Sowing the seeds of growth

The role of the CFO has changed radically over the years, with today’s finance chiefs playing a major part in the strategic growth of their companies. Roshan McArthur speaks to five CFOs who are leading the way.

While the debate around the changing role of CFOs continues, their involvement in enabling growth is one area that is definitely increasing. In a 2015 EY report, Partnering for performance: the CFO and the CEO, 64% of CFOs surveyed said collaboration with their CEO had increased in the past three years and 76% reported greater involvement in corporate strategy, driven by a focus on growth.

This shouldn’t come as a surprise, says Jose-Luis Álvarez, Senior Affiliate Professor of Leadership and Organisational Behaviour at INSEAD business school in France. The role of the CFO has been steadily evolving since the 1950s, when finance directors emerged to take the place of accountants.

“In the late 1970s in the US, new, complex tax regulations gave finance directors even more power,” he continues. “Companies needed someone to deal with complex reporting to public authorities. This was the CFO.”

In the 1990s and 2000s, CFOs became the interface between companies and shareholders, as well as investor groups. “Instead of just being inward-looking chiefs focusing on cost and control,” Álvarez says, “they became outward-looking, keeping suppliers of financial resources informed. In that role, they have been considered by some as being as important as CEOs.”

Following the global financial crisis, many CFOs found themselves center-stage, partnering with CEOs on cost reduction and financial management strategies. Álvarez says, “The economic troubles have emphasized the need for growth, to complement the original cost-control function of CFOs with a more strategic orientation.”

The role of today’s CFO is not always easy to define. Can they continue to focus on their traditional roles as well as these new strategic functions? Álvarez believes they can and should. “CFOs – like any other ‘chief’ – have to go beyond a unidimensional, specialized view of their role and consider themselves general managers who should contribute to the development of the organization’s business model,” he says.

Reporting spoke to five CFOs to find out how they work with their CEO and to what extent their roles encompass a strategic focus on growth.
especiall if you have the right finance team in place. His first priority at Yard House was hiring the right people to support growth. “Once I got a small core team in place,” he remembers, “and got them to the point where they didn’t need my guidance on the basic financial reporting, I could get more involved in strategic development.”

Uttz believes that understanding his customers and all aspects of the company is key to strategic success. “I can’t just sit at my desk with the door closed, looking at P&Ls, to understand where the company is going strategically,” he says. “My value is in getting out – talking to our VP of supply chain, our VP of marketing, understanding their areas of the business and getting to know their teams. I want to understand them all, because they all affect each other – and every single one of them affects the company’s finances.”

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THE INNOVATOR: GERALDINE MATCHETT

Geraldine Matchett has played a variety of roles in the finance world. Today she is CFO for Royal DSM, a Netherlands-based multinational life sciences and materials sciences company.

Over the years, she has observed the role of the CFO broadening. “Running the finance function is the default, but CFOs are very involved in all the different aspects of running a business,” she says. “They are more the sparring partners of the CEOs, even on topics that aren’t directly related to finance. Whatever you decide, on any subject, there’s always a financial implication.”

Defining where the limits are, she says, is what a good CFO does well. “We set the boundaries of how much risk we can afford to take, where the line is between the right level of debt and too much, and how much we can push on the budget. It’s a little like being the conscience, with a solid understanding of the rules and regulations behind it. But I think one should also have a desire to stretch the organization at times – not always being the one saying ‘maybe,’ but partnering and challenging the CEO.”
When she says “stretch,” she has a very specific vision. A geography graduate with a Master’s in sustainable development, Matchett believes that growing companies has everything to do with cultivating sustainability. “Short-term thinking can lead us straight into the wall if we’re not careful, because it leads to decisions to not necessarily support employment, innovation, R&D. Things that take more mid-term commitment can quickly get dropped because of quarterly pressures.

“If you keep cutting costs, you’re not investing in the future. Don’t be surprised if you don’t get the new technology or the smart ideas. Your company – and society – is not going to flourish if that is the primary mindset.”

**THE CO-ARCHITECT: VINCENT LIEW**

Vincent Liew is the Global CFO for Hong Kong-based Aedas International, one of the world’s largest architecture and design companies. He has held the position since 2010.

Over the years, Liew has observed a shift in the CFO’s role from “co-driver,” who monitors operating conditions and steers the board on decision-making, to “co-architect,” the designer of corporate strategies who creates a vision for financial viability and proactively interprets analytical data for risk management.

With recent volatility in the world economy, Liew’s own role has increasingly focused on business sustainability and viability. “Redrawing a balance between good design deliverables, profitability, society and the environment is an increasing focus for us,” he explains. “Another challenge is how to diversify the growth of the business. Overseeing foreign markets involves regional strategic governance, compliance and control, so the accuracy of judgment is important for growth.”

“Liew believes today’s CFO should understand the global economy and be attentive to shifts in the market. Emerging markets, he says, represent opportunities, but also uncertainty and complexity. How CFOs understand macroeconomic changes and envisage future shifts will affect the business significantly.

Innovation is also key. “Being technology-savvy is an important factor in this era of data revolution,” says Liew. “Business intelligence has become indispensable for financial reporting and strategic planning.”

**THE ALL-ROUNDER: NICK STABLES**

After working for many years in large tech companies, Nick Stables left in 2004 for venture capital-backed start-ups. “I wanted to be part of a company where I could have a bigger impact,” he says. “When you’re working for a start-up, you have to be more of an all-rounder. You’ve got to be prepared to do anything, be resilient enough to manage the uncertainty, anticipate what’s around the corner and be strong on managing cash.”

He was CFO of Phyworks, an optical transceiver chip maker that was acquired by Maxim Integrated.
in 2010, and then joined Lime Microsystems, developers of innovative wireless communications systems, based in Guildford in the south of England.

As a CFO, Stables considers himself “more of a business partner. You’re working with the business, as opposed to monitoring and checking. Helping the business to grow, bringing balance, making observations about when we need to make a change or make an investment to maximize an opportunity – that’s all part of being an effective partner. It’s about maximizing the value-add of that information to generate shareholder returns.”

There are, he believes, more unknowns and variables to deal with in strategic planning in start-ups than there might be in larger operations. “We don’t know how much we might spend to develop a product, and we don’t know how much revenue we might get. You need to demonstrate to your investors that you are doing what you said you would. Being able to explain and articulate what has happened is really important, especially when it’s fund-raising time.”

THE ENTREPRENEUR: DYLAN SMITH
Dylan Smith is CFO of content management platform Box, which he cofounded with CEO Aaron Levie at the age of 19. A decade later, in 2015, they took the company public.

As an economics graduate, Smith naturally focused on the business models and metrics, but he was also instrumental in its growth.

“As the company has evolved, my role has changed and I’ve embraced that evolution,” he says. “Functionally, I largely focus on a combination of planning and analysis, and investor relations. From a leadership standpoint, I also spend a lot of time recruiting and making sure our team understands the strategy. Finally, as a cofounder, I’m very focused on how our culture evolves over time.”

In the early days, he says, “process didn’t matter, efficiency didn’t matter – it was making sure we were doing everything possible to drive growth. As the company has grown, there has been much more of a need for process, for systems, for making sure that we have a data strategy.”

As a CFO who has grown – and grown up with – his company, Smith stresses the importance of “understanding early on the most important metrics the team needs to focus on for the long-term health of the business, and tracking all these things with the systems to measure, report on and deliver insights into what’s going on in the business, in real time.” The other key is building the right team.

Smith believes that the CFO will increasingly be called upon to be a critical communicator, and often the face of the company. “One thing I’m starting to see is CEOs who just want to build a great product and stay behind the scenes, and I think we’re going to see a trend of some CFOs taking on more of that spokesperson role.”

“**The CFO: somebody the CEO will look to for guidance and advice and see as a business partner.**”

Jeff Uttz, Shake Shack

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7 Drivers of Growth

EY has drawn on decades of experience from working alongside some of the world’s fastest-growing companies to develop the EY 7 Drivers of Growth framework. Our insight into what it takes to accelerate growth points to a need to move the conversation about growth and customer value beyond the traditional focus on people, systems and processes. By focusing on a broader set of capabilities, companies can speed up the pace of growth and make it sustainable. The drivers are:

- People, Behaviors and Culture
- Digital, Technology and Analytics
- Operations
- Customer
- Funding and Finance
- Transactions and Alliances
- Risk

The CFO is clearly critical to enabling growth strategy. But the focus of leading CFOs is across all of the 7 Drivers, not just finance and funding. “Of course, the right funding and finance strategy is essential to an accelerated growth path,” says Annette Kimmitt, Global Middle Market Leader at EY. “But the CFOs in the fastest-growing organizations typically also focus on a broad range of capabilities, from the technology to support effective reporting and planning, through to the right supply chain.

“That’s not to say you need to be at the leading edge for all 7 Drivers. The relative importance and maturity level you need to achieve for each Driver links back to your specific growth strategy. But what you do need is a balance across all 7 and complete alignment on that balance between the CFO and their leadership colleagues.”
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