

LEADING ON **VALUE** **CREATION** AS A CFO

When the numbers are always changing and pressure on costs is growing, businesses look to their CFOs for leadership. Finance chiefs tell **Emma Carroll** how they are using value creation as an anchor



There are tough discussions going on around Board tables today.

Inflation, levels of customer demand and entire business models are all up for debate. CFOs have a crucial role to play in shaping this dialogue by getting Boards to look at data in new ways and homing in on value creation.

At Criticaleye's recent [CFO Forum](#), which was held in association with [TCS](#) and [Workday](#), finance chiefs and experts shared their experiences of responding to the unprecedented level of volatility.

Janet Mui, Head of Market Analysis for Brewin Dolphin, outlined the economic context, at a time when businesses are bracing for a recession and UK inflation is expected to hit double digits.

"It's very difficult to be optimistic at the moment, because I think there are simply a lot of macro headwinds," **Janet** said. "We came from a strong growth environment with extremely accommodative liquidity and monetary and fiscal policy, then this year, everything went into reverse. So, it is very hard to be optimistic, but equally, it is not right to be too pessimistic."

Providing the right information to support best-in-class decision-making isn't easy, particularly at this moment when CFOs must remain on high alert for the latest financial or geopolitical twist. The challenge is further complicated by the sheer volume of information available. **Anoop Aggarwal**, Global CFO of Mars Pet Nutrition, explained: "There is so much data out there. The bigger [issue] becomes: 'What's the question you're asking?' rather than, 'What's the data telling you?'" he said.

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Anoop shared how he is tackling this at the \$11 billion division of Mars Inc. "The big question is: 'What happens as we move forward? Do we move back into a deflationary environment? Do we see long-term inflation?' So, we're moving to leverage artificial intelligence and data analytics to help us predict what might happen," he said.

Matthew Blagg, CEO of Criticaleye, reflected the frustration of many Chairs and NEDs, who feel the information they are receiving at the top table simply isn't good enough to address the problems they are facing.

"Boards are seeing business models shifting, but they are finding it hard

to influence the executive team to respond because the data isn't there to support what they're observing," he said. "The data that they have access to is often lagging and doesn't provide clarity on the important decisions that need to be made."

CFOs must step up when it comes to providing fit-for-purpose information.

Mike Schmidt, CFO of DFS, explained: "Finance has got a critical role to play ahead of any key executive debate.

It can engage across the business to understand what different leaders are thinking, what facts they feel they need, and then find a single, consistent way to measure those datapoints and present them back to those taking part in the debate, in a consistent, balanced way."

Anchoring the Conversation

When there is so much going on, leadership teams – including the CFO – risk turning inwards and focusing on short-term, operational issues at the expense of strategy. Outside of a crisis situation, this is invariably a mistake.

"In a tightening environment, the role of the CFO inevitably shifts; it becomes harder-edged and more about providing challenge," **Matthew** said. "But good CFOs will make sure that investment in the future is maintained. They must strike the right balance between short-term targets and longer-term ambitions."

Mike brought this to life: "The debates we are having are both on how to respond in the short term to the pressures we're facing, but also about how we prioritise between different growth initiatives." >



He offered an approach to guiding investment when every pound of spend has to pass muster. “A value creation framework, which is used consistently and fairly across the business, can be particularly powerful. It can take away the emotion from some of the debate by providing an anchor to the conversation,” **Mike** said.

“Whether it’s cashflow generation over a period of time, cash payback or return on capital employed, the framework provides a recognised, familiar, safe language for the business to use in navigating its way through the choices that must be made.”

He referenced an example: “On the debate between the two retail brands that we operate: DFS is a market leader and Sofology is a fast-growing competitor. It becomes very legitimate to use the value creation framework as an anchor in defusing the debate about which should be allocated more space,” **Mike** said.

Anoop reinforced this focus: “If there isn’t clarity about the value creation model in a business – both the value

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creation model of today, but also for tomorrow – then data can become a barrier rather than an enabler,” he said. “It’s important to be really sharp on the strategy and to be really precise on the value creation model.”

For **Richard August**, Global Managing Partner for Enterprise Agility at TCS, this clarity is a central tenet of the agility that CFOs should be encouraging. “Agile organisations have a very clear understanding of, and organise around, how value is created for all the relevant stakeholders, both internal and external to the organisation.

“They have a mindset of exploration and experimentation; they test hypotheses, try something out, compare the impact

of that change against those hypotheses and are willing to change direction if those hypotheses are disproven,” he said.

Ultimately, at a time of uncertainty, leaders must align around a common plan for value creation but be ready to respond when the situation changes. To enable this, CFOs have to think imaginatively about the information they provide to inform these crucial debates. ■

Our next [CFO Retreat](#) will look at how businesses are managing Risk, Resilience & Innovation.

To avoid missing out on this annual event, taking place on Thursday 10th and Friday 11th November, please contact your Relationship Manager or the [Events](#) team.

Highlights from Criticleye's CFO Research 2022:

- 88% of CFOs say more time should be spent on long-term planning
- 71% feel isolated in their role, compared to 67% of CEOs
- CFOs must provide better support for innovation

To read the full report, please click [here](#).

Featuring Commentary From:



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