Getting it right with growth: How to be a great CFO in the new growth economy

As companies focus on growth, Chief Financial Officers are now assuming a more strategic role and are expected to deliver real insight to the C-suite. Reporting and closing the books are no longer enough. CFOs must drive operational gains and steer their companies' growth strategies.

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Times have changed. The role of CFO has evolved to that of a strategic partner to the broader executive team, providing real insight to the company's growth plans.

Traditionally, Chief Financial Officers (CFOs) have provided control and compliance oversight. In the last decade however, the role of CFOs has evolved into that of a strategic partner to the broader executive team, providing real insight to the company's growth planning process. "For the past decade, companies have had to contend with a series of large-scale macroeconomic disruptions,: along with pressures on costs and earnings," says Bob Bishop, a partner at PwC. "Now, as the global economy recovers from the recession and cost and short-term earnings are not the sole focus, companies can turn their attention to the top line again."

In PwC's recent CEO survey, some 85 percent of chief executives are either somewhat confident or very confident regarding their company's prospects for revenue growth over the coming 12 months.[1] They have already taken advantage of the more obvious cost reductions, and there is little left to cut. Many continue to have strong balance sheets and growing cash reserves so they are starting to increasingly focus on growth to provide shareholder value.

Whether growing through M&A, emerging markets, digital or innovation, the "evolved" CFO can play a unique and critical role—providing insight, managing risk, and ensuring that companies fully realize the potential value of a given strategy.

However, growth is hard. During organic and inorganic growth, real risks and complexities arise. Several megatrends are at play, such as shifts in demographic and global economic power, urbanization, climate change, resource scarcity, and rapid technological innovation.[2] As a result, "getting it right with growth" is harder, making the CFO's involvement critical for success.

Technology has freed up CFOs. Now they can offer a broader vision.

CFOs have always taken the lead when it comes to traditional functions such as reducing costs and overseeing the standard control, compliance, and reporting aspects of the business. In the past, CFOs would need to spend a significant amount of time on the rote aspects of the job, such as periodic reporting and closing the books.

But developments in both technology and organizational approaches are making it easier for the CFO to deliver insight regarding not just the past but the future. Many of

1. *17th Annual Global CEO Survey: Fit for the Future. (2014)*
2. *Five Global Megatrends. (2014)*

the department's routine control, compliance, and reporting functions are now automated, generating faster and more accurate results, and giving finance a highly granular, real-time view of the organization's performance. In addition, technology advances such as cloud computing have the potential to bring a range of benefits to finance, including significant cost savings, operational efficiencies, flexibility in integration and deployment, improved access for employees, and more robust disaster recovery. This has come at a good time and organizations need to prepare for adoption.

"Instead of finance spending 70 percent of its time on basic financials and reporting, and only 30 percent on more strategic issues, that ratio has flipped," says Hal Houser, a partner at PwC. Increasingly, this technological agility is a differentiator between top companies and underperformers. PwC's 2013 Finance Benchmark study found that top companies have automated more than twice the number of key systems compared to the typical organization, and that the cost of finance at top-performing firms is nearly 50 percent lower than at typical firms.[3]

Big Data and advanced analytics also expand the CFO's vision at a lower cost than ever before. Using increasingly available digital data, he or she can model various scenarios to get a better picture of the future. "Finance sits at the intersection of a tremendous amount of data," says Gary Apanaschik, a partner at PwC. "Not only the financial numbers coming in, but also the profitability of individual products and services, and how markets and competitors are performing. So they can use these new technologies to sift through that information and identify the most promising path for growth."

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3. *Unlocking Potential: Finance effectiveness benchmark study 2013.*

Readying the growth foundation: CFOs take the big view

Getting the core capabilities primed for increased activity

There is a set of baseline capabilities that must be well developed before executing a plan for growth. Growth will put stress on the model, and this could degrade the ability of finance to deliver on its basic transactional, compliance and reporting responsibilities. Just as importantly, finance needs to provide services to the business in the areas of operational excellence (shared services), specialty knowledge (i.e., corporate accounting, tax, and treasury) and customer intimacy (FP&A and business unit finance). The ability of the finance function to provide these services is critical to the success of any growth strategy. The level of maturity needed across these services will vary by strategy. For instance, the need for highly specialized knowledge in tax and treasury surrounding transactions in foreign currency is probably more important for a growth strategy focused on emerging markets than for a strategy focused on innovation.

The bottom line is that as the organization begins to grow, the finance function will need to be able to scale rapidly, without reinventing itself or serving as a drag on the process. "Whatever finance does has to be scalable," says Apanaschik. "As the company's growing, finance has to be able to absorb that quickly and keep executing on its baseline responsibilities."

Hiring ahead of growth

A critical aspect of these foundational capabilities is talent. The finance function needs to be hiring ahead of the company's growth trajectory. Growth inevitably requires special projects and task forces. People get pulled into various commitments and obligations, putting greater pressure on the core reporting and control functions. If the finance organization is staffed to meet current requirements and no more, it will soon fall behind. Hiring people takes time, and CFOs can't realistically expect to recruit, evaluate, hire, and train new people at the height of a growth wave. To support sustainable growth, finance must hire ahead of the curve, ensuring that it has the capacity needed to meet future demands.[4]

4. *People Performance: How CFOs can build the bench strength they need today… and tomorrow.*

Minimizing risk to prepare for new development

Risk is growing across many fronts—regulatory, cyber-security, and operations—and finance's relationship to risk has changed. In the past, areas such as compliance and cyber risk were handled within the office of the general counsel. In today's risk environment, the office of the general counsel often doesn't have sufficient access to operational data and analytical modeling capabilities to understand growth-related business risk.

By contrast, as stewards of the company's financial performance, CFOs are intimately connected with risk. Since any growth strategy involves risk, the role of the CFO in assessing risk, determining acceptable levels, and providing insight regarding how it can be mitigated, has become increasingly important. New technology provides sophisticated models. "By leveraging some of the new analytical tools, CFOs can foster greater insight and transparency into the organization, including the company's risk profile," says Houser.

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Knowing where to increase R&D investment within the company

Virtually all growth strategies involve investment, and the CFO understands which components of the company's offerings could benefit from increased investment in R&D, new markets or M&A. They have the numbers at their fingertips to substantiate or refute a business case for a particular growth strategy. But most importantly, the CFO is uniquely qualified to put the right principles and guidelines around those investments, and to make sure that the organization is asking the right questions to minimize risk and maximize upside potential.

Perfecting company transparency as a foundation for expansion

Transparency (both external and internal) is an overarching imperative for any growth model. All growth strategies are now and will continue to be executed against the backdrop of an intensive focus on transparency. Outside the organization, the company must be able to give a clear indication of its current performance, operational soundness and its future prospects to stakeholders such as investors and regulators, particularly in heavily regulated industries such as financial services and healthcare. And in those industries, transparency needs to happen in a protean context where the regulations themselves are often being revamped and reinterpreted.

ADP: Driving growth through innovation

ADP has more than 600,000 clients in over 100 countries, and has grown as a result of its strategy to continually evolve its solutions and service offerings through innovative design and technological enhancements.

With over $11 billion in annual revenues, ADP is one of the largest providers of global Human Capital Management (HCM) solutions, spanning payroll, HR, benefits administration and more. The company has more than 600,000 clients in over 100 countries, and has grown as a result of its strategy to continually evolve its solutions and service offerings through innovative design and technological enhancements. ADP's finance organization, led by CFO Jan Siegmund, former chief strategy officer and head of corporate development, is a key partner in executing against this business strategy.

"ADP's finance organization functions as a business partner and advisor with our internal business units and is involved in every phase of planning, decision making and resource allocation," says Siegmund.

For example, finance relies heavily on analytics to evaluate the lifetime profitability of ADP solutions and client segments to determine where the company should invest and allocate sales resources. In addition, as part of ADP's annual planning process, finance reviews and analyzes contributions from the different sales channels and products, including their respective profit margins. Using this information, finance recommends how ADP should allocate sales resources, funding for R&D, and other investments to best influence revenue growth and overall profitability.

"The ability for finance to provide internal business partners with solid analytics that inform decisions allows us to balance revenue growth with cash flows for future investment," says Mike Burns, vice president of corporate finance and head of Financial Planning and Analysis at ADP.

Finance in ADP goes through a highly-detailed annual planning process that includes information down to an individual salesperson's productivity. This data is then aggregated up to a product-level and then enterprise-wide view of performance across the company. In addition, finance runs scenarios for how sales growth might be impacted by modeling specific factors. For example, ADP might look at how a change in tenure in the salesforce or geographical variations in the sales mix would change outcomes.

While the finance insights described above are impressive, they don't completely rely on complex technology. Most operations use a fairly standard Hyperion system. Where ADP shows innovative thinking to provide enhanced levels of analytical support is in establishing true finance centers of excellence and in implementing clear data definitions that enable uniform governance across the enterprise. An example of this would be the creation of data warehouses that unify many sources of data to enable the company to move faster and provide more accurate analysis.

“We’re reformulating our finance organization to give it a much stronger analytical foundation,” says Siegmund. “We are setting higher expectations for how quickly we can deliver quality service and support to our management team.”

An example of how ADP is increasing the quality of finance reports, while simultaneously compressing the time it takes to complete projects, is how the U.S. and India teams collaborate. ADP is able to use differing time zones as a strategic advantage, whereby the US finance team is able to work through an analytical process during the workday in the US and then hand it off to India for virtually around-the-clock attention until a project is completed.

Another benefit ADP has experienced from faster analytics is better decision support for product teams that are focused on innovation. In late 2013, ADP announced its intention to open the company’s second Innovation Lab, in Manhattan. Both house engineers, anthropologists and data scientists, who look for new ways to deliver intelligent solutions to ADP clients through technologies such as search, mobile and social.

“The Labs’ pace of innovation—and emphasis on getting new technologies to market quickly—required finance to change its style to become more entrepreneurial,” says Siegmund. “Some of the traditional review and approval processes related to technology investments were simply too slow. So we had to find new methods of controlling and monitoring R&D investments. Through team-based decisions, shorter review cycles and a willingness from finance to modify our approach, ADP is able to move faster and mimic the compressed innovation cycles of smaller start-up companies.”

Another example of positive change within ADP’s finance organization is in the amount of time spent on standard FP&A functions. Finance used to forecast annual revenues on a monthly basis in very granular detail. Today, finance has simplified this process and only generates detailed revenue forecasts at the end of each quarter, when management really needs this information.

“We basically abolished two months of forecasting each quarter so the finance organization could free itself to focus on more meaningful scenario-based, data-driven, and more strategic work,” says Siegmund. “We’re moving away from purely transactional elements of finance, evolving into a true business partner that helps drive ADP’s strategic and operational results.”

Overall, the evolution of the finance function at ADP has made the company more nimble, provides deeper financial insight to internal partners and is supporting a more innovative and fast-paced company culture.

Internally, the same demand applies. As business gets more complex and companies offer a wider array of products and services, the goal for finance should be to synthesize all of that performance information (and relevant external data) into a clear story that other C-suite executives, the board, and other stakeholders can quickly grasp. The information doesn't need to be overly simplified, but it needs to give a clear and transparent indication of what's really going on inside the company.

Leadership teams will need more in-depth, real-time data on the impact of their growth strategy—what's going well and what's not going well—and the CFO can create that transparency. Similarly, management will need to get a good view of the future, extrapolating from current performance indicators and developing realistic scenarios across various contingencies. Again, CFOs can create those analytical models and mitigate somewhat the inherent uncertainty of future performance.

Taking the lead on service definition and delivery to provide company perspective

On the organizational side, new models that integrate finance with other functional competencies (e.g., marketing and sales, R&D, etc.) are giving finance greater insight into business operations. More broadly, the CFO is often closely involved in how back office functions deliver services on a global basis. Finance is taking the lead in setting the bar for delivery of services through shared services, outsourcing and centers of excellence, and these models are increasingly being adopted by IT and HR. The organizational impact is the ability to generate efficiencies across the enterprise and ensure that growth initiatives don't get bogged down unnecessarily.

Get in shape to grow

Integrated organizational model

As the organization begins to grow, the finance function will need to be able to scale up rapidly, without reinventing itself or serving as a drag on the process.

Staffing

To support sustainable growth, finance must hire ahead of the curve, ensuring that it has the capacity needed to meet future demands.

Protection against risk

Any growth strategy involves risk. The increasingly important role of the CFO is assessing risk, determining acceptable levels, and providing insight on how it can be mitigated.

R&D investment

CFO is uniquely qualified to put the right principles and guidelines around R&D investments.

Transparency

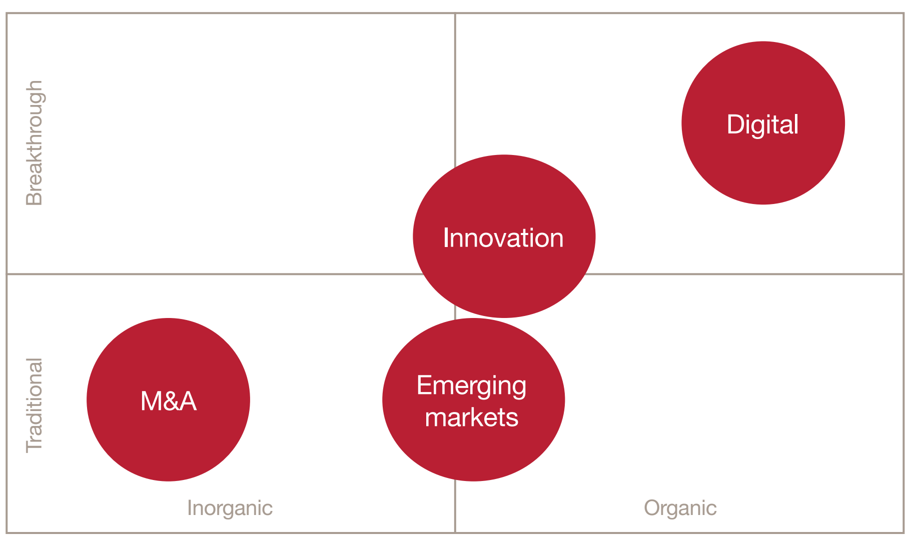
All growth strategies are now and will continue to be executed against the backdrop of an intensive focus on transparency.

Four paths to growth for CFOs

There are many avenues for growth, both organic and inorganic. No single strategy is the right one for all companies. It's a question of fit, and fit can be a function of a company's appetite for risk, its ability to invest, the speed with which it needs to grow, its access to capital, company culture, economic factors, etc. The list is almost endless, and many companies will employ a combination of strategies across their business.

What follows is a discussion of four common growth strategies (see Figure 1) and the role the CFO can play in supporting them within their organizations. Each growth strategy has its benefits, shortcomings and associated risks. The traditional strategies have been in widespread use for many decades while the breakthrough strategies (digital and aspects of innovation) are a more recent phenomenon, often arising from the technological advancements of the past few years. These have enabled new and disruptive ways to interact and communicate with customers, vendors, and stakeholders in general. They all have something in common, though: the role of visionary CFOs in enabling these strategies. The rest of the paper will discuss PwC's point of view on how this role varies depending on the selected growth strategy, including opportunities to realign finance, risks and other considerations.

Figure 1: How we think about growth



1) Growth through mergers and acquisitions

Creating and analyzing better models for mergers

In mergers & acquisitions, the CFO has long held a mandate for conducting due diligence on the array of potential targets (this typically includes looking at operations and finance, as well as IT and other back-office functions) along with vetting individual candidates on the short list, and kicking the tires to make sure their financials and operations are sound. As the deal moves through subsequent steps, the CFO is directly involved to ensure the right alignment. Increasingly however, CFOs are being called on to deliver insight into other parts of the deal-making process.

For example, CFOs are now better equipped to assess the degree of risk in a particular deal. Is this the right target? The right deal structure? Is the potential partner aligned with our operations?

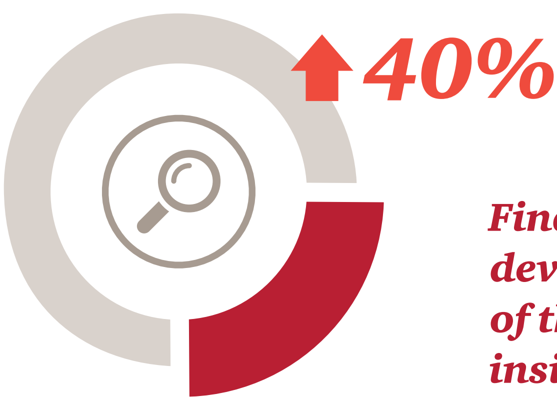
Similarly, CFOs are now tasked with modeling various scenarios in order to help the executive team consider likely outcomes. To a great degree, this can be enabled by advanced analytics. Companies that build out their data and analytics capabilities are better equipped to "see around the corner." They can quantify opportunities more accurately, and develop a more realistic range of potential scenarios, giving the executive team greater confidence in a particular plan moving forward. The CFO can oversee this analytics build out, a point that will be discussed in more detail in "Growth through digital" below.

Analyzing public data more accurately

Given that there is now far more public data available regarding the competition, companies that know how to access that data and make sense of it will give themselves an edge in the vetting and due diligence processes (i.e., in determining the brand strength of an acquisition target, etc.).

Creating in-house forecasts of potential acquisitions

Sophisticated modeling also becomes relevant in situations where a target company's financial projections may be overly optimistic. If finance has solid internal and external data and strong analytical modeling capabilities, the CFO can independently determine the most likely future performance of the target company, and not leave the acquirer's business exposed to someone else's forecasts.



Finance teams now devote 25% more of their efforts to insight-focused activities—a 40% increase since 2009.

Unlocking Potential: Finance effectiveness benchmark study 2013.

Forging finance capabilities to support more frequent M&A

Serial acquirers become highly proficient at doing deals and have more advanced finance capabilities tied to delivering the necessary services both to support M&A and to realize the return on acquisitions. They analyze and measure all aspects of the finance function related to M&A and are highly focused on excellence in integration and the corresponding process improvement. Key to evolving this capability is the use of an M&A playbook to support the implementation of a disciplined approach through the deal continuum including strategy validation, assessment of options, evaluation of deals, negotiation & close, integration, and value captured.

Communicating with Wall Street

For public companies, communicating the deal's strategic objectives with outside investors can have a significant impact on the overall deal outcome and earnings per share. In some cases, the simple combination of revenue may be the sole objective. But in more complex deals, where there are substantial synergies to unlock, and new product offerings may not be immediately apparent, it's critical that the company (i.e., the CFO) tailor the right message and get it out quickly, before any misperceptions or confusion regarding the deal can set in. "This is more important today than in the past," says Apanaschik. "New technologies and operating models have led to a blurring of the lines that divide one industry from another, and deals between non-traditional partners are becoming more common. That puts a greater emphasis on understanding the financials behind the deal strategy and communicating this effectively to Wall Street."

The CFO's challenge is to root out individual biases, look at all the angles, and continually ask whether the deal is in the best interests of the company long-term.

Tax strategy: Getting it right during growth

Each of the four growth avenues discussed in this paper carries a set of corresponding tax implications. In many cases, the tax components can be significant enough to determine whether the initiative ultimately succeeds or fails. As such, they deserve special scrutiny at the outset, and this is where the CFO can provide critical insights.

Deals

When making an acquisition, it's critical to conduct effective tax planning in order to reduce transaction tax costs, uncover unforeseen tax risks and opportunities, and achieve a favorable long-term tax rate for the newly combined entity. Accordingly, CFOs can add value by performing buy-side tax due diligence during the vetting process. When determining how to design the new organizational structure, they can quantify tax assets, risks, opportunities and contingencies, and advise on the best way to protect key attributes (such as net operating loss carryforwards) in various jurisdictions. Perhaps most fundamentally, they can assess how business changes may improve the new company's tax and cash flow position over the short, medium, and long term.

Digital

Growth through digital initiatives often leads to changes that make the company more responsive to customer demands. For example, many retail companies are transitioning to a multichannel retailing model, integrating existing brick-and-mortar and online channels, or making fundamental changes to current processes.

Depending on the specific changes, tax compliance issues and planning opportunities may arise in areas such as, but not limited to, transfer pricing, credits/incentives, customs duties, and consumption taxes. CFOs may need to assess the tax impact of making capital investments as well as tax-efficient ways to form joint ventures and other similar arrangements. They may also need to analyze the tax impact from process changes to pre-sale customer interactions (e.g., websites and apps), customer purchases and order fulfillment (e.g., inventory management), customer receipts and returns (e.g., returning online purchases), and retention programs (e.g., price match offers and discount cards).

Emerging markets

In an era of globalization, growth through an expansion into emerging markets is an increasingly popular option for many companies, yet it also carries highly complex tax considerations, including the compliance risk and planning opportunities available with the new taxing system in the countries into which the company expands. Such a move could also result in significant operational changes, including a reconfiguration of the value chain, a shift in the location of capital, and adjustments to research and development functions—all which may have tax implications. These changes must occur while the company aligns the tax structure for various business units to ensure financial efficiency. At all stages of this reconfiguration, companies must also consider the increasing government focus on perceived tax "avoidance", arbitrage, disclosure and compliance.

For the CFO, growth through emerging markets requires an examination of the multinational corporation's tax attributes, the location of its taxable profits and capital, an analysis of new intercompany transactions that result from operational changes, and a means to address new customs and duty liabilities due to changes in product flows, among other issues.

For companies that revamp their supply chain, CFOs will need to consider the location of manufacturing and plant facilities (e.g., moving them to Africa or Asia) and whether joint ventures with local businesses may enable a more efficient supply chain from a cost and resource consumption perspective. Any relocation or restructuring involving the supply chain triggers a host of corporate income and indirect tax issues that can occur at each stage of implementation. Creating the overall plan must take into account taxes incurred during the transition, as well as under the revamped supply chain.

Similarly, the shift of economic power megatrend will likely cause a heightened competition for talent. Businesses will need to expand the number of employees crossing borders to get the right talent in the right location, triggering a host of corporate and individual-level tax issues and planning opportunities. While global tax compliance may be the focus, global payroll compliance and foreign asset reporting are also key considerations when talent moves across borders.

Lastly, the IRS has recently expanded its information reporting requirements and increased its collaboration with foreign tax authorities to improve voluntary compliance and tax collection. This activity has created new challenges for multinational corporations, many of whom lack an operational structure that provides for the efficient management and implementation of new information reporting and withholding requirements. Companies that are not compliant with US and global information reporting and withholding rules face a variety of tax implications and significant exposure. As a result, multinational CFOs must take a proactive approach that reduces cost and exposure, and drives additional value for their organizations.

Innovation

Whenever a company launches a new product or makes substantial design changes that impact the business model or delivery of products/services, there are tax planning and compliance implications. For example, technological breakthroughs will likely cause the creation of intellectual property (IP). The ownership and licensing of such IP across borders can have significant tax consequences, depending upon the tax rates and rules applicable to the licensor and licensee. Also, investments in research and development potentially could qualify for the favorable research tax credit or similar incentives.

Another issue is the evolving regulatory landscape. For example, the Organization for Economic Cooperation and Development's (OECD) base erosion and profit-sharing (BEPS) project includes a focus on the global tax impact of IP and the need for reform in order to stem declining government tax bases. Moreover, many tax rules are outdated because technology changes quickly, making it difficult to apply the rules to new developments.

CFOs at highly innovative companies need to execute a robust analysis of these issues and document the appropriate transfer price for intercompany transactions involving IP, selecting a business model that yields tax savings and operational efficiencies (such as choosing which legal entity should own the resulting IP). They should also track current and future research and investment tax credits and incentives, and analyze how the indirect taxes apply to licensing transactions, along with satisfying registration and filing requirements.

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Smoothing post-merger integration

Clearly, CFOs are now driving more aspects of post-merger integration—often across people, process, and technology—to ensure that a deal achieves its target objectives and captures all projected synergies. Such metrics are often difficult to track, since they don't appear anywhere in a general ledger—either in the form of new revenue or direct cost savings resulting from the deal. Quantifying these gains entails assembling an off-line model that lays out specific cost reduction steps and cost drivers. The task falls to finance to provide oversight and validate that the model is as comprehensive and detailed as possible, to make sure that the proposed steps actually happen, and to hold people accountable in situations when they don't.

Knowing when to walk away from a bad deal

Finally, the CFO has a critical role to play during the deal process in knowing when the deal may no longer make sense for the company. Deals sometimes take on a momentum of their own, frequently because there are multiple participants with individual agendas and biases. For example, other executives in the C-suite may want to burnish their reputation as a company builder. Operational unit heads may want to give themselves greater responsibilities under the new structure. Advisors and investment bankers may have a purely financial motive: their commission.

And the economic principle of sunk costs becomes a factor as well. Once large amounts of transaction costs are already spent, some companies may feel they have no choice but to move ahead.

CFOs must exercise discipline in such situations. Their challenge is to root out individual biases, look at all the angles, and continually ask whether the deal is in the best interests of the company long-term. If that is no longer patently true, even in the final stages, the CFO needs to be willing to ask the tough questions and, if necessary, walk away from the deal.

If companies are looking at the same familiar markets as everyone else, they may not be looking widely enough, leading them to miss true growth potential.

2) Growth through emerging markets

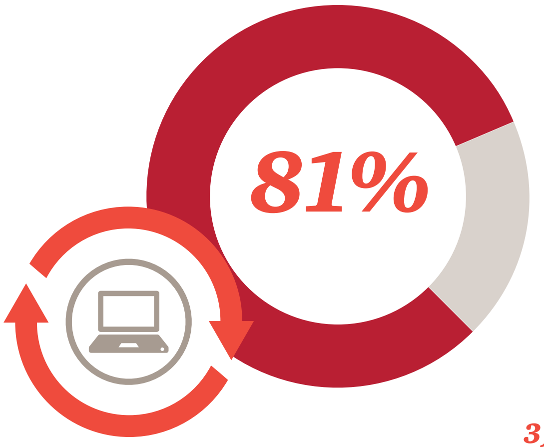
Providing the company with tools to analyze markets for broader reach

As with M&A, CFOs have long had an established role in growth through expansion into emerging markets, primarily by conducting due diligence on target markets to identify potential risks and misalignments, understanding foreign accounting standards, available talent, infrastructure, cultural issues, currency, social and political stability, and other factors. However, complex as these issues are, there are other areas where the CFO is expected to deliver real value, as well.

First, CFOs need to look at whether the current set of potential markets is big enough. As the global economy becomes more interconnected and the pace of business speeds up, countries are rising and falling more rapidly than in the past. If companies are looking at the same familiar markets as everyone else, they may not be looking widely enough, leading them to miss true growth potential (as, for instance, with "frontier markets"). Similar to other growth strategies, bias is a clear factor that needs to be addressed. "Some of the most common markets (like the BRIC countries of Brazil, Russia, India, and China) may no longer reflect the best opportunities," says Mike Boyle, a partner at PwC. "Or they may work for some industries and not others. Yet companies may continue to turn to them due to historical experience among the management team or because competitors are still expanding there." CFOs can deliver much needed rigor by establishing a diverse set of skills and capabilities that allow companies to analyze market opportunities more quickly and accurately.

Becoming a sophisticated international vetter for joint ventures

In some markets, companies can grow more rapidly (and with fewer impediments) through joint ventures with local companies, which likely have better customer insights and firsthand knowledge of how things really get done in that market. Many markets specifically require foreign companies to enter the market via joint ventures by enacting ownership limitations and other restrictions. However these partnerships carry real risk in both financial and reputational terms. Accordingly, the due diligence requirements are even greater, and CFOs must be able to filter through the universe of players and make the right choices. They also must structure these partnerships so as not to be overly cumbersome or lock the company into a single partner should conditions change.



81% of US CEOs say that technological advances will transform their business over the next five years.

Five Global Megatrends. (2014)

3) Growth through digital

Digital technology is already having a major impact on the way businesses operate, influencing, and in some cases determining how clients create and defend competitive advantage, how they develop and manage brands and customer relationships, and how they engage with their customers, suppliers, stakeholders and the capital markets. It is likely that the winners of the future will be those organizations that are disruptors in their industry—exploiting digital technology to transform both what they do, and how they do it. These companies will constantly find new ways to engage with their customers, and keep the products and services they offer exciting and relevant.

There are so many opportunities to leverage digital technology for growth—each with its own costs and complications—that it is difficult to cut through the noise and find the best way to move forward. 81% of CEOs participating in PwC's Global CEO Survey believe technological advancements are the most important trend to transform their business in the next five years.[5] But most are unprepared to capitalize on the opportunity—just 20% of companies say they have strong Digital IQ, meaning the ability to understand, value and weave technology throughout the enterprise.[6]

Not surprisingly, companies have difficulty understanding the right strategy for leveraging digital technology across the business and realize that a move in the wrong direction could be a costly waste of capital and resources. Failure to act, however, could result in lost opportunity cost and competitors quickly gaining momentum and market share.

It is this apparent dichotomy that offers CFOs an opportunity to elevate their role within the organization—to interpret the disruptive nature of digital, champion growth through digital, understand the associated risks and mitigate them.

Uncharted territory

Given a business landscape where competitive advantage can be transient, where companies must reinvent themselves, their strategies, and the value they offer (i.e., experimenting and learning, identifying new opportunities, exploiting them quickly, and moving on) the role of the CFO becomes increasingly critical, in terms of objectively assessing the potential impact, benefits and risk associated with new business models arising from a digital growth strategy. The challenge for the CFO is to help the business navigate this uncharted territory.

5. *17th Annual Global CEO Survey: Fit for the Future. (2014)*
6. *PwC's 6th Annual Digital IQ Survey.*

CFOs need to add insight, objectivity and business judgment to help their companies enable and execute a digital growth strategy. Specifically, CFOs are in a unique position to provide the following value to their organizations:

- Set a Strategy—Champion the development of a cross-functional business strategy for the digital age which fits the context of their business and propels it forward by creating more value and reaching more customers more effectively.
- Assess Readiness—Assess the digital readiness and maturity of each function within Finance as well as the broader organization's infrastructure (including analytics) needed to enable a digital operating strategy and build the cross-functional capabilities necessary to succeed.
- Progressively Optimize—Optimize the back office function to embed agility and better support the adoption of new business models arising from a digital strategy.
- Empower Digital Adoption—Create an empowered, data-driven culture, that fosters confidence among employees, excellence in execution and maximum value for customers by leveraging Big Data and advanced analytics to gain insights and better support the decision making process regarding customer needs, business models, and investments in R&D, marketing, human resources, operations, supply chain, back office and risk management.
- Expand the Digital Skillset—Help the business achieve a high level of trust and engagement with their brand among employees, customers and partners (i.e., supply chain and channel) to drive innovation, market diversification and revenue growth.

CFOs have often been among the first executives to embrace the digital revolution. Over the past decade, finance

organizations have successfully applied digital technology to streamline their internal functions and processes, leading to accelerated financial reporting processes, significant savings in the cost of finance, and enhanced quality and reliability of the financial information produced for internal and external purposes. Increasingly, however, the discussion focuses on the role of the CFO in driving top-line growth through new digital products, services, and initiatives that improve the way the company connects with its customers. That isn't a standard part of the mandate

Most companies recognize the growth opportunity surrounding digital (as well as the threat from digitally enabled competitors), yet deciding how best to move forward requires a careful analysis.

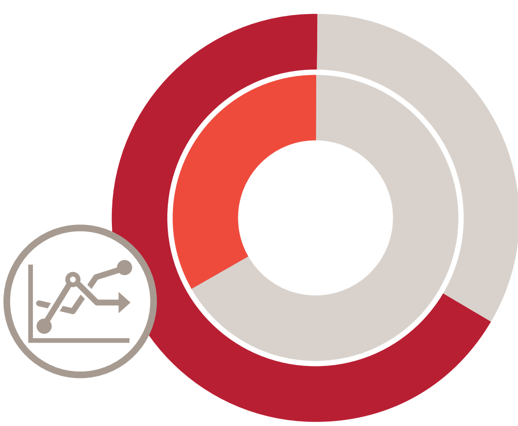
for many finance organizations, but as with deals, innovation, and emerging markets, CFOs can and should be directly involved in digital initiatives.

Deciding if the company has invested enough in digital

At a strategic level, CFOs need to help determine whether the company is leveraging digital technology and business models to a sufficient degree. While the impact will vary among organizations and industries, such technologies can have a transformative effect on customer intimacy and business models. Most companies recognize the growth opportunity surrounding digital (as well as the threat from digitally enabled competitors), yet deciding how best to move forward requires a careful analysis. Digital evolves faster than other disruptive shifts, requiring that companies determine the "right" level of digital—the optimal allocation of R&D and IT investments, management attention, process re-engineering and capital to ensure that the company is pursuing new opportunities prudently without overcommitting. As in other areas, this involves an analysis of risk. Can the organization afford to pursue a specific technology? Or more to the point, can it afford not to? Clinging to the status quo often introduces real financial risks. These are thorny challenges, and the CFO is the executive best positioned to address them.

Ensuring the company's cybersecurity

Any digital initiative has the potential to introduce new vulnerabilities to the organization. Working with the Chief Information Officer and Chief Sales Officer, the CFO needs to help determine the right cybersecurity posture to ensure that the company is reaching for new opportunities without leaving itself exposed to unnecessary risk. This is a delicate balance—it's easy to say no to all digital growth efforts in the name of cybersecurity, yet this isn't a realistic position for most organizations. In fact, this is often trading cybersecurity risk for a larger



In typical firms, nearly twice as much time is spent on data gathering, compared to the time spent on analysis.

Unlocking Potential: Finance effectiveness benchmark study 2013.

ARRIS: Two steps ahead

"To me, CFOs are successful when they're viewed by the leadership as a valued partner, not just providing back-office support. CFOs need to be formulating strategy, thinking through the bigger decisions, and then going off and getting those decisions implemented."

—David Potts, CFO, ARRIS

ARRIS makes the infrastructure that powers the digital era. Based in Suwanee, Georgia, the company manufactures telecommunications equipment for consumers—like set-top boxes and cable modems—and for large cable, telephone, and satellite providers. (For most people reading this article electronically, ARRIS technology was likely on one end of the transmission, if not both.)

For the past decade, the company has been growing rapidly—both organically and inorganically—in a trajectory that mirrors the boom in technology and reach of the digital media industry overall. Much of that growth has been facilitated by CFO David Potts, a 20-year telecom veteran who had worked at Nortel and other companies before joining ARRIS in 2001.

In many ways, Potts was a pioneer among CFOs, in that he was actively involved in strategic considerations at Nortel dating back to the 1990s, when many other CFOs were still focused on more basic functions like compliance and reporting. For a time, Potts served as CFO of Bell Northern Research (the research arm of Nortel) where he learned to apply financial discipline and oversight to the R&D process. He also served as vice president of M&A at Nortel, where he did several deals that were critical to the then-new technology of delivering telephony via cable lines. Those experiences made him a leading candidate to head finance at ARRIS during its current expansion, which has been based primarily on innovation and acquisitions.

Regarding innovation, ARRIS is among the largest investors in the world in R&D, spending roughly 11.8 percent of revenue on R&D in 2013, according to SEC filings. That's necessary in a field like digital media, where the technology cycles are accelerating, and where new innovations can become obsolete in 18 months or less. The company's cable and telephony customers constantly demand newer and better equipment that can deliver digital media at higher bandwidth. This is a challenge given that the improvements are largely transparent to end users. "As a consumer, you're not spending incremental dollars for new equipment," Potts says. "So we have to be able to develop that next-generation box that gives better speed and bandwidth on a per-subscriber basis. It requires tremendous innovation."

That said, Potts notes that R&D is actually a fairly linear way to grow, in that most new ideas in the digital media space are extensions of existing technology. In growth through deals, by contrast, the goal is to leapfrog forward in either technology, geographic reach, or both. For example, after a series of modest deals dating back to 2007, ARRIS announced a major acquisition in 2012 to buy Motorola Home, a maker of set-top boxes that Motorola had actually sold to Google. It was a transformative deal. At the time, ARRIS had about $1.5 billion in revenue, and Motorola Home was about three times that size. “We went from 1,500 employees to 6,500 employees,” Potts says.

ARRIS financed the deal through debt—thanks to favorable interest rates—but there were some wrinkles to sort through. Google wanted to retain a slice of equity in the new venture, and one of ARRIS’s customers did as well, requiring that Potts sort through all the ramifications of those terms. Integrating the two businesses—one essentially a carve-out from Google—was a major challenge as well, particularly with respect to financial processes, which needed to be compliant with filing requirements within 12 months of the close. Since the deal was announced in December 2012, ARRIS’s stock price has roughly doubled, from $15 to $30 as of Q3 2014.

However, the company’s not done yet. A critical factor was ensuring that the deal didn’t overload ARRIS, and thus prevent it from seeking new deals in the future. “Once you’ve absorbed the deal, you want the capital structure to evolve so that you’re still in a place where you can continue to execute on M&A—and other things as well,” Potts says. In meeting with analysts and investors lately, he hears a common refrain: What’s next?

Regardless of how ARRIS continues its growth trajectory, Potts will be at the table during strategic deliberations. “To me, CFOs are successful when they’re viewed by the leadership as a valued partner, not just providing back-office support. CFOs need to be formulating strategy, thinking through the bigger decisions, and then going off and getting those decisions implemented.”

financial risk—the lost opportunity cost associated with clinging to older, non-competitive products and services in an increasingly digital world.

It's also easy to go to the other extreme and spend unnecessary amounts of capital trying to fortify the organization's cyber defenses and prevent all breaches. The right posture is somewhere in the middle, and the CFO is the executive tasked with determining the right balance of risk and return using objective data and analytical models.

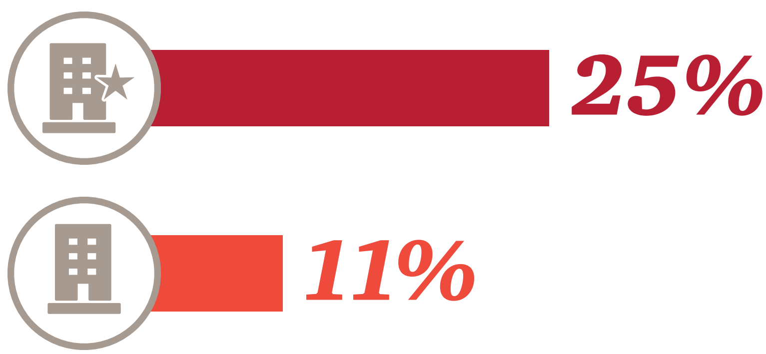
Keeping an open mind and eliminating bias

Technology evolves quickly, and the universe of outside vendors and partners changes constantly. For example, a tiny cybersecurity startup with little brand cachet or track record could have the best technology to address a particular problem, yet many organizations may be hesitant to give it a look. Instead, they may want a familiar, "known" brand—not realizing that its solution is growing obsolete. Is this approach always sound? Is this attitude based on bias or objective information? The CFO needs to be able to spot and eliminate biases by asking the right questions and determining the relative risks and benefits among potential digital partners. Companies need to apply the concept of diversity—in geography, in talent, and in mindset—to avoid letting outdated traditions, protocols, or attitudes leave them blind to a new development. This applies to all areas of the business and to all growth agendas.

Bottom line for CFOs

Net, net—every industry must now think more like a technology company, constantly figuring out how to stay ahead of existing competitors or new entrants against a backdrop of constant change and disruption. This means not only providing the digital channels and services customers have come to expect, but also improving those services, lowering their price and bringing them to market in innovative ways that leverage the transformative capabilities of digital technology.

Top companies have automated more than twice the number of key systems vs. typical companies.



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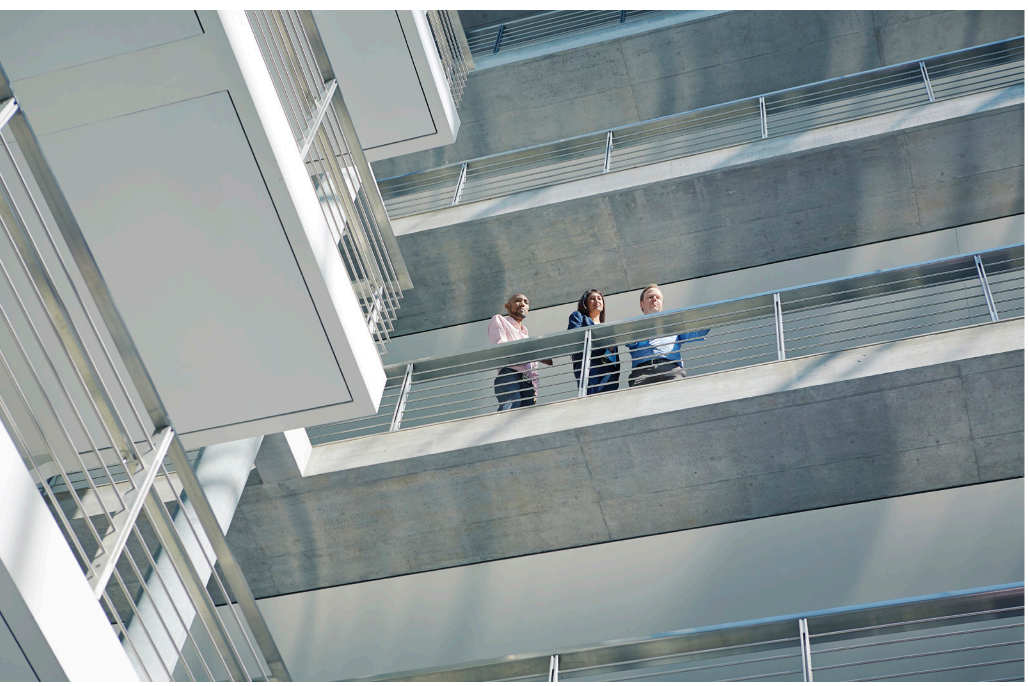
4) Growth through innovation

Being the CFO who asks, what is the cost of doing nothing?

Most companies understand that innovation is an imperative. But what does that mean, exactly? Without the proper guidelines and analysis, companies can end up chasing innovation for its own sake, or because they see competitors doing it. A better approach is for the CFO to ask some insightful questions regarding the organization and the competitive landscape. Specifically, what is the cost of doing nothing? How quickly would the company's market share drop and what would the competitive situation look like in 12 months if it didn't innovate? Companies—and specifically CFOs—should be asking this question all the time because the answer gives an indication of how much the company should be focusing on innovation.



Once a company selects innovation as a growth strategy, the CFO should assess opportunities for innovation through a strictly financial lens, to identify the revenue stream and the potential business opportunity. This is critical, given that many other participants in the innovation process—particularly engineering and product development teams—often focus more on functionality and design rather than the rubber-meets-the-road issues of distribution, sales, and cash flow. The answers to these questions could mean the difference between a profitable venture and a money-loser.

Implementing financial discipline around investments

By definition, digital and innovation as growth strategies often involve trial and error, and they can frequently be expensive. New projects invariably fail—often multiple times—before they succeed. From a cost perspective, this can seem like wasted capital, and many organizations seek to cut costs by scaling back on R&D or process improvement or taking an overly simplistic view of the relationship between investment and results. In other cases, organizations try to "throw money at the problem," believing that the next product or initiative will be the home run that recoups all prior costs. Neither extreme is right.

Instead, organizations need to establish the right level of oversight—akin to financial guardrails—giving R&D and process improvement initiatives wide latitude to work within those constraints. Because this process is

Organizations that plan to grow through innovation should have a strong financial model in place for how they will fund and govern the R&D or process innovation process.

similar to considerations that finance makes regarding investments in other parts of the organization, the CFO is ideally suited to provide guidance for this kind of financial discipline.

Organizations that plan to grow through innovation should have a strong financial model in place for how they will fund and govern R&D or process innovation. They need to source engineering and product development talent, and they need clear insights on consumer behavior and preferences. The CFO can oversee the gathering of this data.

Creating more immediate assessments of the impact of innovation

A key component of growth through innovation is speed. In the past, companies could often afford to spend months building a business case for a new innovation opportunity. Today, given the pace of technological change, that approach is no longer valid. "Companies often don't have the luxury of time required to conduct a detailed analysis, and in many cases, the old financial and ROI models no longer apply, particularly with regard to disruptive new technologies," says Boyle. The need for speed introduces new complexity into the innovation process.

Accordingly, companies need to build a more innovative culture that can accelerate the process. This means building capabilities that can quickly solicit and synthesize customer feedback along with relevant product information and market intelligence, all of which are more perishable today than in the past.

Creating flexible modifications as innovation progresses

Innovation also requires some clear milestones along the way, and the discipline to objectively assess results and decide whether an initiative is still on track. This need not be a simple "kill-or-continue" decision. There are often other options available, such as scaling back the company's ambitions from a full-fledged launch to a smaller pilot. In other cases, an acquisition of competing technology might make more sense or a partnership with someone else in the ecosystem such as a provider (or even a competitor) that has already made greater progress on a similar initiative. Yet in some cases, when the desired results aren't likely to be forthcoming, the organization may have no choice but to cut its losses and reallocate funds to something more promising. The CFO often needs to be the executive willing to make such hard decisions.

Euro-Pro: A multipronged approach to growth

Just five years later, Euro-Pro is on track to post more than $1.5 billion in annual revenue, with a diverse lineup of products. Notably, that growth has all come through organic measures—not acquisitions—and finance has been a critical partner throughout.

When CFO Brian Lagarto joined Euro-Pro Operating LLC, the creator of the Shark® and Ninja® brands, in February 2009, the company was on the verge of a major growth spurt. At that time, Euro-Pro, a private company based in Newton, Massachusetts, had about $350 million in annual revenue, and a single product—the original steam mop—that made up the bulk of its sales and profits. However, the executive team (including CEO Mark Rosenzweig, President Mark Barrocas and Lagarto) knew that they could not rely on just their steam category to drive significant growth. At some point in the future, the steam category would mature and they needed to invest in other categories to achieve the growth targets that were planned.

Just five years later, Euro-Pro is on track to post more than $1.5 billion in annual revenue, with a diverse lineup of products. Notably, that growth has all come through organic measures—not acquisitions—and finance has been a critical partner throughout.

Most of the company's growth has come through product innovation and high quality product. The leadership team and particularly the CEO have a strong focus on developing new products (Rosenzweig actually hosts all of Euro-Pro's infomercials). Initially, the company focused on vacuums—a natural extension from its successful steam mop—through the Shark® brand. At the same time, the company also created a new kitchen brand, Ninja®, from scratch, shipping its first Ninja® product less than nine months after launching its growth strategy. The Ninja® brand currently operates in the small motorized appliances category within kitchen.

Euro-Pro has also relied in part on an international expansion: it now does business in more than 30 countries, growing that component of its business from $14 million in sales to approximately $100 million. Euro-Pro has also built out its digital distribution channel. While the company still has a strong foundation of sales through big-box retailers and direct sales through infomercials, Euro-Pro recently increased its focus on e-commerce.

That kind of speed could only come through established innovation expertise. In the past, Euro-Pro relied on external partners, which were coordinated through a few internal product development staff. Starting in 2011, Euro-Pro slowly built up its internal R&D department, which today comprises 20 people. That initiative was funded with capital from the steam mop—a deliberate decision by the executive team. Maintaining an internal R&D group costs far less than working with third-party product development firms, and allows for much greater coordination (particularly with a CEO who is laser-focused and involved in the product innovation process). R&D is charged not only with developing new products and features, but also, critically, with innovating for efficiency and cost.

Growth through innovation also requires strong oversight from finance. Early on in Lagarto's tenure, the executive team made the deliberate decision to reinvest income from the steam mop to build an innovation capability. Today, the company uses product roadmaps that project forward 18 to 24 months, and it puts rigorous models into place to make sure that new products in the pipeline hit their ROI targets. "We work with the R&D team on a week-to-week basis," says Lagarto. "Based on the numbers, we'll sit down with our CEO and president and decide whether to move forward or to put a particular project on hold to focus on other opportunities."

This vetting process, he adds, has been a learning curve for the company. "It's basic to R&D, but it's something we didn't start thinking about until we brought innovation in-house. We bring a lot of projects to the table, but that means there are a lot of projects where we decide not to move forward. We have to encourage the researchers and innovators, and say, 'I know you worked hard to make this project happen, but if the financial component isn't there, we can't move forward.'" It has required some education and communication to make sure everyone knows that these experiences are not failures—they are an inevitable part of the innovation process.

Shark® vacuums have grown from one percent of the market to more than 30 percent. The Ninja® line of kitchen products is on track to hit over $400 million in sales for 2014. Further, Euro-Pro has been named Vendor of the Year for several of the top retailers in the U.S. over the last few years.

In all three aspects of the company's growth strategy— product innovation, product quality and driving consumer demand—Lagarto is a strategic partner with the CEO and president. That is possible in large part because he has a strong controllership team to handle closing the books each month. (Lagarto reviews the results with them and is responsible for reporting, but he is no longer directly involved in the process.) This year, his team drove a major project whereby they realigned their process and controls. The result is a month-end close that is now six days versus 14 days just nine months ago.

"That's a tremendous change for this business, but it's necessary because we're so much bigger now, and because we're moving so much faster," he says. Because the closes are more accurate and take less time, he is freed up to generate insights that can drive the business forward. "I'm not the guy just keeping score and reporting out to other executives," Lagarto says. "That's not the kind of role that I would ever be happy in."

5 actions for the growth-oriented CFO

1. Make sure the foundation is in place

Often, the selection of a growth strategy is a matter of fit, and fit is usually a function of organizational and process maturity as well as core capabilities and capacity. This is particularly true for the finance function. Before a company undertakes any growth strategy, it's important that the finance function be in order, including the tightening of core capabilities. Make sure you are staffed for the future. Start hiring ahead of the growth strategy since finding good people takes time.

2. Build agility into your finance infrastructure, with a defined finance information model and flexible financial systems

The CFO of a company in growth mode has to assume that it will be acquiring or building completely new business models. Hardwiring too much into current systems could lead to trouble on either a cost or complexity basis (or both). A single, integrated Enterprise Resource Planning (ERP) tool that handled everything from purchase-to-pay, order-to-cash, contracts, and project costing for an entire organization may have worked in the past with businesses that weren't likely to change much. But today, many nimble organizations are developing flexible financial systems that include individual, non-customized best-of-breed modules to account for different parts of the business. Similarly cloud-based solutions allow CFOs to add to or reconfigure finance infrastructure, adding newly developed (or acquired) business models more quickly and easily. In either case, speed and agility are critical.

3. Build systems and processes that can easily scale or absorb multiple paths of growth

While the entire C-Suite is invested in growth, it is the finance function and the CFO in particular that provide the institutional baseline understanding of financial capacity and infrastructure that enables the selection of the right strategy as well as its successful execution. Any growth agenda, like the four discussed in this paper, will likely become a company's preferred avenue for growth and be repeated over time. A source of competitive advantage then becomes the ability to fully operationalize and refine the execution of a particular strategy on an ongoing basis. For any growth initiative, the CFO should understand which capabilities will be required, assess the organization's current strengths and weaknesses, and work with the rest of the executive team to address critical gaps.

Mind the details: A CFO 's reporting and compliance tip sheet for growth

From an accounting perspective, each of the four growth avenues highlighted in this paper have corresponding implications. They don't necessarily change the calculus that favors one option over another, but they raise issues that are important for CFOs to fully understand.

Deals

When a company is growing by acquiring other businesses, one consideration is whether the acquisition creates any financial reporting requirements. These requirements vary depending on the size of the deal, but in general, deals that are determined significant give the public buyer approximately 75 days after the close of the deal to file a Form 8-K with the SEC that includes historical financial statements and pro forma financial information reflecting the transaction. In some cases, this can be difficult. For example, when the target is a small, private company, it may not have financial statements, the financial statements may not be in accordance with SEC GAAP, or they may not go back far enough (up to three years). Similarly, buying a single product, service, or division of a larger entity requires carving out the financial statements for the business that is being acquired. "CFOs doing a deal should understand which financial statements they'll need, and for how many years," says Beth Paul, a partner at PwC. "And during negotiations, the CFO should ensure they will be able to get the financial statement in the form they need to meet any filing requirements."

If the buyer misses their Form 8-K deadline, the ramifications can be serious, since the company is no longer a "timely" filer in the eyes of the SEC, meaning it is no longer eligible to quickly access the public capital markets through short-form registration statements among other potential consequences.

In addition to the 8-K deadlines, buyers may have additional reporting requirements in connection with a registration statement. These requirements may accelerate the reporting timeframe and in some instances may require financial statements for certain probable acquisitions. Given the complexity in this area, companies will often work with outside advisors, including securities counsel.

Digital

One key consideration for digital growth initiatives is the disclosure of potential risk, primarily due to cyber-security threats. Most digital initiatives entail interacting with the customer online (increasingly on mobile platforms) and capturing personal data, often including credit card information. That introduces a potential for security breaches, the risk of which should be considered for disclosure in a company's periodic filings (e.g., 10-Q and 10-K filings). The risk has multiple dimensions, including operational (an impaired ability to do business), financial (the remediation costs to address a breach, such as credit monitoring for impacted customers and price incentives to minimize attrition), and reputational (the potential loss of future revenue).

Emerging markets

Growth by expansion into emerging markets raises considerations as well, primarily in the treatment of taxes and in the way such expansion introduces new risks. "The rapid growth in some emerging markets is what attracts companies," says Paul. "Companies need to be careful to ensure their growth doesn't get ahead of their local controls and infrastructure." That introduces an aspect of risk that must be assessed and disclosed.

Innovation

As technology evolves, innovation can change the nature of the company's offering which can impact revenue recognition and cost capitalization. This is particularly relevant given that many businesses are seeking to sell add-on services for their products, and those services are often delivered via digital channels over time. In other cases, "traditional" products themselves are transitioning to a service or subscription model. Such situations may change the way that the company recognizes revenue and capitalizes costs, and this can impact a company's key financial performance measures. As a result, the CFO has to be in the loop during discussions of the initiative, in order to understand any potential changes in the income stream to be able to communicate effectively to the investor community.

Once the company invests in a new system to enable process innovation and capitalizes that cost, there's always the chance that the system doesn't deliver the desired improvements. Similarly, a new software product that costs millions in R&D investment could turn out to be a flop. In each instance, the company would need to assess the fixed asset or inventory on its books for impairment. In the unfortunate situation when things don't go as planned, CFOs need to be aware of the accounting ramifications and plan for communications with stakeholders.

Beth Paul is the Strategic Thought Leader in the National Professional Services Group of PricewaterhouseCoopers LLP. In this role, she works closely with the firm's leadership to determine PwC's position on emerging trends in auditing, accounting and financial reporting matters.

Figure 2: Critical Requirements for Finance to Support Growth

	Innovation	Deals	Digital	Emerging markets
Transaction processing (back-office excellence)				
First class consolidation tool with multi-currency capabilities to accelerate the reporting process		●		●
Lean process improvement team to achieve back office standardization in support of growth	●	●	●	●
Drive technology advancements to eliminate non-value added activities			●	
Consolidation and centralization of back office functional activities		●		
Regional hub network to consolidate back office support				●
Team and systems to adjust and adopt to new and changing business models	●	●	●	●
Specialty knowledge within the Finance team				
Strong technical accounting team with centralized leader in Corporate		●		●
Strong Finance, M&A and Tax working model		●		●
Robust M&A playbook to facilitate and streamline pre- and post-deal activities		●		
Compliance and control capabilities focused on new and emerging markets to address foreign regulatory, compliance and treasury requirements		●		●
Finance and Treasury working model to facilitate increased real-time transactions through digital initiatives			●	
Risk monitoring, cybersecurity, data protection and compliance for digitally enabled processes and new business models	●		●	
Decision support and analysis				
Team capability to support robust data analytics	●	●	●	●
Analytical tools with modelling and data visualization capabilities	●	●	●	●
Dedicated analytic resources to support the various operations and development teams	●		●	●
Capital investment processes to expeditiously make funding decisions and monitor return on investment	●	●	●	●
Clear processes and governance for R&D investment, tracking and return on investment	●		●	

4. Spot and eliminate biases

A critical and growing responsibility among finance organizations is the ability to identify bias in decision-making. As executive teams evaluate a specific market, product, or strategy, they sometimes operate with blinders on, unintentionally eliminating options that could represent a better solution to the company's needs. Avoiding these biases usually requires organizational—maturity—companies need to be able to evaluate themselves and their competitive environment objectively. As a result, it's often a bigger challenge in young and fast-growing companies (and those seeking to expand to emerging markets) which simply may not have all the information required to make the best decision. In all cases, the CFO can broaden the potential universe of options by seeking to identify and root out bias, making sure the executive team is asking the right questions and applying the correct filter to their decisions.

5. Invest in analytics and modeling

Just as transparency is needed to give organizations a clearer sense of what's happening in the organization at a point in time, analytics and modeling are needed to give organizations a more accurate understanding of what's likely to happen in the future. (See Figure 2.)

Analytics and modeling software is increasingly available, costs less, and requires less computational power than even just a few years ago. And just as importantly, the underlying algorithms are becoming more accurate in being able to model various scenarios. For example, a company looking to enter a new market can consider what might happen if that country's interest rate were to rise 1 percent, or if unemployment were to fall, or if certain demographic shifts were to accelerate or slow down. The result is a greater ability to identify the universe of potential outcomes and prepare for both upside opportunities and downside risks. This function is becoming so critical that some organizations now have a central analytics function that can work across all business units. This is becoming a core capability, particularly in consumer-oriented organizations. The CFO can oversee this.

Avoiding biases usually requires organizational maturity.

Companies need to be able to evaluate themselves and their competitive environment objectively.

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