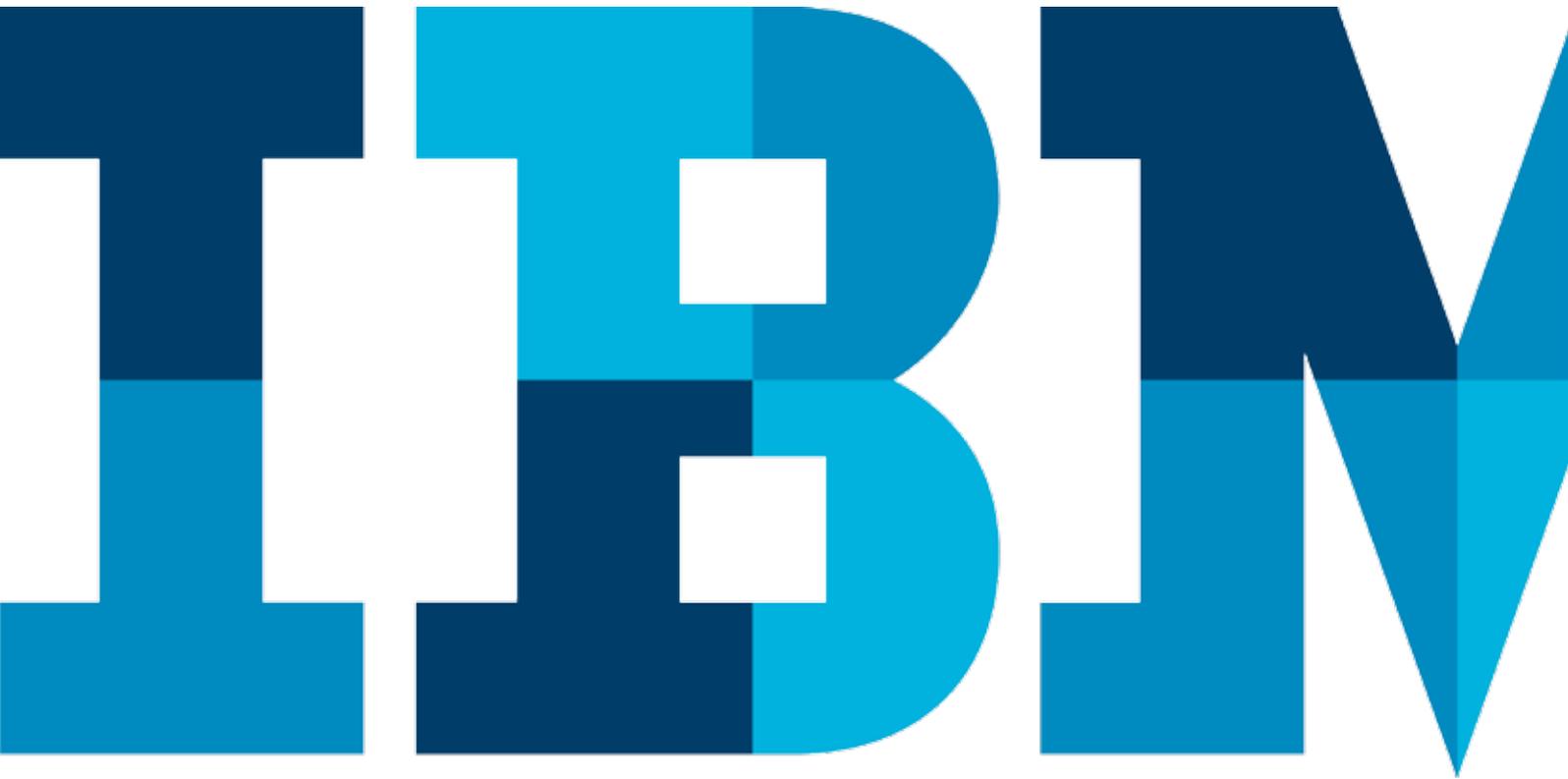


# Leadership for the taking: Why CFOs should front innovation programs

*By Nicola Villa, European Leader, IBM Internet of Things*



*For many years, companies have traditionally been addressing the digital innovation opportunity by putting their IT department at the front of the innovation cycle. However, recent advancements in technology have made it easier for other business entities – such as product development, sales and commercial departments – to play an important role in this space, shifting digital innovation budgets to the business. The ‘digital innovation officers’, often very well connected with the business and IT, have started to take control of the innovation agenda. But a new trend is emerging within the boardroom: IBM’s recent CFO study shows that 62% of the finance departments is starting to play a significant role in strategic developments like an innovation strategy. With the digital innovation debate moving from being technology-centered into becoming part of the organization’s mainstream business, the CFO seems to be well fit for fronting key innovation programs.*

This shift is underpinned by the impact of new technologies on the way organizations work. First of all digital innovation focuses now on the development of economic value - usually through an initial focus on business use cases - as opposite to being relegated in the IT room. Major digital innovation programs are vulnerable in their early phases and initially need to be shielded from the short term business challenges that the commercial or product development units face throughout the year. The CFO is able to manage investments which has to last for a certain time. Yet he also needs to apply the rigor needed to continuously monitor program outcomes. CFOs can judge innovations’ true value from a ROI perspective, and balance out the risks that are paired with them.

Secondly, an overall shift across many industries from product-into services-led business model has impacted numerous industries in the last decade. We call this *servitization*. As organizations have gained access to the best new technologies, offered as a service via the cloud, CFOs have to rearrange their traditional balance sheets, with a shift from CAPEX to OPEX to drive a whole new consumption economics for technology investments. Companies like a major producer of Lifts and Transportation Systems, recently decided to launch a new, digital business unit focused on using data coming from its assets to offer its clients insights and enable people movement. As innovative technologies like cognitive computing, cloud, mobile and the Internet of Things emerged rapidly, businesses like this producer of Lifts and Transportation Systems are now rushing to exploit these technologies to either increase service revenues on their existing product lines or to enter entire new markets.

Meanwhile, network businesses like Telecom companies are starting to take advantage of this transition as well. From an initial focus on providing connectivity and voice-, data- and video-services, the leading Telecom operators are moving up the Internet of Things technology stack. They provide cloud-based data management services and sell analytics insights to business clients, often in partnership with major players in this area. As an example, IBM recently announced a strategic Internet of Things partnership with Tele2, a leading global Telecom services player, aimed at bringing digital innovation offerings to key clients around Europe.

The result is a shift from a ‘first wave’ of Internet of Things approaches focused on instrumenting assets, into the development of sustainable business models focused on business value, with the end user’s perspective often in mind. Discussions focused on “what can I do with IoT in my business?” are getting replaced with “what is the business challenge I am trying to address and is IoT - with the data and insights produced by it - part of the answer?”

This is where CFOs should show their leadership: instead of focusing on their traditional role, visionary CFOs are starting to lead engagements that bring the finance departments together to collaborate with IT, other entities within the organization and with external ecosystem partners. Finance departments can help reach an agreement on the required technology, the value technology investments will need to deliver, and how digital innovation projects get funded and allocated. Only then key innovation investments can be protected from the short term business challenges the organization faces.



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