The Role of the CFO in Transformation

Chief Financial Officers are finding themselves at the epicentre of large-scale transformation. **Simon Moore**, Executive Director at BIE, discusses how they can ensure there is a successful outcome

The CFO has to be the conscience of the business when going through transformation. They have to understand and allow it to happen; yet, at the same time, make sure that a company's balance sheet can afford the transformation.

It can be a difficult role, acting as both the accelerator and the brake. Traditionally, many CFOs don't necessarily feel they are trained appropriately to be aware of the longevity of a transformation. Much of the time, the stop button is pressed at just the point when it's gathering momentum and the end is in sight.

Experience counts, in such instances. Those CFOs that have been through it multiple times know when to pull on consultancies, versus when to pull on independent experience and drive it internally.

When it's large scale, enterprise-wide transformation it can be difficult for the CFO to be the sponsor. An independent person needs to be challenging the cost of it (can the business actually afford it?) versus the sponsor who is driving the benefits.

The key is scale. When it's just a finance transformation, or a simple function cost out, it's not an issue. But when it's large scale, end-to-end transformation, where there probably will be a strain on cash flow and because of the level of investment, the CFO needs to have a real handle on it and probably needs programme expertise, from a finance point of view, to oversee it all the time.

If it's complex change, it's probably going to touch every member of the board. If the Group CEO is sponsoring this, and the board is aligned to the fact that the >

transformation is where they want to go, you have to make sure everybody is aligned and the message is the same when filtered down through the business units, especially when it will affect people's jobs. Without that in place, you expect disharmony and an ongoing problem.

If the CEO is driving the agenda, they will be the voice, the sponsor, and will be insisting on this transformation being delivered. They must have backbone to be able to continue to do it, even through the tough times. The CFO needs to make sure the company has the cash there to do it, and if there are changes to this, they need to have the foresight to understand how it is going to impact the transformation.

In such instances, they need to communicate with the CEO. The two of them need to be united and trust each other's judgement for this to work.

How to Navigate Uncertainty

The role of the CFO has changed tremendously since the credit crunch. It started with working capital programmes, around cash flow, taking out the fat in the business, cost-cutting, and making sure the company's divisions / functions were working more effectively. The ability of the CFO to guide companies through that has come to the fore. I believe this is why the CFO has stepped up to be a closer wingman to the CEO.

It means the CFO is not all about the numbers. They need to look at the drivers of the business, where the opportunities are to grow and how this can be funded. Certainly, over the last decade, there has been a huge focus on taking out cost, driving consistency and process across corporate functions.

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Moving forward, the CFO will have to understand what part new technology, such as AI and robotics, have to play. Can a company invest in these areas and can they do it during times of uncertainty?

If you solely make decisions based on the numbers, you are not looking through the whole lens of the business and the decision will be poor. The impact of any major decision from a people point of view, from a sales and marketing side, and from a technology side, needs to support any major decisions that are made.

What I find particularly fascinating is that what is typically known as MI, or decision support, historically sat within FP&A. The question I ask nowadays is, what is decision support to you? I think it is the numbers, the metrics that help companies make key decisions about where to drive their business, but it doesn't just come from finance. You probably need to have a finance background, or an analytical background, so you can understand and model numbers, and see through them to see what outcomes can be.

However, you need to be inquisitive and that doesn't always come with that side of finance. In addition to this, you must be comfortable talking to a board, challenging and influencing, and getting under the skin of what people are actually saying to find out what they really mean. The ability to ask the right questions, to ensure the right level of engagement when delivering change, is an integral ingredient of success.

This can take time and it requires patience, but asking the right questions to find the underlying cause of what's needed is critical to ensure success. ■

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Simon is responsible for leading BIE's finance team and selling the BIE proposition to companies who are going through change.

As a member of BIE's executive leadership team, Simon's focus is on supporting a wide variety of clients across all C-suite functions who are typically looking to enhance their businesses' ability to perform.

These companies range from FTSE and large privately owned/equity-backed businesses, through to SMEs and start-ups with a growth agenda.

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