The CFO: Catalysing Organisational Change

To truly drive organisational performance, **Hema Ravichandar** explains, CFOs must effectively respond to varying expectations of different stakeholders”

Excellence and leadership go hand in hand. CFOs have long been looked to for timely insights that help manage risks and protect the firm’s assets and reputation. However, the Finance Head’s remit stretches well beyond this. Whether formally or informally, the CFO is the CEO’s right-hand person, the de-facto ‘number 2’ in most organisations, and an information magnet and repository. From the Board’s perspective, he or she is the one individual who must act as the company’s ‘brand custodian’. Colleagues and peers look to the CFO for guidance and mentorship, and, together with the CEO and CHRO, it is the CFO who completes that most vital triadic relationship that can propel a company towards excellence.

To truly do justice to their role today, CFOs must be able to respond to the varying expectations of multiple stakeholders. These include, first and most importantly, their teams, but also the CEO and the Chairman; one’s C-suite peers and, by extension, the company’s wider set of employees; customers (especially in B2B settings); the Board; investors and analysts; and, finally, stakeholders such as industry regulators, the government, and trade associations. In turn, the expectations of each of these groups can be clubbed into three buckets: those arising from the CFO’s role of being an ‘assurance provider’, a ‘solutions architect’, and an ‘inspirational leader’. In turn, each of these facets must be represented to each stakeholder community with nuanced differences in line with the varying expectations from each group.

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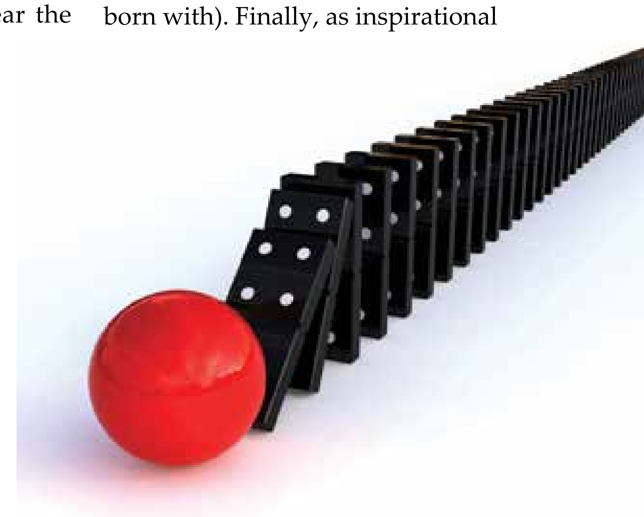
CATALYSING THE CFO’S TEAM...

In their role as assurance providers to their own teams, CFOs must, above all else, be able to create a top-class Finance enabler team – as opposed to a support team. A successful team must wear the epaulettes of being in Finance with pride, and hold both knowledge and performance at a premium. The CFO must ensure that the right amount of resources, time, and avenues for growth (including leadership opportunities and coaching) are in place to create a HPTE, or high performance team ethic. In terms of attitude, CFOs must inculcate – always leading by example – the mindset of being a ‘guardrail function’, which no one else in the organisation can do.

As a solutions architect, the CFO must help the team serve the company better by hiring and rewarding for the right attitude, and by co-creating solutions. There are always multiple pressures to juggle – including monthly and quarterly reporting – but all too often, Finance employees are heard telling people that they are ‘too busy’ to provide this or that piece of information. What they forget is that there is also a business running in parallel that depends on Finance for timely inputs, which can sometimes be the differentiator between success and failure. What is needed, therefore, is to have a BAU (business as usual) and service mindset inherent in the people one hires. Additionally, it is important for Finance heads to either build (knowledge, skills) or hire the kind of competencies that best serve the organisation (including for attitude, which one is often born with). Finally, as inspirational



leaders, the best CFOs co-create a guiding vision for Finance, take this vision to their teams, and 'rally the troops' forward. They should encourage thinking big and out of the box, and they must themselves be fearless and 'do right' by the company, even when they have to stand up to a difficult boss or the company's Board.

...AND BACKING UP THE CEO AND CHAIRMAN

From the top manager's perspective, compliance, governance, risk, ethics, and funding – all part of the 'assurance' role – rest squarely on the CFO's table, but looking beyond that, he/she must also be able to step into the CEO's shoes for emergency succession – something that actually happens quite often. Being a credible 'drop-dead successor', in turn, requires, among other things, strong communication and negotiation skills. At another level, what the CEO or Chairman would expect from their 'solutions architect' is the ability to be an 'integrator and navigator' for the organisation, or even a 'co-pilot' in an increasingly complex world. Many CFOs receive – and expect to - explicit guidance from the CEO on key issues of concern. What is expected instead is that the CFO will be an active, even pro-active member of the C-suite, contributing, albeit within the guardrails of safety and governance, to company performance. Most CFOs will not automatically do this, preferring to step in only when issues around risk, compliance or funding come up – but that is a mistake. The key is to be strategic and perhaps most of all, to be able to disagree without being disagreeable.

Turning to the third level – inspirational leadership – empirical evidence suggests that many CEOs will look to the CFO as their drop-dead successor, but in the long-term, most would opt for someone else. Not every CFO wants to be a CEO, but it is worth asking why

> **While CEOs expect their CFOs to be 'co-navigators', colleagues and peers have an even more demanding set of expectations**

they are not always the automatic choice. The answer, most often, is that they fall short on one or more of several key attributes. Some of these are being able to understand the drivers, including the underlying non-financial factors, that propel the business; the ability to effectively communicate key insights to external stakeholders like investors, analysts, and regulators; and being a true 'go-to' person in any crisis. For those that do aspire to the 'top job', some of the 'must have' traits include credibility (something most CFOs excel at). What are also needed, however, are a collaborative mindset, and a great depth and breadth of knowledge but also an openness to and respect for other fields of knowledge. And that can sometimes be hard for CFOs. In a nutshell, what the CEO/Chairman expects the CFO to do is to balance the responsibility of stewardship with that of business partnership – or in other words, ensure growth with an adequate safety net, which again, is something that one else in the C-suite can do.

PEERS AND EMPLOYEES: THE HARDEST TO PLEASE BUT LEVERAGE THE CFOS CORE

One's immediate peers and employees are often the most difficult stakeholders to please. What they expect from their CFO, most crucially, is for him/her to keep the C-suite – which brings together everything from 'people's people' to 'gung-ho marketers' – in balance. This means leveraging the type of competencies that are core to the CFO's role: being objective and logical, process-guided, data-powered, detail-oriented, and diligent. By holding up the mirror to others, ensuring a safety net for compliance, and setting realistic SLAs and timelines, the CFO can forge an effective partnership with the business. At the same time, though, they must have a BAU mindset that helps Finance insights feed, in a timely and effective manner, into business decisions. In terms of 'solutions', what CFOs are expected to do is to understand, engage, and partner with the business on a continual and intensive manner. Managing cultural clashes, and proactively – and strategically – sharing information with one's peers also goes a long way towards catalysing growth.

What matters greatly, in all of this, is for the CFO to remain personable. Being so close to the power centre, they must be able to attract the passing on of 'informal' information from the lower levels that can make or break business decisions. Yet unless people see the CFO as being pleasant and affable, this is unlikely to happen. They may continue to get such information through formal channels – in fact, they are usually the first in line to receive it – but that is usually too late. Lastly, on the 'solutions' front, the CFO must foster cross-functional teams and mindsets – ones that combine setting important 'guardrails' with being active and engaged.

CFOs also have a part to play in providing inspirational leadership to their peers and employees. When times are tough, HR tends to be fully in the loop in terms of the 'whats' and 'hows' of a decision, but it is not as good as Finance can be in communicating the 'whys'. Being able to explain, in clear, rational terms, the reasons for, say, cutting back on variable pay, stopping increments, or taking away benefits is something that CFOs do very well – and in the process, they can defuse any lingering resentment around these issues. Infosys learned this the hard way in 2001, when, with growth stalling, it had to cut back on variable pay and benefits, but failed to communicate the news proactively to its employees. Investors were delighted with this 'future proofing' of the business, but Infosys quickly fell off the 'best employers' list, and it was only after the MD, COO and CFO jointly took responsibility for the decision, and explained it carefully to their people, that the company started to rebuild trust.

An even more important task is for CFOs to guide and mentor a firm's people. They must see themselves as teachers, the business as their 'curriculum', and the company as their 'campus.' Whether that means gently teaching 'outsiders' about Finance, or mentoring the highest of HIPOs outside finance – who, being very bright, tend to resonate well with CFOs – there is immense value to be gained in imparting skills and knowledge in others. Not every CFO will be a great mentor, but there is huge untapped potential residing in many of them. By taking an already-strong business leader and 'smoothening the edges' – such as by instilling a certain degree of financial savvy – they can push others along the path from good to great.

THE BOARD: LOOKING BEYOND COMPLIANCE

When it comes to working with the Board, like with the CEO/Chairman relationship, the CFO must act as the firm's chief statutory and regulatory conscience-keeper and brand custodian. In some situations – such as when there is a conflict of interest involving the CEO – the CFO may even need to take difficult decisions such as 'bypassing' messages from the corner office. Ultimately, it is one's conscience that comes into play here. At the same time, he or she must be a strong backup in the CEO succession pipeline, but also, must play an intimate role in driving Board effectiveness. There are several aspects to this: structuring information flows properly; encouraging strong internal dynamics; and ensuring that the Board spends quality time on strategic issues. Good information flows are about timeliness as much as format – presenting information in a standardised manner, or possibly following a template requested by the Board itself. In term of Board 'chemistry', the CFO can help structure meetings, including offsites, and see to it that there is enough time in a packed 1-2 day period to cover the key issues.

> **Mentoring talent, ensuring Board effectiveness, and even helping to 'close the deal', are all part of the CFO's remit**

CUSTOMERS: LENDING CREDIBILITY

In B2B interactions, potential customers often visit the supplier before taking a purchase decision, and frequently, it is the CFOs who find themselves on one or both sides of the table. Convincing the customer about the firm's business sustainability is a critical part of closing the deal, and CFOs are well placed to do this. At times, this might involve careful hand-holding as the negotiations move from the prospect stage to reality; at others, it might be about inspiring (and, ultimately, wooing) the customer with thought leadership, by demonstrating one's knowledge of the financial/risk landscape, and by underlining the organisation's process robustness.

OTHER STAKEHOLDERS: CONSCIENTIOUSNESS, AND INNOVATION

What investors seek in their dealings with the CFO is relatively straightforward, but no less important for it: statutory and regulatory conscientiousness, true and fair financial statements, and the protection of minority shareholder interests. What is also useful, though, is to find new and innovative ways to present information, and to communicate strongly beyond the pure financials of the company. On the other hand, with the government and regulatory authorities, the key is to be strong on stewardship, but also, to actively participate in and guide policymaking.

PULLING IT TOGETHER...

CFOs have an uphill task if they are to meet every expectation that various stakeholders have of them. They must provide thought leadership, but also be the firm's conscience-keeper. They need to drive Board effectiveness, and at the same time, play the 'bad cop' when required. If that were not enough, they must also rally the troops, groom the next generation of leaders, and get potential customers to 'convert'. There is today an entire continuum in the CFO's journey, from merely reporting value to preserving it, enabling it, and finally, creating it. Not every organisation, CFO, or industry is at the same point along the journey from 'bean-counter' to 'CFO 3.0'. In the IT/ITeS sectors, for instance, there is a high degree of solutioning and business partnering, while FMCG has taken a different path entirely – more towards employee/customer interaction, with a heavy dose of HR. The broad direction of change, however, is towards creating sustainable value, and catalysing organisational performance. ■

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