Meet the new chief growth officer: The CFO

By Ron Walker

Growing a business in today's highly competitive economy has put new demands on CFOs and their teams—to tackle complex and strategic issues outside the traditional domain of finance. Every "way we've always done it" needs serious reexamination. Digital innovation and access to data are surfacing new opportunity—in both expected and unexpected areas of the business. Finance teams need budgeting and planning approaches built to keep up with them.

Finding new ways to rapidly identify and deliver growth is especially timely now as companies move forward actively after playing defense during the pandemic. They're actively pursuing new markets, products, and services and considering new acquisitions. All the while, they're also looking over their shoulders at activist shareholders who may feel they're not doing enough to maximize value.

For finance, a new planning paradigm

Increasingly, the C-suite is looking to the CFO and the finance function to help identify and act upon growth opportunities and counting upon the CFO to deliver results. That won't happen if the finance function is preoccupied solely with reporting and risk management—the legacy "scorekeeper" mandate. Traditional financial planning and analysis (FP&A), based on the annual budget cycle and historical results, has been outstripped by the pace of events. FP&A isn't dead, but it needs an expanded mission that can support forward-looking business planning and the long-term, strategic agenda of the business.

Enter the new age of integrated business planning, which emphasizes a rolling, driver-based forecasting capability that is based upon specific data elements, tied to performance levers that really move the needle. The data sets include both internal feeds and selected external information and signals streams. The performance drivers are the company-specific factors that most influence value creation, including opportunistic growth. The goal is continuous insight, delivered quickly to the right decision makers to support strategy agility, in disruptive conditions.

Establishing readiness to lead

Because integrated business planning is driven by data, enabled by technology, and led by enterprise-wide strategy, CFOs are well-suited to champion and lead the new paradigm: In their financial reporting role to the C-suite and investment community, CFOs sit at the intersection of large streams of performance data. And as the traditional steward of the company's financial agenda, including capital allocation, they have an outsized voice in how the enterprise prioritizes its portfolio of discretionary investments. To assume this leading role, of course, finance will need to transform its data strategies, processes, technologies, and skill sets. It's a tall order. On the next page we present five ways to get started.

1. Cross-functional partnerships: Data-driven business planning requires a comprehensive view of market dynamics, which in turn requires closer collaboration with the operations and commercial groups responsible for moving the business forward, such as sales, marketing, and operational planning. It demands CFO commitment to the partnership model and additional willingness to champion in the operational investments and cultural shifts that will make it a reality.

2. Driver-based planning: Ditch the annual budget in favor of continuous forecasting, driven not by a bottom-up annual budget but by business drivers that correlate with desired results. Most businesses have 5 to 10 core drivers that can be tested for material impact and then formally included in forecasts. As businesses weigh the mix and relative impact of their own business drivers, sectorwide or general market developments—overall retail foot traffic or patterns of online consumers, for example—are essential considerations.

3. Broader data sets: Given the ongoing challenges presented by the pandemic, climate change, and social and political unrest, you can't rely solely on last year's financial data to set next year's goals. A growing universe of data sets provides countless signals that AI-enabled systems can combine with internal data in order to improve the accuracy of forecasts. Increasingly, this data is geo-specific, to better facilitate the development of market strategies tailored to local conditions and opportunities.

4. Rapid strategic modeling: To truly accelerate growth, it's not enough to work only with the C-suite. The finance function must increase its scope from "reporting up" to senior leaders to "reporting out" to the business. With rapid strategic modeling, finance can provide real-time, on-demand answers to questions posed by functions across the business. Rapid strategic modeling is a software-driven capability using internal and external data to rapidly develop what-if scenarios and tactical recommendations. The uses for strategic modeling include examining variable conditions in markets or supply chains, exploring new sales channels, and examining potential uses for discretionary investment.

5. Transaction evaluation: In the search for opportunistic growth, chief executives are often lured into acquisitions with the promise of synergies. But KPMG research has found that divestitures—not acquisitions—are more likely to create higher excess returns and valuations. Activist investors have used this insight to grow into evermore influential players in capital markets. In fact, CFOs can extract valuable lessons from the activist playbook, which model divesting underperforming or noncore businesses and investing more heavily in "keeper" businesses. As financial stewards, CFOs can play a crucial role in helping chief executives to maximize growth by taking a dispassionate approach to their business portfolio.

CFO as growth copilot

It's a given that companies everywhere face shifting industry models, technology disruption, changing workforce dynamics, and new threat landscapes. In these conditions, organic or inorganic growth remains a constant, reliable avenue to sustainable competitive advantage that cuts across sector and market variables. Boards and CEOs are looking to CFOs to be their copilots in pursuit of growth, active advisers in both flagging opportunity and pivoting the business to embrace it. The new responsibilities will draw upon an expanded set of CFO leadership attributes. Following our five tips to establish readiness-to-lead can position you as your organization's natural choice for growth co-pilot in the years ahead.

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