
# Nurturing Your Business as a CFO

Pressure to meet targets is frequently blamed for short-term thinking among senior executives. Criticaleye's **Emma Carroll** explores how CFOs are seeking to build more resilient, sustainable businesses

CFOs can find themselves being actively encouraged by stakeholders, sometimes including their own CEOs, to behave in a more short-term way.

**Simon Moore**, Executive Director at BIE Executive, says: "The CFO needs to stand up to the pressure. They need to make sure the business can afford what's being proposed, for example when delivering on a new CEO's plan to transform the business, making acquisitions, or meeting demands from investors to pay good dividends.

"As you gain experience you get more used to dealing with the pressures that come in from different angles. When it comes to balancing the short and long term, the relationship between the CFO and the rest of the board is crucial," he says.

In a poll taken at last year's CFO Retreat, 60 percent of attendees said their management teams become too focused on short-term goals. **Chris Smith**, CFO of McBride, a manufacturer and supplier of household and personal care products, believes that the CFO and CEO play a crucial role in working together to combat overly-tactical decision making: "In our business, the board are strategic and think long term. However, within >

the executive group, outside the board execs, there are too many conversations about the current budget year.

"The CEO and I play a key role by providing the connection between today's actions and the strategic roadmap."

## Providing a Longer Time Horizon

For **Chris**, Finance needs to bear some of the responsibility for their businesses' preoccupation with short-term targets. After all, it's the annual budget – the favourite tool of the accountant – that drives a fixation with twelve-month periods.

"Finance people love budgets – it gives you a reference point, with detail and accuracy – but it's not a helpful way of looking at the business with a long-term view," **Chris** says. "There's the danger that budget contributors will shoe-horn everything into a 12-month plan to get the output they want, possibly to the detriment of periods on either side."

### CFO RETREAT 2017 RESEARCH KEY FINDINGS

- **85%** are grappling with business model disruption
- **19%** have full confidence in the executive team to execute on the medium to long-term strategy
- **96%** believe the management team is too inward-looking and focused on the day-to-day
- **88 %** feel silos have a negative impact on business performance
- **84%** want to strengthen the leadership capability of the finance function

Source: Criticaleye CFO Retreat Research 2017

Instead **Chris** advocates rolling forecasts, which are less backward looking and extend the time horizon to a full twelve or eighteen months: "Systems use algorithms to predict sales levels which can be 'event managed' by exception for things you know will be different," he explains.

When information is forward looking like this, and linked to operations, then it can be used outside the finance department too – informing decision-making throughout the business, on matters like buying new equipment, setting up a warehouse in a new location or focusing more resource in R&D.

"If you use technology well, then you can get your production, inventory, purchasing, logistics and warehousing teams to use the same data. This allows you to be much less reactive to the trend in your top line," **Chris** says.

## Beyond Finance

**Tim Doubleday**, CFO of Burger King UK, says that the remit of the CFO extends into areas that impact on the long-term future of the business, such as its environmental, social and governance (ESG) strategy. This is no longer "just the Head of Sustainability's problem" or something the CFO can pay "lip service to".

From a responsible investment perspective, funders need confidence in your long-term plans, and as part of that you must look at your impact on the environment. So, if you are a polluter, you must be actively doing something to address that problem.

"Every single CFO should have ESG on their agenda," **Tim** says. "They ought to be thinking about what their business is physically doing and how they are prioritising investment in a long-term business model that deals with the concerns of both their investors and customers.

"CFOs have to sit up and take notice, because their business' growth or ability to attract investment could be affected if they aren't thinking about the impact of their ESG policy."

**Simon** agrees that CFOs need to look beyond their traditional remit so they are "nurturing" the wider organisation. "It's not just about the numbers and performance of the business as a whole, the CFO needs to look at how both functions and individuals are performing and at how the rest of the board is integrating and working together," he says.

He believes this allows CFOs to have a clearer picture when evaluating disruptive influences and where changes need to be made. "Individuals who really do care are able to get better insights into the upcoming challenges," he adds. "They understand what needs to be on their radar to ensure the company continues to grow or that it can weather any approaching storm. CFOs who are focused entirely on numbers hit brick walls." ■

Featuring Commentary From:

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